



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Metropolitan Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Habib Metropolitan Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and 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 2019 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 Consolidated 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated 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:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	PROVISION AGAINST LOANS AND ADVANCES	
	<p>Refer to note 10 to the consolidated financial statements and the accounting policies in note 4.6 to the consolidated financial statements.</p> <p>The Group's advances to the customers represent 31.63% of its total assets as at 31 December 2019 and are stated at Rs. 273.59 billion which is net of provision of Rs. 16.93 billion at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed the design and tested the operation of manual and automated controls over the classification of customers, including the following: <ul style="list-style-type: none"> The accuracy of data input into the system used for the credit grading; The ongoing monitoring and identification of advances displaying indicators of impairment and whether they are migrating, on a timely basis, to watch list or to non-performing advances; and

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The provision against loans and advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations issued by the State Bank of Pakistan.</p>	<ul style="list-style-type: none"> - Controls over the computation and recording of provisions; • For a sample of Corporate and Commercial exposure, in respect of watch list accounts and the accounts where the management has not identified as displaying indicators of impairment, challenged the management's assessment by comparing historical performance, financial ratios, reports on the securities available along with expected future performance and formed our view as to whether any impairment indicators are present/ there is need for additional impairment; • Where the management has identified as displaying indicators of impairment, assessed the number of days overdue, assessed the external valuers' credentials, compared the values used in the valuation reports and factors used for calculation of provision in accordance with the Prudential Regulations; • For Retail and SME advances, analyzed the days past due report for the calculation of specific provision required in accordance with Prudential Regulations; and • For Retail, Consumer and SME advances, where the management has not identified as displaying any indicators of impairment, compared the general provision calculated with the provision required in accordance with the requirement of Prudential Regulations. • We issued instructions to the auditors of those subsidiaries which were audited by other auditors, highlighting 'Provision against advances' as a significant risk. The auditors of those subsidiaries performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.
2	VALUATION OF INVESTMENTS	
	<p>Refer to note 9 to the consolidated financial statements and the accounting policies in note 4.5 to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group has investments classified as "Available-for-Sale" and "Held to maturity" amounting to Rs. 443.53 billion in aggregate representing 51.27 % of the total assets of the Group.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Assessed the design and tested the operation of controls for the valuation of investments including impairment allowance against investment classified as available for sale;

S. No.	Key Audit Matters	How the matter was addressed in our audit
	We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' as a key audit matter because of its significance in relation to the total assets of the Bank and judgment involved in assessing impairment allowance.	<ul style="list-style-type: none"> Assessed, on a sample basis, whether available for sale investments were valued at fair value based on the last quoted market price and rates quoted by PSX, PKRV, and Mutual Fund Association of Pakistan (MUFAP) etc; and Assessed whether impairment indicators exists against investments classified as available-for-sale, and assessed whether impairment is recorded for impaired investments.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 consolidated financial statements of the current year 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.

Other Matter

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

Karachi: 5 March 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019	2018
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	70,713,833	48,177,307
Balances with other banks	7	2,691,101	1,916,548
Lendings to financial institutions	8	22,197,303	11,984,795
Investments	9	443,526,749	341,284,168
Advances	10	273,592,854	236,112,844
Fixed assets	11	8,381,391	3,947,862
Intangible assets	12	108,370	163,645
Deferred tax assets	13	3,710,134	5,821,468
Other assets	14	40,108,379	29,430,741
		<u>865,030,114</u>	<u>678,839,378</u>
LIABILITIES			
Bills payable	15	11,541,474	12,173,407
Borrowings	16	145,812,010	53,008,774
Deposits and other accounts	17	611,259,968	542,839,457
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	48,587,058	30,365,390
		<u>817,200,510</u>	<u>638,387,028</u>
NET ASSETS		<u>47,829,604</u>	<u>40,452,350</u>
REPRESENTED BY			
Share capital	19	10,478,315	10,478,315
Reserves		17,706,354	16,371,428
(Deficit) / surplus on revaluation of assets - net of tax	20	(2,873,134)	(5,562,129)
Unappropriated profit		19,224,491	15,950,329
		<u>44,536,026</u>	<u>37,237,943</u>
Non-controlling interest	19.4	3,293,578	3,214,407
		<u>47,829,604</u>	<u>40,452,350</u>
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		Rupees in '000	
Mark-up / return / interest earned	23	72,921,634	43,060,826
Mark-up / return / interest expensed	24	(54,954,379)	(26,406,518)
Net mark-up / interest income		17,967,255	16,654,308
Non mark-up / interest income			
Fee and commission income	25	5,295,245	4,144,073
Dividend income		101,797	103,198
Foreign exchange income		3,116,980	1,498,410
Income / (loss) from derivatives		—	—
(Loss) / gain on securities	26	(1,167,204)	84,805
Other income	27	63,615	269,272
Total non mark-up / interest income		7,410,433	6,099,758
Total Income		25,377,688	22,754,066
Non mark-up / interest expenses			
Operating expenses	28	12,982,036	11,797,688
Workers' welfare fund		245,636	197,947
Other charges	29	101,813	31,105
Total non-mark-up / interest expenses		(13,329,485)	(12,026,740)
Profit before provisions		12,048,203	10,727,326
(Provisions) / reversal and write offs - net	30	(419,546)	(382,427)
Extra ordinary / unusual items		—	—
Profit before taxation		11,628,657	10,344,899
Taxation	31	(4,666,911)	(3,923,994)
Profit after taxation		6,961,746	6,420,905
Profit attributable to:			
Equity shareholders of the holding company		6,645,512	6,179,777
Non-controlling interest		316,234	241,128
		6,961,746	6,420,905
		Rupees	
Basic and diluted earnings per share	32	6.34	5.90

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	Rupees in '000	
Profit after taxation	6,961,746	6,420,905
Other comprehensive income		
Items that may be reclassified to profit and loss in subsequent periods:		
Effect of translation of net investment in an offshore branch	28	–
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,662,346	(6,459,320)
Items that will not be reclassified to profit and loss in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	56,448	(690)
Movement in surplus on revaluation of non-banking assets - net of tax	48,840	–
Total comprehensive income / (loss)	<u>9,729,408</u>	<u>(39,105)</u>
Equity share holders of the holding company	9,393,746	(341,000)
Non-controlling interest	335,662	301,895
	<u>9,729,408</u>	<u>(39,105)</u>

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Reserves					Surplus on revaluation						
	Share capital	Exchange translation Reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Non-banking assets	Un-appropriated profit	Sub total	Non-controlling interest	Total
	Rupees in '000											
Opening balance as at 1 January 2018	10,478,315	–	2,550,985	10,832,685	240,361	1,500,000	778,330	182,331	14,159,430	40,722,437	3,140,212	43,862,649
Profit after taxation	–	–	–	–	–	–	–	–	6,179,777	6,179,777	241,128	6,420,905
Other comprehensive income -net of tax	–	–	–	–	–	–	(6,519,920)	–	(857)	(6,520,777)	60,767	(6,460,010)
Total comprehensive income	–	–	–	–	–	–	(6,519,920)	–	6,178,920	(341,000)	301,895	(39,105)
Transfer to statutory reserve	–	–	–	1,247,397	–	–	–	–	(1,247,397)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit -net of tax	–	–	–	–	–	–	–	(2,870)	2,870	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend (Rs.3.00 per share) for the year ended 31 December 2017	–	–	–	–	–	–	–	–	(3,143,494)	(3,143,494)	–	(3,143,494)
Profit distribution by First Habib Modaraba (Rs. 1.25 per certificate) for the period ended 30 June 2018	–	–	–	–	–	–	–	–	–	–	(226,800)	(226,800)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.10 per certificate) for the period ended 30 June 2018	–	–	–	–	–	–	–	–	–	–	(900)	(900)
Balance as at 31 December 2018	10,478,315	–	2,550,985	12,080,082	240,361	1,500,000	(5,741,590)	179,461	15,950,329	37,237,943	3,214,407	40,452,350
Profit after taxation	–	–	–	–	–	–	–	–	6,645,512	6,645,512	316,234	6,961,746
Other comprehensive income -net of tax	–	28	–	–	–	–	2,643,025	48,840	56,341	2,748,234	19,428	2,767,662
Total comprehensive income	–	28	–	–	–	–	2,643,025	48,840	6,701,853	9,393,746	335,662	9,729,408
Transfer to statutory reserve	–	–	–	1,334,898	–	–	–	–	(1,334,898)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit -net of tax	–	–	–	–	–	–	–	(2,870)	2,870	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2018	–	–	–	–	–	–	–	–	(2,095,663)	(2,095,663)	–	(2,095,663)
Profit distribution by First Habib Modaraba (Rs. 1.40 per certificate) for the period ended 30 June 2019	–	–	–	–	–	–	–	–	–	–	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.275 per certificate) for the period ended 30 June 2019	–	–	–	–	–	–	–	–	–	–	(2,475)	(2,475)
Balance as at 31 December 2019	10,478,315	28	2,550,985	13,414,980	240,361	1,500,000	(3,098,565)	225,431	19,224,491	44,536,026	3,293,578	47,829,604

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,628,657	10,344,899
Less: Dividend income		(101,797)	(103,198)
		11,526,860	10,241,701
Adjustments			
Depreciation on fixed assets	11.2	987,925	823,827
Depreciation on right-of-use assets		774,609	—
Depreciation on non-banking assets	14.1.1	11,236	12,044
Amortization	12	93,594	128,672
Mark-up / return / interest earned on lease liability against right-of-use assets		446,555	—
Provisions and write offs excluding recovery of written off bad debts	30	436,885	476,138
Net gain on sale of fixed assets		(16,486)	(8,707)
Gain on sale of non-banking assets	27	—	(202,282)
Gain on sale of non-current assets held-for-sale	27	—	(35,042)
Provision against workers welfare fund		245,636	197,947
Provision against compensated absences		82,448	76,527
Provision against defined benefit plan	35.8	173,397	149,894
		3,235,799	1,619,018
		14,762,659	11,860,719
(Increase) / decrease in operating assets			
Lendings to financial institutions		(10,212,508)	(1,069,990)
Advances		(37,860,392)	(54,754,210)
Other assets (excluding current taxation and including non-banking assets)		(4,165,060)	(2,451,007)
		(52,237,960)	(58,275,207)
Increase / (decrease) in operating liabilities			
Bills payable		(631,933)	(7,470,196)
Borrowings from financial institutions		91,885,083	(15,351,182)
Deposits and other accounts		68,420,511	35,414,176
Other liabilities (excluding current taxation)		7,651,638	2,530,226
		167,325,299	15,123,024
		129,849,998	(31,291,464)
Payment against compensated absences		(64,895)	(71,234)
Contribution made to defined benefit plan		(172,405)	(148,937)
Income tax paid		(4,334,443)	(3,153,723)
		125,278,255	(34,665,358)
Net cash flow generated from / (used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(98,382,754)	42,328,838
Net investments in held-to-maturity securities		169,475	1,601,441
Dividend received		101,797	103,674
Investments in fixed assets		(1,512,600)	(1,632,823)
Investments in intangibles assets		(38,319)	(26,365)
Proceeds from sale of fixed assets		22,390	22,296
Proceeds from sale of non-banking assets		—	600,000
Proceeds from sale of non-current assets held-for-sale		—	250,000
Effect of translation of net investment in an offshore branch		28	—
		(99,639,983)	43,247,061
Net cash flow (used in) / generated from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,348,098)	(3,349,572)
Payment of lease liability against right-of-use assets		(897,248)	—
		(3,245,346)	(3,349,572)
Net cash used in financing activities			
Increase in cash and cash equivalents		22,392,926	5,232,131
Cash and cash equivalents at beginning of the year		46,905,159	41,673,028
Cash and cash equivalents at end of the year	33	69,298,085	46,905,159

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS Chief Financial Officer	MOHSIN A. NATHANI President & Chief Executive Officer	MOHOMED BASHIR Director	SOHAIL HASSAN Director	MOHAMEDALI R. HABIB Chairman
--	--	-----------------------------------	----------------------------------	--

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (the holding company), Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary companies) and First Habib Modaraba and Habib Metro Modaraba (managed by Habib Metropolitan Modaraba Management Company (Private) Limited).

Holding Company

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. Its shares are listed on the Pakistan Stock Exchange. The holding company operates 362 (2018: 322) branches, including 31 (2018: 31) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (2018: 30) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the holding company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

- Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Kheকাশan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

- Habib Metropolitan Modaraba Management Company (Private) Limited - 100% holding

Habib Metropolitan Modaraba Management Company (Private) Limited (Modaraba management company) was incorporated in Pakistan on 01 June 2015 as a private limited under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.

- First Habib Modaraba - 10% holding

First Habib Modaraba is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharakah, Murabaha financing and other related business.

- Habib Metro Modaraba - 70% holding

Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of ijarah / rental / musharakah or any other approved modes of financing. The Bank and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

2. BASIS OF PRESENTATION

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

2.2 Statement of compliance

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, 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).

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 consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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 has resulted in certain new disclosures in the financial statements of the Bank. The 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.

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

2.3.1 IFRS 16 became effective for annual reporting period commencing on or after 1 January 2019. The impact of the adoption of IFRS 16 is given in note 2.3.3 to these financial statements.

2.3.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these financial statements.

2.3.3 Adoption of International Financial Reporting Standards (IFRS) 16 'Leases'

On 1 January 2019, the Bank adopted IFRS 16 'Leases'. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. The significant judgments in the implementation were determining if a contract contained a lease, and the

determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 13.22 percent.

The impact of IFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts. The Group has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Bank recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019 was Rs. 3,495,550 thousand with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'other liabilities'. Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expenses.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in profit and loss on a straight line basis over term of the lease.

The effect of this change in accounting policy is as follows:

	31 December 2019 Rupees in '000
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	3,851,321
Decrease in other assets - advances, deposits and other prepayments	(314,848)
Increase in other assets - taxation	119,813
	<u>3,656,286</u>
Increase in other liabilities - lease liability against right-of-use assets	<u>(3,846,508)</u>
Decrease in net assets	<u>(190,222)</u>
	For the year ended 31 December 2019 Rupees in '000
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(446,555)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(774,609)
- Rent expense	911,129
Decrease in profit before tax	<u>(310,035)</u>
Decrease in tax	119,813
Decrease in profit after tax	<u>(190,222)</u>

In view of the application of above IFRS, the Group's accounting policy for right-of-use assets and its related lease liability is mentioned in note 4.7.3 and note 4.15 respectively.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The 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. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are 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.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, banks should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

- IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and / or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Group's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks / DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks / DFIs are also required to prepare proforma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. These proforma financial statements are being prepared by the holding company and the holding company is in the process of assessing the impact of the application of IFRS 9 on its financial statements.

2.5 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) Classification of investments (note 4.5.1)
- ii) Valuation and impairment of available-for-sale equity investments (note 4.5.2)
- iii) Provision against non-performing loans and advances (note 4.6.1) and debt securities classified as investments (note 4.5.2)
- iv) Impairment of non-financial assets (excluding deferred tax asset) (note 4.22)
- v) Income taxes (note 4.12)
- vi) Depreciation and amortisation (note 4.7.2 and 4.8)
- vii) Defined benefit plan (note 4.14.1)
- viii) Compensated absences (note 4.14.2)
- ix) Right-of-use assets (note 4.7.3) and related lease liability (note 4.15)

3. BASIS OF MEASUREMENT

Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, derivative financial instruments are carried at fair value and non-banking assets in satisfaction of claims are stated at revalued amount less accumulated depreciation as disclosed in notes 4.5, 4.10 and 4.9 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented except for the changes mentioned in note 2.3.3 to the financial statements.

4.2 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 balances and transactions have been eliminated.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

4.3 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks less overdrawn nostros and local bank accounts.

4.4 Lendings to / borrowings from financial institutions

The holding company enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreement

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 and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is accrued as markup expense on a pro-rata basis over the term of the repo agreement.

Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued as markup income on a pro-rata basis over the term of the agreement.

Other borrowings including borrowings from the SBP are recorded at the proceeds received. Mark up on such borrowing is charged to the profit and loss account on a time proportion basis.

Bai muajjal

The securities sold under Bai muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

Certificate of investments (Musharakah)

Certificate of investments (COI's) are carried at principal amount in the financial statements. The Modaraba invests the amount received from COI holders on the basis of full participation in the profit and loss. The profit is allocated between COI holders and certificate holders as per agreed ratio. Certificate holder's share of profit is recognized as financial expense in the period of its occurrence. On the basis of projected rate of profit, profit on musharakah finance is determined. After determination of the actual rate, the effect of any difference between actual and projected rate of profit is accounted for, at the end of each quarter.

4.5 Investments

4.5.1 Investments are classified as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the positive intention and ability to hold till maturity.

Available-for-sale

These are investments except from those made in subsidiaries and that do not fall under the held-for-trading or held-to-maturity categories.

4.5.2 Investments (other than held-for-trading) include transaction costs associated with the investments. In case of held-for-trading transaction costs are charged to profit and loss account when incurred.

All "regular way" purchases and sales of investments are recognised on the trade date, i.e., the date that the Group commits the purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held-to-maturity and investment in subsidiaries, are carried at market value. Investments classified as held-to-maturity are carried at amortised cost.

Unrealised surplus / deficit arising on the revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. Surplus / deficit arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in equity. Surplus / deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of these securities is calculated as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of term finance certificates and sukuk certificates are made as prescribed under Prudential Regulation issued by the SBP.

Provision for impairment in the value of available-for-sale and held-to-maturity securities (other than bonds and term finance certificates and sukuk certificates) is made after considering objective evidence of impairment, if any, in their value (as a result of one or more events that may have an impact on the estimated future cash flows of the investments). A significant or prolonged decline in the fair value of an equity investment below its cost is also considered an objective evidence of impairment. Impairment losses are taken to profit and loss account.

4.6 Advances (including net investments in finance lease and ijarah arrangements)

4.6.1 Loans and advances

Loans and advances and net investments in finance lease are stated net of provision for loan losses against non-performing advances. Provision for loan losses is made in accordance with the Prudential Regulations issued by the SBP and the SECP is charged to profit and loss account. The Group also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's assessment of credit risk characteristics and general banking risk such as nature of credit, collateral type, industry sector and other relevant factors. Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

4.6.2 Finance lease receivables

Leases where the holding company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

4.6.3 Islamic finance and related assets

Ijarah

In accordance with the requirements of IFAS 2 for the accounting and financial reporting of "ijarah", ijarah arrangements by the Islamic banking branches and modarabas are accounted for as 'assets held under ijarah' and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly, assets subject to ijarah have been reflected in note 10 to these consolidated financial statements under "advances". Rental income on these ijarah is recognised in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on ijarah assets on a straight line basis over the period of ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of ijarah agreement and is charged to the profit and loss account. The classification and provisioning of ijarah assets held by the holding company

is done in line with the requirements laid down in the Prudential Regulations issued by the SBP and SECP, and are recognised in the profit and loss account.

Diminishing musharakah

In diminishing musharakah based financing, the Group enters into a musharakah 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 profit payment agreement for the utilization of the Group's mushariki share by the customer. Income from these transactions are recorded on an accrual basis.

Istisna

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

Al-bai

The product is based on the Islamic mode "musawamah". Musawamah is a general kind of sale in which price of the commodity to be traded is agreed between seller and the buyer without any reference to the cost incurred and profit charged by the former.

Murabaha

Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

4.7 Fixed assets

4.7.1 Capital work-in-progress

These are stated at cost less impairment losses, if any.

4.7.2 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which are stated at cost less accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 11.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal.

Subsequent costs are included in the asset's carrying amount 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. All other repairs and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each statement of financial position date.

4.7.3 Right-of-use assets

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group mainly leases properties for its operations. The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

4.8 Intangible assets

Intangible assets with definite useful life are stated at cost less accumulated amortisation and impairment, if any. The cost of intangible assets are amortised from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

Intangible assets with indefinite useful life are initially measured at cost being the consideration paid. After initial recognition, these are measured at cost less any accumulated impairment losses. They are tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment are recognised in the profit and loss account.

4.9 Non-banking assets

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' 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 to property is charged to profit and loss account.

4.10 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contracts are 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.

4.11 Provisions

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognised when the Group has a legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.12 Taxation

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

4.12.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gains / losses recognised in other comprehensive income, which is adjusted against the related deficit / surplus.

4.13 Deposits

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

4.14 Employees' benefits

4.14.1 Retirement benefits

Defined benefit plan

The Group operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using the "projected unit credit actuarial cost method".

All actuarial gains and losses are recognised in other comprehensive income as they occur.

Past service cost resulting from changes to defined benefit plans is recognised in the profit and loss account.

Defined contribution plan

The Bank and a subsidiary operates a recognised provident fund schemes for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Group and its employees, to the fund at the rate of 10% of basic salary.

4.14.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the "projected unit credit actuarial cost method" has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Group.

4.15 Lease liability against right-of-use assets

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. These are recognised as follows:

4.16.1 Advances and investments

- Mark-up / return on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account using the effective interest rate method.
- Mark-up / return on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP and SECP.
- Dividend income is recognised when the Group's right to receive the dividend is established.
- Gains and losses on sale of investments are recognised in the profit and loss account.
- Income on bills discounted are recognised over the period of the bill.

4.16.2 Lease financing / ijarah contracts

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) 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. Unrealised income on classified leases is recognised on receipt basis.

Rental income on ijarah are accounted for under IFAS 2 (refer note 4.6) is recognised in the profit and loss account on a time proportion basis.

Gains / losses on termination of lease contracts and other lease income are recognised when the termination takes place which generally coincides with realisation.

4.16.3 Fees, commission and brokerage

Fees, commission and brokerage is accounted for on accrual basis.

4.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.18 Foreign currencies

4.18.1 Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Gains or losses on above translation are included in profit and loss account.

4.18.2 Offshore branch operations

The assets and liabilities of an offshore branch operations are translated into rupees at the exchange rates prevailing at the statement of financial position date. The income and expenses are translated into rupees at average rate of exchange prevailing during the period. Exchange gain or loss on such translation is taken to equity through statement of 'other comprehensive income' under 'exchange translation reserve'.

4.18.3 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date.

4.19 Segment reporting

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

4.19.1 Business segments

a) Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

b) Retail banking

Retail banking provides services to small borrowers i.e. consumers. It includes loans, deposits and other transactions with retail customers.

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers; and SME customers.

4.19.2 Geographical segments

The Group conducts all its operations in Pakistan including an offshore branch in Karachi Export Processing Zone.

4.20 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to statement of financial position date are considered as non-adjusting event and are not recorded in consolidated financial statements of the current year. These are recognised in the period in which these are declared / approved.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. 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.

4.22 Impairment of non-financial assets (excluding deferred tax asset)

At each statement of financial position date, the Group reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.

4.23 Acceptances

Acceptances comprises undertakings by the holding company to pay bill of exchange due on customers. It is recognised as financial liability and the contractual right of reimbursement from the customer is recorded as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities in these consolidated financial statements.

4.24 Financial instruments

All financial assets and liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

	Note	2019	2018
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,400,405	7,657,684
Foreign currencies		1,289,049	2,013,643
		<u>8,689,454</u>	<u>9,671,327</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	37,267,827	20,272,479
Foreign currency current account	6.2	64,248	244,068
Foreign currency deposit accounts			
– cash reserve account	6.3	5,663,551	4,151,971
– special cash reserve account	6.4	16,348,050	12,370,079
		<u>59,343,676</u>	<u>37,038,597</u>
With National Bank of Pakistan in			
Local currency current accounts		2,558,634	1,443,318
National prize bonds		122,069	24,065
		<u>70,713,833</u>	<u>48,177,307</u>

- 6.1** These accounts are maintained to comply with the statutory cash reserve requirements.
- 6.2** This represents US Dollar collection / settlement account with SBP.
- 6.3** This represents account maintained with the SBP to comply with the Cash Reserve requirement against foreign currency deposits.
- 6.4** This represents account maintained with the SBP to comply with the Special Cash Reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2019, carries mark-up at the rate of 0.70% to 1.51% (2018: 0.56% to 1.35%) per annum.

7. BALANCES WITH OTHER BANKS

	Note	2019	2018
		Rupees in'000	
In Pakistan			
In current accounts		146,760	94,703
In deposit accounts	7.1	1,135,605	1,008,359
		<u>1,282,365</u>	<u>1,103,062</u>
Outside Pakistan			
In current accounts	7.2	1,408,736	813,486
		<u>2,691,101</u>	<u>1,916,548</u>

- 7.1** These carry mark-up rates ranging from 11.25% to 12.75% (2018: 2.84% to 9.75%) per annum.
- 7.2** These include balances in current accounts of Rs. 111,070 thousand (2018: Rs. 112,023 thousand) with branches of the ultimate parent company.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings		—	3,000,000
Repurchase agreement lendings (Reverse Repo)		—	4,184,795
Bai muajjal receivable with the State Bank of Pakistan	8.2	7,507,303	—
Letters of placement	8.3	7,500,000	3,800,000
Musharakah placements	8.4	7,190,000	1,000,000
		<u>22,197,303</u>	<u>11,984,795</u>

8.1 Particulars of lendings

In local currency	<u>22,197,303</u>	<u>11,984,795</u>
-------------------	-------------------	-------------------

- 8.2** These will mature upto 18 March 2020 and the maturity amount is Rs. 8,286,578 thousand.
- 8.3** These carry profit / return ranging from 10.00% to 12.25% (2018: 10.60% to 10.75%) per annum with maturity upto 3 March 2020 (2018: 1 February 2019).
- 8.4** These carry profit / return rate from 8% to 12.15% (2018: 9.25%) per annum with maturity upto 3 February 2020 (2018: 2 January 2019).

9. INVESTMENTS

9.1 Investments by types

	2019				2018			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
Rupees in '000								
Available-for-sale securities								
Federal government securities	401,863,579	–	(4,916,659)	396,946,920	307,914,359	–	(8,965,828)	298,948,531
Shares	891,935	(333,784)	171,177	729,328	885,410	(273,810)	104,095	715,695
Non-government debt securities	9,458,743	(130,559)	(39,636)	9,288,548	5,031,734	(138,428)	16,532	4,909,838
Mutual funds	29,702	(9,647)	9,656	29,711	29,702	(5,753)	(15,562)	8,387
Real estate investment trust	387,869	–	54,499	442,368	387,869	–	54,499	442,368
	<u>412,631,828</u>	<u>(473,990)</u>	<u>(4,720,963)</u>	<u>407,436,875</u>	<u>314,249,074</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>305,024,819</u>
Held-to-maturity securities								
Federal government securities	36,089,874	–	–	36,089,874	36,259,349	–	–	36,259,349
Non-government debt securities	–	–	–	–	–	–	–	–
	<u>36,089,874</u>	<u>–</u>	<u>–</u>	<u>36,089,874</u>	<u>36,259,349</u>	<u>–</u>	<u>–</u>	<u>36,259,349</u>
Total Investments	<u>448,721,702</u>	<u>(473,990)</u>	<u>(4,720,963)</u>	<u>443,526,749</u>	<u>350,508,423</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>341,284,168</u>

9.2 Investments by segments

Federal government securities

Market treasury bills	269,582,042	–	(98,935)	269,483,107	167,194,000	–	(17,576)	167,176,424
Pakistan investment bonds	164,762,723	–	(4,817,724)	159,944,999	151,704,966	–	(8,897,428)	142,807,538
Ijarah sukuk	–	–	–	–	21,666,054	–	(50,824)	21,615,230
Bai muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
	<u>437,953,453</u>	<u>–</u>	<u>(4,916,659)</u>	<u>433,036,794</u>	<u>344,173,708</u>	<u>–</u>	<u>(8,965,828)</u>	<u>335,207,880</u>

Shares

Listed companies	757,420	(254,713)	171,177	673,884	778,419	(194,739)	104,095	687,775
Unlisted companies	134,515	(79,071)	–	55,444	106,991	(79,071)	–	27,920
	<u>891,935</u>	<u>(333,784)</u>	<u>171,177</u>	<u>729,328</u>	<u>885,410</u>	<u>(273,810)</u>	<u>104,095</u>	<u>715,695</u>

Non-government debt securities

Listed term finance certificates	3,212,414	(70,403)	(46,556)	3,095,455	3,421,584	(72,045)	7,719	3,357,258
Unlisted term finance certificates	29,697	(21,138)	–	8,559	81,051	(21,138)	–	59,913
Sukuk certificates / bonds	6,216,632	(39,018)	6,920	6,184,534	1,529,099	(45,245)	8,813	1,492,667
	<u>9,458,743</u>	<u>(130,559)</u>	<u>(39,636)</u>	<u>9,288,548</u>	<u>5,031,734</u>	<u>(138,428)</u>	<u>16,532</u>	<u>4,909,838</u>

Mutual funds

Open end	12,753	–	5,820	18,573	12,753	–	2,147	14,900
Close end	16,949	(9,647)	3,836	11,138	16,949	(5,753)	(17,709)	(6,513)
	<u>29,702</u>	<u>(9,647)</u>	<u>9,656</u>	<u>29,711</u>	<u>29,702</u>	<u>(5,753)</u>	<u>(15,562)</u>	<u>8,387</u>

Real estate investment trust

	387,869	–	54,499	442,368	387,869	–	54,499	442,368
Total investments	<u>448,721,702</u>	<u>(473,990)</u>	<u>(4,720,963)</u>	<u>443,526,749</u>	<u>350,508,423</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>341,284,168</u>

	2019	2018
	Rupees in '000	
9.2.1 Investments given as collateral against repo borrowing		
Federal government securities		
Market treasury bills	81,790,898	3,443,636
Pakistan investment bonds	7,415,475	9,165,995
	<u>89,206,373</u>	<u>12,609,631</u>

9.3 Provision for diminution in value of investments

9.3.1	Opening balance	417,991	537,372
	Charge for the year	63,868	100,021
	Reversal for the year	(7,869)	(14,442)
	Net charge for the year	55,999	85,579
	Reversal on disposal	—	(198,028)
	Investment written off	—	(6,932)
	Closing balance	<u>473,990</u>	<u>417,991</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	130,559	130,559	138,428	138,428
	<u>130,559</u>	<u>130,559</u>	<u>138,428</u>	<u>138,428</u>

9.4 Quality of available for sale securities

Details regarding quality of available for sale (AFS) securities are as follows:

Federal government securities

	2019	2018
	Cost	
	Rupees in '000	
Market treasury bills	269,582,042	167,194,000
Pakistan investment bonds	132,281,537	119,054,305
Ijarah sukuk	—	21,666,054
	<u>401,863,579</u>	<u>307,914,359</u>

Shares

Listed companies

Automobile assembler	20,091	20,091
Automobile parts and accessories	58,026	58,026
Cement	81,811	81,811
Commercial banks	202,319	202,994
Fertilizers	114,853	117,380
Investment banks / investment company / securities companies	108,275	108,260
Oil and gas exploration companies	69,843	87,658
Sugar and allied	70,515	70,515
Transport	30,254	30,251
Others	1,433	1,433
	<u>757,420</u>	<u>778,419</u>

	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Pakistan Export Finance Guarantee Limited	11,361	—	11,361	—
DHA Cogen Limited	50,000	—	50,000	—
Dawood Family Takaful Limited	35,000	17,710	35,000	17,290
Society for World Wide Inter Bank Fund Transfer (Swift)	10,630	12,906	10,630	12,906
Pakistan Corporate Restructuring Company Limited *	27,524	27,524	—	—
	<u>134,515</u>	<u>58,140</u>	<u>106,991</u>	<u>30,196</u>

* This represents amount paid in advance against subscription of ordinary shares of Rs. 10 each.

Non-government debt securities

	2019	2018
	Cost	Cost
	Rupees in '000	
Listed		
AAA	998,800	381,783
AA+	472,835	1,149,200
AA	306,276	636,399
A+	249,550	939,270
AA-	1,419,550	1,019,600
A	600,000	200,000
A-	171,428	107,142
Unrated	4,977,143	517,289
	<u>9,195,582</u>	<u>4,950,683</u>
Unlisted		
AAA	121,429	—
A+	102,535	—
Unrated	39,197	81,051
	<u>263,161</u>	<u>81,051</u>
Mutual funds - listed		
Unrated	29,702	29,702
Real estate investment trust - listed		
AAA (rr)	387,869	—
RR1	—	387,869
	<u>387,869</u>	<u>387,869</u>

9.5 Particulars relating to held-to-maturity securities are as follows:

Federal government securities

Pakistan investment bonds	32,481,186	32,650,661
Bai muajjal	3,608,688	3,608,688
	<u>36,089,874</u>	<u>36,259,349</u>

9.5.1 The market value of securities classified as held-to-maturity is Rs. 39,168,228 thousand (2018: 37,847,389 thousand).

10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2019	2018	2019	2018	2019	2018
Rupees in '000							
Loans, cash credits, running finances, etc.							
In Pakistan	10.1	199,539,259	172,288,376	14,554,885	14,710,168	214,094,144	186,998,544
Islamic financing and related assets	10.2	31,850,902	27,084,790	853,946	503,972	32,704,848	27,588,762
Bills discounted and purchased		41,598,380	35,620,461	2,124,307	2,465,767	43,722,687	38,086,228
Advances - gross		272,988,541	234,993,627	17,533,138	17,679,907	290,521,679	252,673,534
Provision against non-performing advances							
-specific		-	-	(15,294,415)	(15,324,500)	(15,294,415)	(15,324,500)
-general		(1,634,410)	(1,236,190)	-	-	(1,634,410)	(1,236,190)
		(1,634,410)	(1,236,190)	(15,294,415)	(15,324,500)	(16,928,825)	(16,560,690)
Advances - net of provisions		271,354,131	233,757,437	2,238,723	2,355,407	273,592,854	236,112,844

10.1 Net investments in finance lease

	2019				2018			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								
Lease rentals receivable	79,406	73,554	-	152,960	160,706	74,785	-	235,491
Residual value	87,725	17,898	-	105,623	93,817	13,146	-	106,963
Minimum lease payments	167,131	91,452	-	258,583	254,523	87,931	-	342,454
Financial charges for future periods	(16,524)	(13,294)	-	(29,818)	(19,076)	(11,414)	-	(30,490)
Present value of minimum lease payments	150,607	78,158	-	228,765	235,447	76,517	-	311,964

10.2 It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 9,462,660 thousand and Rs. 194,594 thousand respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 23,047,594 thousand as disclosed in Annexure II to the consolidated financial statements.

	2019	2018
Rupees in '000		
10.3 Particulars of advances – gross		
In local currency	248,763,551	223,055,631
In foreign currencies	41,758,128	29,617,903
	290,521,679	252,673,534

10.4 Advances include Rs. 17,533,138 thousand (2018: Rs. 17,679,907 thousand) which have been placed under non-performing status as detailed below:

Category of classification Domestic	2019		2018	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Substandard	433,980	76,611	259,378	17,562
Doubtful	628,533	273,742	127,952	2,136
Loss	16,470,625	14,944,062	17,292,577	15,304,802
	<u>17,533,138</u>	<u>15,294,415</u>	<u>17,679,907</u>	<u>15,324,500</u>

10.5 Particulars of provision against advances

	Note	2019			2018		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		15,324,500	1,236,190	16,560,690	16,168,582	257,841	16,426,423
Charge for the year		1,179,540	398,220	1,577,760	936,036	978,349	1,914,385
Reversals for the year		(1,197,378)	—	(1,197,378)	(1,482,574)	—	(1,482,574)
Net charge / (reversal)							
for the year		(17,838)	398,220	380,382	(546,538)	978,349	431,811
Amount written off	10.6	(12,247)	—	(12,247)	(297,544)	—	(297,544)
Closing balance		<u>15,294,415</u>	<u>1,634,410</u>	<u>16,928,825</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

10.5.1 General provision includes provision of Rs. 3,410 thousand (2018: Rs. 5,134 thousand) made against consumer portfolio and Rs. 55 thousand (2018: Rs. 35 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

10.5.2 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	14,877,139	1,634,410	16,511,549	14,952,295	1,236,190	16,188,485
In foreign currencies	417,276	—	417,276	372,205	—	372,205
	<u>15,294,415</u>	<u>1,634,410</u>	<u>16,928,825</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

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

During the current year, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 315,348 thousand (2018: 628,190 thousand). Further, as of 31 December 2019, had the benefit of FSVs (including those availed into previous year) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 1,598,972 thousand (2018: Rs. 2,096,898 thousand) and accumulated profit would have been lower by Rs. 1,039,332 thousand (2018: Rs. 1,362,983 thousand). This amount of Rs. 1,039,332 thousand (2018: Rs. 1,362,983 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	2019	2018
		Rupees in '000	
10.6 Particulars of write offs			
10.6.1 Against provisions	10.5	12,247	297,544
Directly charged to profit and loss account		-	-
		12,247	297,544
10.6.2 Write offs of Rs. 500,000/- and above		12,247	297,544
Write offs of below Rs. 500,000/-		-	-
		12,247	297,544

10.7 Details of loan write offs 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 Rs. 500,000 or above allowed to the persons during the year ended 31 December 2019 is enclosed as Annexure I.

11. FIXED ASSETS

Capital work-in-progress	11.1	343,734	148,081
Property and equipment	11.2	4,186,336	3,799,781
Right-of-use assets	2.3.3	3,851,321	-
		8,381,391	3,947,862
11.1 Capital work-in-progress			
Civil works	11.1.1	243,323	37,661
Advance to suppliers		100,411	110,420
		343,734	148,081

11.1.1 This represents advance against renovation being carried out at various locations.

11.2 Property and equipment

	2019								
	Freehold land	Leasehold land	Building / office premises on freehold land	Building / office premises on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Total
	Rupees in '000								
At 1 January									
Cost	–	7,488	352,783	2,532,621	471,694	2,822,341	104,259	2,891,545	9,182,731
Accumulated depreciation	–	(1,789)	(180,200)	(874,466)	(255,136)	(1,969,642)	(25,860)	(2,075,857)	(5,382,950)
Net book value	–	5,699	172,583	1,658,155	216,558	852,699	78,399	815,688	3,799,781
Year ended 31 December									
Opening net book value	–	5,699	172,583	1,658,155	216,558	852,699	78,399	815,688	3,799,781
Transfer / additions	59,871 *	91,852	3,566 *	175,405	72,980	714,050	61,252	201,408	1,380,384
Disposals	–	–	–	–	(141)	(1,157)	(4,606)	–	(5,904)
Depreciation charge	–	(511)	(12,161)	(98,797)	(60,150)	(504,393)	(25,915)	(285,998)	(987,925)
Closing net book value	59,871	97,040	163,988	1,734,763	229,247	1,061,199	109,130	731,098	4,186,336
At 31 December									
Cost	59,871	99,340	356,349	2,708,026	540,997	3,481,712	158,656	3,092,953	10,497,904
Accumulated depreciation	–	(2,300)	(192,361)	(973,263)	(311,750)	(2,420,513)	(49,526)	(2,361,855)	(6,311,568)
Net book value	59,871	97,040	163,988	1,734,763	229,247	1,061,199	109,130	731,098	4,186,336
Rate of depreciation (percentage)	–	1.49	4	4	15	25	20	20	

* This represents transfer of property from non-banking assets refer note 14.1.1.

	2018								
	Freehold land	Leasehold land	Building / office premises on freehold land	Building / office premises on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Total
	Rupees in '000								
At 1 January									
Cost	–	7,488	352,783	1,900,513	392,344	2,495,848	47,808	2,563,501	7,760,285
Accumulated depreciation	–	(1,677)	(168,039)	(806,352)	(209,245)	(1,625,571)	(15,532)	(1,803,993)	(4,630,409)
Net book value	–	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
Year ended 31 December									
Opening net book value	–	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
Additions	–	–	–	632,108	84,339	387,915	71,607	331,352	1,507,321
Disposals	–	–	–	–	(322)	(1,411)	(9,568)	(2,288)	(13,589)
Depreciation charge	–	(112)	(12,161)	(68,114)	(50,558)	(404,082)	(15,916)	(272,884)	(823,827)
Closing net book value	–	5,699	172,583	1,658,155	216,558	852,699	78,399	815,688	3,799,781
At 31 December									
Cost	–	7,488	352,783	2,532,621	471,694	2,822,341	104,259	2,891,545	9,182,731
Accumulated depreciation	–	(1,789)	(180,200)	(874,466)	(255,136)	(1,969,642)	(25,860)	(2,075,857)	(5,382,950)
Net book value	–	5,699	172,583	1,658,155	216,558	852,699	78,399	815,688	3,799,781
Rate of depreciation (percentage)	–	1.49	4	4	15	25	20	20	

11.2.1 The cost of fully depreciated assets still in use includes;

	2019	2018
	Rupees in '000	
Furniture and fixture	331,707	316,192
Electrical, office and computer equipment	1,406,181	1,169,953
Vehicles	7,583	7,039
Lease hold improvement	1,526,060	1,278,515

11.2.2 Details of fixed assets disposed-off to related parties during the year ended 31 December 2019

Particulars	Cost	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	16	13	881	Negotiation	Mr. Aamir Hameed Piracha (Employee)
Vehicle	18	14	963	Negotiation	Mr. Abdul Jabbar Rathod (Ex-employee)
Vehicle	1,782	1,279	1,650	Negotiation	Mr. Farooq Ahmed Malik (Ex-employee)
Vehicle	1,734	1,067	1,097	Negotiation	Mr. Iqbal Ahmed Farooqi (Ex-employee)
Vehicle	13	–	525	Negotiation	Mr. Mirza Sultan Ali (Ex-employee)
Vehicle	590	590	885	Negotiation	Mr. Mirza Najam Sehar (Ex-employee)
Vehicle	319	319	945	Negotiation	Mr. Nayyar Hasan Zaidi (Employee)
Vehicle	1,734	1,067	1,097	Negotiation	Mr. Qazi Ahmed Siddiqui (Ex-employee)
Vehicle	45	27	2,010	Negotiation	Mr. Sirajuddin Aziz (Ex-employee)
Vehicle	18	15	15	Negotiation	Mr. Waheed Usman Sakrani (Ex-employee)
Vehicle	18	15	16	Negotiation	Mr. Zubair Javaid (Ex-employee)
Vehicle	17	11	859	Negotiation	Syed Abu Tufail (Employee)
Vehicle	24	19	19	Negotiation	Syed Hasan Ali Kazmi (Ex-employee)
Vehicle	17	10	840	Negotiation	Syed Hasnain Haider Rizvi (Employee)
Vehicle	51	40	2,100	Negotiation	Syed Muhamamd Talib Rizvi (Ex-employee)
Vehicle	98	98	98	Negotiation	Mr. Khadim Ali Nanji (Ex-employee)

12. Intangible assets

	2019			2018		
	Computer software	Management rights	Total	Computer software	Management rights	Total
	Rupees in '000					
At 1 January						
Cost	431,943	41,600	473,543	405,578	41,600	447,178
Accumulated amortisation and impairment	(309,898)	–	(309,898)	(181,226)	–	(181,226)
Net book value	122,045	41,600	163,645	224,352	41,600	265,952
Year ended 31 December						
Opening net book value	122,045	41,600	163,645	224,352	41,600	265,952
Additions:						
- directly purchased	38,319	–	38,319	26,365	–	26,365
Other adjustments - (assets acquired)	–	–	–	–	–	–
Amortisation charge	(93,594)	–	(93,594)	(128,672)	–	(128,672)
Closing net book value	66,770	41,600	108,370	122,045	41,600	163,645
At 31 December						
Cost	470,262	41,600	511,862	431,943	41,600	473,543
Accumulated amortisation and impairment	(403,492)	–	(403,492)	(309,898)	–	(309,898)
Net book value	66,770	41,600	108,370	122,045	41,600	163,645
Rate of amortisation (percentage)	33.3			33.3		
Useful life in years	3			3		

12.1 The cost of fully amortised intangible assets (computer software) still in use is Rs. 263,561 thousand (2018: Rs. 27,875 thousand).

13. DEFERRED TAX ASSETS

	Balance as at 1 January 2018	Recognised in profit & loss account	Recognised in other comprehensive income	Balance as at 31 December 2018	Recognised in profit & loss account	Recognised in other comprehensive income	Balance as at 31 December 2019
	Rupees in '000						
Deductable temporary differences							
Provision for diminution in value of investments	188,080	(41,783)	–	146,297	19,600	–	165,897
Provision for non-performing and off-balance sheet	3,248,393	(501,898)	–	2,746,495	(722,031)	–	2,024,464
Provision against other assets	35,441	(35,243)	–	198	(198)	–	–
Deficit / (surplus) on revaluation of investments	(408,892)	–	3,506,726	3,097,834	–	(1,422,955)	1,674,879
Deferred liability on defined benefit plan	70,323	208	477	71,008	295	(30,324)	40,979
Provision for leave encashment	–	672	–	672	(672)	–	–
Others	–	1,494	–	1,494	–	–	1,494
	3,133,345	(576,550)	3,507,203	6,063,998	(703,006)	(1,453,279)	3,907,713
Taxable temporary differences							
Surplus on revaluation of non-banking assets	(98,178)	1,546	–	(96,632)	1,545	(26,298)	(121,385)
Accelerated depreciation	(199,747)	53,849	–	(145,898)	69,704	–	(76,194)
	(297,925)	55,395	–	(242,530)	71,249	(26,298)	(197,579)
Net deferred tax asset	2,835,420	(521,155)	3,507,203	5,821,468	(631,757)	(1,479,577)	3,710,134

	Note	2019	2018
		Rupees in '000	
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		12,437,768	8,244,570
Income / mark-up / profit accrued in foreign currencies - net of provision		43,085	29,916
Advances, deposits, advance rent and other prepayments		374,300	765,427
Advance taxation (payments less provision)		837,013	537,724
Non-banking assets acquired in satisfaction of claims	14.1	417,244	487,505
Branch adjustment account		58	63
Mark to market gain on forward foreign exchange contracts		4,458,787	4,206,429
Acceptances		20,971,205	14,429,148
Receivable from the SBP against encashment of government securities		55,080	114,055
Stationery and stamps on hand		89,065	62,789
Others		289,140	487,700
		39,972,745	29,365,326
Provision against other assets	14.2	(211,182)	(210,678)
Other assets (net of provision)		39,761,563	29,154,648
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	20.1	346,816	276,093
		40,108,379	29,430,741
14.1 Market value of non-banking assets acquired in satisfaction of claims		764,060	774,844

	2019	2018
	Rupees in '000	
14.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	763,598	1,173,360
Additions	–	–
Revaluation	106,386	–
Transfer to fixed assets	(63,437)	–
Reversal of surplus on transfer to fixed asset	(31,251)	–
Disposals	–	(397,718)
Depreciation	(11,236)	(12,044)
Closing balance	<u>764,060</u>	<u>763,598</u>
14.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	–	600,000
Less:		
- Cost	–	(405,000)
- Depreciation	–	7,282
Gain / (loss)	<u>–</u>	<u>202,282</u>
14.2 Provision held against other assets		
Operational loss	210,000	210,000
Non banking assets acquired in satisfaction of claims	–	–
Other receivable	1,182	678
	<u>211,182</u>	<u>210,678</u>
14.2.1 Movement in provision held against other assets		
Opening balance	210,678	251,930
Charge for the year	504	60,000
Reversal for the year	–	(101,252)
	<u>504</u>	<u>(41,252)</u>
Closing balance	<u>211,182</u>	<u>210,678</u>
15. BILLS PAYABLE		
In Pakistan	<u>11,541,474</u>	<u>12,173,407</u>

	Note	2019	2018
Rupees in '000			
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		36,842,480	24,196,093
Under long term financing facility - renewable energy		884,970	962,784
Under long term financing facility - locally manufactured plant and machinery		10,466,484	6,730,915
	16.2	48,193,934	31,889,792
Repurchase agreement borrowings (Repo)	16.3	89,397,739	12,658,729
Due against bills rediscounting	16.4	2,765,541	3,310,164
		140,357,214	47,858,685
Unsecured			
Call borrowing		—	300,000
Certificates of investments	16.5	1,247,947	1,411,393
Murhabaha financing	16.6	100,000	250,000
Overdrawn nostro accounts		4,106,849	3,183,003
Overdrawn local bank accounts		—	5,693
		5,454,796	5,150,089
		145,812,010	53,008,774
16.1 Particulars of borrowings in respect of currencies			
In local currency		138,939,620	46,515,607
In foreign currencies		6,872,390	6,493,167
		145,812,010	53,008,774

16.2 These carry mark-up rates ranging between 2.00% to 4.5% (2018: 2.00% to 4.50%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

16.3 These carry mark-up rates ranging between 12.75% to 13.36% (2018: 10.00% to 10.35%) per annum having maturity upto 24 January 2020 (2018: 7 February 2019) and are secured against investments mentioned in note 9.2.1.

16.4 This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rate at 3.25% (2018: 4.00%) per annum having maturity upto 4 May 2020 (2018: 25 June 2019).

16.5 This carries mark-up rate ranging from 11.20% to 13.90% (2018: 8.35% to 10.05%) per annum having maturity upto December 30, 2020.

16.6 This carries mark-up rate of 13.74% (2018: 11.13%) per annum having maturity upto 30 September 2020.

17. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current accounts (non-remunerative)	146,277,565	26,743,116	173,020,681	120,602,372	23,351,234	143,953,606
Savings deposits	135,304,410	19,016,742	154,321,152	122,954,951	17,173,301	140,128,252
Term deposits	165,209,671	55,096,182	220,305,853	179,602,182	43,693,831	223,296,013
Others	10,525,924	979	10,526,903	7,984,099	906	7,985,005
	457,317,570	100,857,019	558,174,589	431,143,604	84,219,272	515,362,876

Financial institutions

Current deposits (non-remunerative)	1,353,086	1,019,552	2,372,638	1,489,569	942,405	2,431,974
Savings deposits	46,679,121	–	46,679,121	24,109,277	70	24,109,347
Term deposits	4,033,620	–	4,033,620	931,000	4,260	935,260
	52,065,827	1,019,552	53,085,379	26,529,846	946,735	27,476,581
	509,383,397	101,876,571	611,259,968	457,673,450	85,166,007	542,839,457

2019

2018

Rupees in '000

17.1 Composition of deposits

Individuals	252,753,562	213,639,358
Government (Federal and Provincial)	21,440,428	33,859,180
Public Sector Entities	57,514,775	40,608,189
Banking Companies	5,194,956	1,224,502
Non-Banking Financial Institutions	47,890,423	26,252,079
Private Sector	226,465,824	227,256,149
	611,259,968	542,839,457

17.2 This includes eligible deposits of Rs. 249,447,294 thousand which are covered under deposit protection mechanism as required by the Deposit Protection Corporation Circular no. 4 of 2018.

	Note	2019	2018
		Rupees in '000	
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		9,657,635	6,520,736
Mark-up / return / interest payable in foreign currencies		396,052	362,013
Unearned commission and income on bills discounted		200,781	190,533
Accrued expenses		999,003	785,163
Acceptances		20,971,205	14,429,148
Unclaimed dividend		111,781	107,725
Mark to market loss on forward foreign exchange contracts		7,716,740	3,549,157
Provision for compensated absences		226,417	208,864
Deferred liability on defined benefit plan		116,624	202,404
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund		1,197,456	952,940
Charity fund balance		2,137	291
Excise duty payable		907	1,003
Locker deposits		817,043	764,223
Advance against diminishing musharakah		145,457	98,166
Advance rental for ijarah		2,739	2,259
Security deposits against leases / ijarah		642,570	657,958
Sundry creditors		745,503	673,480
Lease liability against right-of-use assets	2.3.3 & 18.3	3,846,508	—
Withholding tax / duties		404,091	339,235
Others		272,693	406,376
		<u>48,587,058</u>	<u>30,365,390</u>

18.1 Provision against off-balance sheet obligations

Opening balance	113,716	113,716
Charge for the year	—	—
Closing balance	<u>113,716</u>	<u>113,716</u>

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

18.2 Reconciliation of changes in other liabilities arising from financing activities

Balance as at 1 January	30,365,390	29,323,353
Changes from financing cash flows		
Dividend paid	(2,348,098)	(3,349,572)
Other changes - liability related		
Cash based	7,651,638	2,530,226
Non-cash based		
Defined benefit plan	(86,772)	(1,572)
Provision against workers welfare fund	245,636	197,947
Provision against compensated absences	17,553	5,293
Acceptances	6,542,057	(1,715,175)
Lease liability against right-of-use assets	3,846,508	—
Dividend declared and profit distribution	2,352,154	3,371,194
Others	992	3,696
	<u>20,569,766</u>	<u>4,391,609</u>
	<u>48,587,058</u>	<u>30,365,390</u>

	Note	2019	2018
		Rupees in '000	
18.3 Lease liability against right-of-use assets			
Not later than 1 year		549,889	—
Later than one and less than five years		1,964,614	—
Over five years		1,332,005	—
		<u>3,846,508</u>	<u>—</u>

19. SHARE CAPITAL

19.1 Authorised capital

2019 (Number of shares)	2018		2019	2018
			Rupees in '000	
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

19.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs. 10/- each		
30,000,000	30,000,000	— Fully paid in cash	300,000	300,000
92,500,000	92,500,000	— Issued upon amalgamation	925,000	925,000
925,331,480	925,331,480	— Issued as bonus shares	9,253,315	9,253,315
<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u>	<u>10,478,315</u>

19.3 As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2018: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

19.4 Non-Controlling Interest (NCI)

	2019		2018	
	First Habib Modaraba	Habib Metro Modaraba	First Habib Modaraba	Habib Metro Modaraba
NCI Percentage	90%	30%	90%	30%
	Rupees in '000			
Assets	11,025,936	327,753	11,201,083	307,903
Liabilities	(7,473,144)	(7,537)	(7,730,366)	(5,365)
Net assets	<u>3,552,792</u>	<u>320,216</u>	<u>3,470,717</u>	<u>302,538</u>
Net assets attributable to NCI	<u>3,197,513</u>	<u>96,065</u>	<u>3,123,645</u>	<u>90,762</u>
Profit / (loss)	342,729	25,928	266,112	5,422
Other Comprehensive Income	21,587	—	67,519	—
Total comprehensive income	<u>364,316</u>	<u>25,928</u>	<u>333,631</u>	<u>5,422</u>
Profit / (loss) allocated to NCI	<u>327,884</u>	<u>7,778</u>	<u>300,268</u>	<u>1,627</u>
Dividend paid to NCI	<u>(254,016)</u>	<u>(2,475)</u>	<u>(226,800)</u>	<u>(900)</u>

	Note	2019	2018
		Rupees in '000	
20. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS			
(Deficit) / surplus on revaluation of			
– Non-banking assets	20.1	346,816	276,093
– Available-for-sale securities	9.2	(4,720,963)	(8,806,264)
		(4,374,147)	(8,530,171)
Less: deferred tax on (deficit) / surplus on revaluation of			
– Non-banking assets	20.1	121,385	96,632
– Available-for-sale securities		(1,674,879)	(3,097,834)
		1,553,494	3,001,202
		(2,820,653)	(5,528,969)
Less: (surplus) / deficit pertaining to non-controlling interest		(52,481)	(33,160)
Deficit pertaining to equity holder's share		(2,873,134)	(5,562,129)
20.1 Non-banking assets			
Surplus on revaluation of non-banking assets as at January		276,093	280,509
Revaluation of non-banking assets during the year - net of deferred tax		69,151	–
Reversal of surplus on transfer to fixed assets - net of deferred tax		(20,311)	–
Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax		(2,870)	(2,870)
Related deferred tax liability on revaluation of non-banking assets		37,235	–
Related deferred tax liability on reversal of surplus on transfer to fixed assets		(10,937)	–
Related deferred tax liability on incremental depreciation		(1,545)	(1,546)
		70,723	(4,416)
Surplus on revaluation of non banking assets		346,816	276,093
Less: deferred tax liability on:			
Revaluation as at January		96,632	98,178
Revaluation of non-banking assets during the year		37,235	–
Reversal of surplus on transfer to fixed assets		(10,937)	–
Incremental depreciation during the year		(1,545)	(1,546)
		24,753	(1,546)
Related deferred tax liability		121,385	96,632
		225,431	179,461

	Note	2019	2018
		Rupees in '000	
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	81,881,337	53,215,390
Commitments	21.2	661,419,724	323,117,101
Other contingent liabilities	21.3	25,646,157	24,476,694
		<u>768,947,218</u>	<u>400,809,185</u>
21.1 Guarantees			
Financial guarantees		27,956,898	24,441,481
Performance guarantees		40,518,388	21,943,016
Other guarantees		13,406,051	6,830,893
		<u>81,881,337</u>	<u>53,215,390</u>
21.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		119,552,974	89,700,969
Commitments in respect of:			
Forward exchange contracts	21.2.1	538,997,600	230,915,612
Operating leases	21.2.2	–	99,427
Forward lendings	21.2.3	2,428,742	2,267,933
Acquisition of operating fixed assets		440,408	133,160
		<u>661,419,724</u>	<u>323,117,101</u>
21.2.1 Commitments in respect of forward exchange contracts			
Purchase		290,279,554	136,568,523
Sale		248,718,046	94,347,089
		<u>538,997,600</u>	<u>230,915,612</u>
21.2.2 Commitments in respect of operating leases			
Not later than one year		–	99,427
Later than one year and not later than five years		–	–
		<u>–</u>	<u>99,427</u>

21.2.3 Commitments in respect of forward lendings

The Group 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	2019	2018
		Rupees in '000	
Commitments in respect of syndicate financing		2,168,630	1,887,433
Commitments in respect of financing transactions		260,112	380,500
		<u>2,428,742</u>	<u>2,267,933</u>

21.3 Other contingent liabilities

Claims against Group not acknowledged as debt		25,540,101	24,370,638
Foreign Exchange repatriation case	21.3.1	106,056	106,056
		<u>25,646,157</u>	<u>24,476,694</u>

21.3.1 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 judgment. The Honorable High Court has granted relief to 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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company 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 holding company'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". Mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company's customers to protect from unfavourable movements in foreign currencies. The holding company hedges such exposures in the inter-bank foreign exchange market.

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

23. MARK-UP / RETURN / INTEREST EARNED

	2019	2018
	Rupees in '000	
Loans and advances	28,183,272	13,833,386
Investments	39,322,872	27,234,531
Lending with financial institutions	5,109,655	1,848,650
Balance with other banks	305,835	144,259
	<u>72,921,634</u>	<u>43,060,826</u>

	Note	2019	2018
		Rupees in '000	
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		40,103,000	20,673,551
Borrowings		8,020,503	4,447,670
Foreign currency swap cost		6,384,321	1,285,297
Lease liability against right-of-use assets	2.3.3	446,555	–
		<u>54,954,379</u>	<u>26,406,518</u>
25. FEE & COMMISSION INCOME			
Branch banking customer fees		534,921	458,269
Credit related fees		83,570	52,226
Card related fees		387,020	280,116
Commission on trade		3,600,276	2,757,828
Commission on guarantees		419,584	357,456
Commission on remittances including home remittances		30,936	32,822
Commission on bancassurance		116,069	85,424
Others		122,869	119,932
		<u>5,295,245</u>	<u>4,144,073</u>
26. (LOSS) / GAIN ON SECURITIES			
Realised			
Federal government securities		(1,258,271)	17,664
Shares		91,067	(13,202)
Mutual funds		–	80,343
		<u>(1,167,204)</u>	<u>84,805</u>
27. OTHER INCOME			
Rent on properties		28,409	18,893
Gain on sale of fixed assets - net		16,486	8,707
Gain on sale of ijarah assets - net		15,000	526
Staff notice period and other recoveries		3,720	3,822
Gain on sale of non-banking assets - net		–	202,282
Gain on sale of non current assets held for sale - net		–	35,042
		<u>63,615</u>	<u>269,272</u>

	Note	2019	2018
		Rupees in '000	
28. OPERATING EXPENSES			
Total compensation expense	28.1	5,920,010	5,538,968
Property expenses			
Rent & taxes		332,972	1,148,968
Insurance		4,223	4,176
Utilities cost		426,870	345,694
Security		388,832	339,606
Repair & maintenance		295,658	307,615
Depreciation		1,168,300	353,271
		2,616,855	2,499,330
Information technology expenses			
Software maintenance		115,991	42,572
Hardware maintenance		147,513	158,809
Depreciation		155,349	107,934
Amortisation		93,593	128,672
Network charges		200,344	158,521
		712,790	596,508
Other operating expenses			
Directors' fees and allowances		17,268	16,779
Fees and allowances to Shariah Board		9,768	8,396
Legal & professional charges		171,179	155,874
Outsourced services costs	34.1	265,247	241,573
Travelling & conveyance		253,996	203,592
NIFT clearing charges		71,592	74,609
Depreciation		438,885	362,622
Depreciation - non-banking assets		11,236	12,044
Training & development		27,683	32,710
Postage & courier charges		95,670	81,117
Communication		103,866	94,130
Subscription		155,782	210,465
Repair & maintenance		99,471	84,739
Brokerage & commission		133,073	103,280
Stationery & printing		273,786	209,331
Marketing, advertisement & publicity		107,409	146,559
Management fee		400,105	382,944
Insurance		533,204	306,860
Donations	28.2	95,017	101,544
Auditors remuneration	28.3	17,064	18,685
Others		451,080	315,029
		3,732,381	3,162,882
		12,982,036	11,797,688
28.1 Total compensation expense			
Managerial remuneration - fixed		4,619,714	4,282,248
Cash bonus / awards, etc.		558,782	583,194
Charge for defined benefit plan		173,397	149,894
Contribution to defined contribution plan		200,214	181,218
Charge for compensated absences		82,448	76,527
Rent & house maintenance		24,777	26,488
Conveyance		240,022	220,374
EOBI		20,656	19,025
		5,920,010	5,538,968

2019

2018

Rupees in '000

28.2 Donations paid in excess of Rs. 500,000 to a single party during the year are as follows:**DONEE**

Habib University Foundation	20,000	20,056
The Citizens Foundation	18,300	15,600
Patients' Aid Foundation	8,500	10,100
The Indus Hospital	8,500	8,200
The Hunar Foundation	5,000	—
SIUT Trust	2,500	2,500
Mohamedali Habib Welfare Trust	2,000	2,000
Al-Sayyeda Benevolent Trust	1,960	1,960
Habib Medical Trust	1,960	1,960
Developments in Literacy	1,500	—
Karwan-e-Hayat Institute For Mental Health	1,500	—
Abbas-e-Alamdar Hostel	1,100	800
Masoomen Hospital Trust	1,000	1,750
Fatimiyah Education Network	1,000	1,000
The Layton Rehmatulla Benevolent Trust	1,000	1,000
MBJ Health Association	1,000	750
Alleviate Addiction Suffering Trust	1,000	—
Lady Dufferin Hospital	1,000	—
Habib Poor Fund	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
Institute of Business Administration	937	1,157
The Society for the Rehabilitation of Special Children	900	—
Habib Public School	800	500
Pakistan Memon Educational & Welfare Society	600	600
The National Institute of Child Health	600	—
SOS Childrens Villages of Pakistan	585	—
Supreme Court & Prime Minister of Pakistan	—	10,000
Diamer Basha & Mohmand Dam Fund	—	2,500
Sindh Institute of Urology and Transplantation	—	2,500
World Memon Organization	—	1,000
The Medical Aid Foundation	—	1,000
The Patients Behbud Society for AKUH	—	840
Zehra Homes	—	750
Bantva Memon Khidmat Committee (Bantva Memon Hospital)	—	750
Kutiyana Memon Association (Kutiyana Memon Hospital)	—	750
Vocational Welfare Society for Mentally Retarded Markaz-e-Umeed	—	700
Edujee Dinshaw Road Project	—	650
Marie Adelaide Leprosy Centre	—	500
Memon Educational Board	—	500
Pakistan Memon Women Educational Society	—	500
Karachi Down Syndrome Program	—	500
Panah Trust	—	500
Habib Girls School Trust	—	500
Network of Organizations Working with People with Disabilities, Pakistan	—	500
Rotary Club of Karachi Continental Trust	—	500
Women Empowerment Group (Pink Ribbon)	—	500

None of the directors, executives and their spouses had any interest in the donations disbursed during the years 2019 and 2018, except for donations paid to :

Name of Donee	Directors	Interest in Donee as
Habib University Foundation	Mr. Ali S. Habib Mr. Mohomed Bashir Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
Mohamedali Habib Welfare Trust	Mr. Ali S. Habib	Member of the Board of Trustees
RehmatBai Habib Food & Clothing Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees
RehmatBai Habib Widows & Orphan Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees

28.3 Auditors' remuneration	Note	2019	2018
		Rupees in '000	
Audit fee		4,104	4,296
Review of half yearly financial statements		1,539	1,500
Certifications and agreed upon procedures engagements		8,436	10,704
Out-of-pocket expenses		2,985	2,185
		<u>17,064</u>	<u>18,685</u>

29. OTHER CHARGES

Penalties imposed by the SBP	<u>101,813</u>	<u>31,105</u>
------------------------------	----------------	---------------

30. PROVISIONS & WRITE OFFS - NET

Provision for diminution in value of investments - net	9.3.1	55,999	85,579
Provision / (reversal) of provision against loan & advances - net	10.5	380,382	431,811
Reversal of provision against other assets - net	14.2	504	(41,252)
Recovery of written off bad debts		(17,339)	(93,711)
		<u>419,546</u>	<u>382,427</u>

31. TAXATION

Current		3,741,256	3,402,839
Prior year		293,898	-
Deferred	13	631,757	521,155
		<u>4,666,911</u>	<u>3,923,994</u>

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

The Supreme Court of Pakistan vide its order dated November 10, 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 judgment may not currently be treated as conclusive. Accordingly the holding company maintains its provision in respect of WWF.

31.2 Income tax assessments of the Group have been finalised up to the tax year 2018 (corresponding to the accounting year ended 31 December 2017). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the Group.

31.3 Relationship between tax expense and accounting profit

	Note	2019	2018
		Rupees in '000	
Profit before tax		<u>11,628,657</u>	<u>10,344,899</u>
Tax at the applicable tax rate		<u>3,948,974</u>	<u>3,535,866</u>
Super tax at applicable rate of 4% (holding company)	31.3.1	<u>449,515</u>	<u>402,975</u>
Prior years taxation	31.3.1	<u>293,898</u>	<u>—</u>
Others		<u>(25,476)</u>	<u>(14,847)</u>
Tax charge for the year		<u>4,666,911</u>	<u>3,923,994</u>

31.3.1 The Finance Act 2018 has revised the applicability of super tax brought into effect through Finance Act 2015 for the rehabilitation of temporarily displaced persons on the taxable income of respective years. Accordingly, the holding company has recognised super tax at the applicable rate of 4% on taxable income for the year and previous year.

Prior year tax charge also include a reversal of Rs. 6,648 thousand of a subsidiary company.

32. BASIC AND DILUTED EARNINGS PER SHARE	Note	2019	2018
		Rupees in '000	
Profit attributable to equity shareholders of the holding company		<u>6,645,512</u>	<u>6,179,777</u>
		Number in '000	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		Rupees	
Basic and diluted earnings per share		<u>6.34</u>	<u>5.90</u>

33. CASH AND CASH EQUIVALENTS

		Rupees in '000	
Cash and balances with treasury banks	6	<u>70,713,833</u>	<u>48,177,307</u>
Balances with other banks	7	<u>2,691,101</u>	<u>1,916,548</u>
Overdrawn nostro accounts	16	<u>(4,106,849)</u>	<u>(3,183,003)</u>
Overdrawn local bank accounts	16	<u>—</u>	<u>(5,693)</u>
		<u>69,298,085</u>	<u>46,905,159</u>

34. STAFF STRENGTH

		Number	
Permanent		<u>4,317</u>	<u>4,080</u>
Temporary / on contractual basis		<u>193</u>	<u>181</u>
		<u>4,510</u>	<u>4,261</u>

34.1 In addition to the above, 788 (2018: 764) employees of outsourcing services companies were assigned to the holding company as at 31 December 2019.

35. DEFINED BENEFIT PLAN

35.1 General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

		2019	2018
		Number	
35.2 Number of employees under the scheme			
Gratuity fund		4,273	4,014
35.3 Principal actuarial assumptions			
The latest actuarial valuation was carried out on 31 December 2019 using "projected unit credit actuarial cost method". The main assumptions used for the actuarial valuation were as follows:			
		2019	2018
Discount rate - percent per annum		11.25 to 12.75	13.75
Expected rate of return on plan assets - percent per annum		9.52 to 13.75	4.52 to 13.75
Long term rate of salary increase - percent per annum		11.75	13.25 to 13.75
Mortality rates (for death in service)		Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005
	Note	2019	2018
		Rupees in '000	
35.4 Reconciliation of payable to defined benefit plan			
Fair value of plan assets	35.6	1,400,227	1,240,964
Present value of defined benefit obligation	35.5	(1,516,851)	(1,443,368)
Payable		(116,624)	(202,404)
35.5 Movement in payable to defined benefit plan			
Obligations at the beginning of the year		1,443,368	1,326,139
Current service cost		146,059	131,353
Interest cost		187,975	118,051
Benefits due but not paid (payables)		(7,716)	(270)
Benefits paid by the Group		(149,836)	(102,512)
Re-measurement (gain) / loss		(102,999)	(29,393)
Obligations at the end of the year		1,516,851	1,443,368
35.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,240,964	1,125,860
Interest income on plan assets		160,637	99,510
Contribution by the Group - net		172,405	148,937
Benefits paid		(149,836)	(102,512)
Benefits due but not paid		(7,716)	(270)
Re-measurements: Net return on plan assets			
over interest income loss	35.8.2	(16,227)	(30,561)
Fair value at the end of the year		1,400,227	1,240,964
35.7 Movement in payable under defined benefit plan			
Opening balance		202,404	200,279
Charge / (reversal) for the year		173,397	149,894
Contribution by the Group - net		(172,405)	(148,937)
Re-measurement loss / (gain) recognised in OCI	35.8.2	(86,772)	1,168
Closing balance		116,624	202,404

	Note	2019	2018
		Rupees in '000	
35.8 Charge for defined benefit plans			
35.8.1 Cost recognised in profit and loss			
Current service cost		146,059	131,353
Net interest on defined benefit asset		27,338	18,541
		<u>173,397</u>	<u>149,894</u>
35.8.2 Re-measurements recognised in OCI			
Loss / (gain) on obligation			
- Financial assumptions		(3,111)	19,129
- Experience adjustment		(99,888)	(48,522)
		<u>(102,999)</u>	<u>(29,393)</u>
Return on plan assets over interest income		16,227	30,561
Total re-measurements recognised in OCI		<u>(86,772)</u>	<u>1,168</u>
35.9 Components of plan assets			
Cash and cash equivalents	35.9.1	354,613	974,264
Federal government securities			
Defence saving certificates		770,000	240,777
Pakistan investment bonds		248,926	-
Non-government debt securities		21,508	22,259
Listed shares		5,180	3,664
		<u>1,400,227</u>	<u>1,240,964</u>

35.9.1 The amount represents balance which is deposited with the branches of the holding company.

35.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2019
	(Rupees in '000)
Increase in discount rate by 1%	(145,828)
Decrease in discount rate by 1%	170,463
Increase in expected future increment in salary by 1%	171,080
Decrease in expected future increment in salary by 1%	(148,995)
Increase in expected withdrawal rate by 10%	823
Decrease in expected withdrawal rate by 10%	(849)
Increase in expected mortality rate by 1%	923
Decrease in expected mortality rate by 1%	(847)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

35.11 Expected contributions to be paid to the funds in the next financial year

170,512

35.12 Expected charge for the next financial year

170,512

35.13 Maturity profile

The weighted average duration of the obligation is 10 years.

35.14 Funding Policy

The Group has the policy to make annual contributions to the fund based on actuarial report.

35.15 Significant risk associated with the staff retirement benefit schemes include:

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The duration of the liabilities is 10 Years. Based on the weighted average duration of this plan and guidance from Pakistan Society of Actuaries ("PSOA"), the discount rate used for the calculations is 12.75% per annum.
Inflation risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Mortality rate	The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
Withdrawal rate	The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

36. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee each contribute 10% of the basic salary to the funded scheme every month. Investment made out of provident fund have been made in accordance with the provision of section 218 of the Companies Act 2017.

Number of the members participating in the fund at the end of the year 30 June 2019 as per un-audited accounts are 3,649 (2018: 3,803).

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

	2019						
	Chairman	Directors Executives	Non- executives	Members Shari'ah Board	President & Chief Executive Officer	Key management personnel	Other material risk taker / controller
	Rupees in '000						
Fees	-	-	4,250	-	-	-	-
Managerial remuneration							
Fixed	-	-	-	9,768	103,050	326,231	386,867
Charge for defined benefit plan	-	-	-	188	4,686	13,834	16,291
Contribution to defined contribution plan	-	-	-	330	4,500	13,287	14,349
Utilities	1,895	-	-	-	1,198	-	-
Travelling	5,224	-	-	-	-	-	-
Others	5,899	-	-	-	46	-	-
	<u>13,018</u>	<u>-</u>	<u>4,250</u>	<u>10,286</u>	<u>113,480</u>	<u>353,352</u>	<u>417,507</u>
Number of persons	<u>1</u>	<u>-</u>	<u>5</u>	<u>3</u>	<u>1</u>	<u>23</u>	<u>79</u>

	2018						
	Directors			Members	President &	Key	Other material
	Chairman	Executives	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000						
Fees	-	-	4,750	-	-	-	-
Managerial remuneration							
Fixed	-	-	-	8,396	92,790	262,514	307,293
Charge for defined benefit plan	-	-	-	133	3,515	8,453	10,035
Contribution to defined contribution plan	-	-	-	180	4,126	11,220	12,611
Utilities	1,963	-	-	-	1,060	-	-
Travelling	5,467	-	-	-	-	-	-
Others	4,599	-	-	-	-	-	-
	<u>12,029</u>	<u>-</u>	<u>4,750</u>	<u>8,709</u>	<u>101,491</u>	<u>282,187</u>	<u>329,939</u>
Number of persons	<u>1</u>	<u>-</u>	<u>5</u>	<u>3</u>	<u>2</u>	<u>21</u>	<u>75</u>

37.1.1 The Chief Executive and certain executives are provided with free use of car and leave fare assistance in accordance with their terms of employment. The chief executive is also provided with accommodation.

37.1.2 In addition to above, bonus paid to the chief executive and executives of the Bank amounted to Rs. 25,000 thousand (2018: Rs. 41,250 thousand) and Rs. 38,600 thousand (2018: Rs. 59,988 thousand) respectively.

37.2 Remuneration paid to directors for participation in board and committee meetings

		2019					
		Meeting fees and allowances paid					
Sr. no.	Name of director	For board committees					Total amount paid
		For board meetings	Audit	Information Technology	Human resource & remuneration	Risk & compliance	
1	Mohamedali R. Habib	–	–	–	–	–	–
2	Ali S. Habib	300	300	–	–	–	600
3	Anjum Z. Iqbal	–	–	–	–	–	–
4	Firasat Ali	400	–	300	300	400	1,400
5	Mohomed Bashir	400	–	–	–	–	400
6	Muhammed H. Habib	–	–	–	–	–	–
7	Sohail Hasan	400	600	–	–	–	1,000
8	Tariq Ikram	400	–	–	450	–	850
9	Mohsin A. Nathani	–	–	–	–	–	–
	Total Amount Paid	1,900	900	300	750	400	4,250

		2018					
		Meeting fees and allowances paid					
		For board committees					Total amount paid
Sr. no.	Name of director	For board meetings	Audit	Information Technology	Human resource & remuneration	Risk & compliance	
		Rupees in '000					
1	Mohamedali R. Habib	–	–	–	–	–	–
2	Ali S. Habib	400	300	–	–	–	700
3	Anjum Z. Iqbal	–	–	–	–	–	–
4	Firasat Ali	500	–	200	400	300	1,400
5	Mohomed Bashir	500	–	–	–	–	500
6	Muhammed H. Habib	–	–	–	–	–	–
7	Sohail Hasan	500	600	–	–	–	1,100
8	Tariq Ikram	500	–	–	550	–	1,050
9	Mohsin A. Nathani	–	–	–	–	–	–
	Total amount paid	2,400	900	200	950	300	4,750

37.3 Remuneration paid to Shari'ah Board Members

Items	2019			2018		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
Rupees in '000						
Managerial remuneration						
Fixed	3,050	4,868	1,850	2,400	4,796	1,200
Charge for defined benefit plan	-	188	-	-	133	-
Contribution to defined contribution plan	-	330	-	-	180	-
Total amount paid	3,050	5,386	1,850	2,400	5,109	1,200
Total number of person	1	1	1	1	1	1

38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than 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.

38.1 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities 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	2019				
	Carrying / notional value	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	396,946,920	-	396,946,920	-	396,946,920
Sukuk certificates and bonds	6,184,534	-	6,184,534	-	6,184,534
Ordinary shares of listed companies	673,884	673,884	-	-	673,884
Mutual funds - open end	18,573	-	18,573	-	18,573
- close end	11,138	11,138	-	-	11,138
Real estate investment trust	442,368	442,368	-	-	442,368
Listed term finance certificates	3,095,455	-	3,095,455	-	3,095,455
Unlisted term finance certificates	8,559	-	8,559	-	8,559
Financial assets not measured at fair value - disclosed but not measured at fair value					
- Cash and balances with treasury banks	70,713,833	-	-	-	-
- Balances with other banks	2,691,101	-	-	-	-
- Lendings to financial institutions	22,197,303	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,089,874	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	273,592,854	-	-	-	-
- Other assets	38,255,065	-	-	-	-
	<u>850,976,905</u>	<u>1,127,390</u>	<u>406,254,041</u>	<u>-</u>	<u>407,381,431</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	764,060	-	764,060	-	764,060
Off-balance sheet financial instruments - measured at fair value					
- Forward purchase of foreign exchange contracts	303,454,611	-	283,969,816	-	283,969,816
- Forward sale of foreign exchange contracts	260,497,060	-	245,666,261	-	245,666,261

On balance sheet financial instruments	2018				
	Carrying / notional value	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	298,948,531	–	298,948,531	–	298,948,531
Sukuk certificates and bonds	1,492,667	–	1,492,667	–	1,492,667
Ordinary shares of listed companies	687,775	687,775	–	–	687,775
Mutual funds - open end	14,900	–	14,900	–	14,900
- close end	(6,513)	(6,513)	–	–	(6,513)
Real estate investment trust	442,368	442,368	–	–	442,368
Listed term finance certificates	3,357,258	–	3,357,258	–	3,357,258
Unlisted term finance certificates	59,913	–	59,913	–	59,913
Financial assets not measured at fair value					
- Cash and balances with treasury banks	48,177,307	–	–	–	–
- Balances with other banks	1,916,548	–	–	–	–
- Lendings to financial institutions	11,984,795	–	–	–	–
- Investments					
- Held-to-maturity securities					
Federal government securities	36,259,349	–	–	–	–
Certificates of investments	–	–	–	–	–
- Available-for-sale securities					
Ordinary shares of unlisted companies	27,920	–	–	–	–
- Advances	236,112,844	–	–	–	–
- Other assets	27,511,818	–	–	–	–
	<u>666,987,480</u>	<u>1,123,630</u>	<u>303,873,269</u>	<u>–</u>	<u>304,996,899</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	774,844	–	774,844	–	774,844
Off-balance sheet financial instruments					
- measured at fair value					
- Forward purchase of foreign exchange contracts	140,141,186	–	140,713,734	–	140,713,734
- Forward sale of foreign exchange contracts	97,365,720	–	90,859,150	–	90,859,150

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	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
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.

Non-banking assets acquired in satisfaction of claim	Non-banking assets are valued by professionally qualified valuers as per the note 4.9 to the financial statements.
--	--

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	31 December 2019			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / profit	31,051,603	(16,441,905)	3,357,557	17,967,255
Inter segment revenue - net	(27,969,643)	20,677,098	7,292,545	-
Non mark-up / return / interest income	(1,084,084)	402,732	8,091,785	7,410,433
Total Income	1,997,876	4,637,925	18,741,887	25,377,688
Segment direct expenses	(291,077)	-	(238,295)	(529,372)
Inter segment expense allocation	1,214	(3,703,172)	(9,098,155)	(12,800,113)
Total expenses	(289,863)	(3,703,172)	(9,336,450)	(13,329,485)
Provisions	(56,503)	(6,095)	(356,948)	(419,546)
Profit before tax	1,651,510	928,658	9,048,489	11,628,657
Balance sheet				
Cash and bank balances	1,408,898	29,210,677	42,785,359	73,404,934
Investments	443,526,749	-	-	443,526,749
Net inter segment lending	-	240,325,478	117,585,753	357,911,231
Lendings to financial institutions	22,197,303	-	-	22,197,303
Advances - performing	-	3,416,247	269,572,294	272,988,541
Advances - non-performing	-	14,728	17,518,410	17,533,138
Provision against advances	-	(18,138)	(16,910,687)	(16,928,825)
Others	13,146,487	2,467,870	36,693,917	52,308,274
Total assets	480,279,437	275,416,862	467,245,046	1,222,941,345
Borrowings	97,618,076	-	48,193,934	145,812,010
Subordinated debt	-	-	-	-
Deposits and other accounts	-	252,753,562	358,506,406	611,259,968
Net inter segment borrowing	357,911,231	-	-	357,911,231
Others	8,106,382	8,725,655	43,296,495	60,128,532
Total liabilities	463,635,689	261,479,217	449,996,835	1,175,111,741
Equity	16,643,748	13,937,645	17,248,211	47,829,604
Total equity and liabilities	480,279,437	275,416,862	467,245,046	1,222,941,345
Contingencies and commitments	538,997,600	-	489,801,506	1,028,799,106

	31 December 2018			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit and loss				
Net mark-up / return / profit	24,498,226	(10,817,435)	2,973,517	16,654,308
Inter segment revenue - net	(16,335,425)	12,812,094	3,523,331	-
Non mark-up / return / interest income	1,686,413	16	4,413,329	6,099,758
Total Income	9,849,214	1,994,675	10,910,177	22,754,066
Segment direct expenses	(251,487)	(239,148)	(3,440,465)	(3,931,100)
Inter segment expense allocation	(4,488,948)	(322,450)	(3,284,242)	(8,095,640)
Total expenses	(4,740,435)	(561,598)	(6,724,707)	(12,026,740)
Provisions	(85,579)	1,219	(298,067)	(382,427)
Profit before tax	5,023,200	1,434,296	3,887,403	10,344,899
Balance sheet				
Cash and bank balances	1,209,795	24,672,447	24,211,613	50,093,855
Investments	341,284,168	-	-	341,284,168
Net inter segment lending	-	254,934,343	48,738,775	303,673,118
Lendings to financial institutions	11,984,795	-	-	11,984,795
Advances - performing	-	3,167,811	231,825,816	234,993,627
Advances - non-performing	-	3,432	17,676,475	17,679,907
Provision against advances	-	(8,538)	(16,552,152)	(16,560,690)
Others	12,852,393	52,983	26,458,340	39,363,716
Total assets	367,331,151	282,822,478	332,358,867	982,512,496
Borrowings	19,457,589	-	33,551,185	53,008,774
Subordinated debt	-	-	-	-
Deposits and other accounts	-	279,208,331	263,631,126	542,839,457
Net inter segment borrowing	303,673,118	-	-	303,673,118
Others	3,748,094	3,614,147	35,176,556	42,538,797
Total liabilities	326,878,801	282,822,478	332,358,867	942,060,146
Equity	40,452,350	-	-	40,452,350
Total equity and liabilities	367,331,151	282,822,478	332,358,867	982,512,496
Contingencies and commitments	230,915,612	-	169,893,573	400,809,185

40. TRANSACTIONS WITH RELATED PARTIES

The group has related party relationships with its ultimate parent company, associates, key management personnel, directors and employees' retirement benefit plans.

Contributions in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	2019					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	111,070	79,224	-	-	-	190,294
Advances						
Opening balance	890	2,820,520	115,507	-	-	2,936,917
Addition during the year	190	35,163,266	133,279	-	-	35,296,735
Repaid during the year	(714)	(33,839,396)	(26,049)	-	-	(33,866,159)
Closing balance	366	4,144,390	222,737	-	-	4,367,493
Other assets						
Mark-up / return / interest receivable	-	14,298	-	-	-	14,298
Dividend receivable	-	-	-	-	-	-
Prepayments / advance deposits / other receivables	-	5,604	-	-	-	5,604
Receivable / (payable) against purchase / (sale) of securities	(23,967)	-	-	-	-	(23,967)
	(23,967)	19,902	-	-	-	(4,065)
Borrowings						
Opening balance	8,822	-	-	-	-	8,822
Borrowings during the year	-	-	-	-	-	-
Settled during the year	(8,822)	-	-	-	-	(8,822)
Closing balance	-	-	-	-	-	-
Deposits						
Opening balance	396,056	16,304,007	163,874	731,175	3,689,624	21,284,736
Received during the year	12,533,574	1,567,337,165	1,869,293	2,171,678	8,292,965	1,592,204,675
Withdrawn during the year	(12,400,458)	(1,572,407,168)	(1,770,459)	(2,117,359)	(11,042,013)	(1,599,737,457)
Closing balance	529,172	11,234,004	262,708	785,494	940,576	13,751,954
Other liabilities						
Mark-up / return / interest payable	-	368,328	2,960	6,541	569,618	947,447
Management fee payable for technical and consultancy services *	188,163	-	-	-	-	188,163
Insurance & other payables	-	6,332	-	-	112,513	118,845
	188,163	374,660	2,960	6,541	682,131	1,254,455
Contingencies and commitments						
Transaction-related contingent liabilities	-	8,166,062	-	-	-	8,166,062
Trade-related contingent liabilities	-	1,387,860	-	-	-	1,387,860
Commitment against operating leases	-	-	-	-	-	-
	-	9,553,922	-	-	-	9,553,922

* Management fee is as per the agreement with the ultimate parent company.

	2018					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Balances with other banks						
In current accounts	112,023	44,688	-	-	-	156,711
Advances						
Opening balance	2,204	1,704,636	172,585	-	-	1,879,425
Addition during the year	-	74,713,838	47,080	-	-	74,760,918
Repaid during the year	(1,314)	(73,597,954)	(104,158)	-	-	(73,703,426)
Closing balance	890	2,820,520	115,507	-	-	2,936,917
Other assets						
Mark-up / return / interest accrued	-	17,113	-	-	-	17,113
Dividend receivable	-	-	-	-	-	-
Prepayments / advance deposits / other receivables	-	6,293	-	-	-	6,293
Receivable / (payable) against purchase / (sale) of securities	9,174	-	-	-	-	9,174
	9,174	23,406	-	-	-	32,580
Borrowings						
Opening balance	-	-	-	-	-	-
Borrowings during the year	8,823	-	-	-	-	8,823
Settled during the year	-	-	-	-	-	-
Closing balance	8,823	-	-	-	-	8,823
Deposits						
Opening balance	731,705	21,061,604	168,539	675,958	2,404,120	25,041,926
Received during the year	8,548,305	1,648,142,664	600,685	2,393,366	6,166,560	1,665,851,580
Withdrawn during the year	(8,883,954)	(1,652,900,261)	(605,350)	(2,338,149)	(4,881,056)	(1,669,608,770)
Closing balance	396,056	16,304,007	163,874	731,175	3,689,624	21,284,736
Other liabilities						
Mark-up / return / interest payable	-	351,586	1,295	3,205	633,330	989,416
Management fee payable for technical and consultancy services *	115,344	-	-	-	-	115,344
Insurance & other payables	-	6,391	-	-	202,404	208,795
	115,344	357,977	1,295	3,205	835,734	1,313,555
Contingencies and commitments						
Transaction-related contingent liabilities	-	7,531,999	-	-	-	7,531,999
Trade-related contingent liabilities	-	1,999,428	-	-	-	1,999,428
Commitment against operating leases	-	1,681	-	-	-	1,681
	-	9,533,108	-	-	-	9,533,108

* Management fee is as per the agreement with the ultimate parent company.

Transactions during the year

	2019				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Income					
Mark-up / return / interest earned	713	146,009	14,753	–	–
Fee and commission income	8,033	253,942	–	133	–
Dividend income	–	–	–	–	–
Rent income	5,616	–	–	–	–
Expense					
Mark-up / return / interest expensed	–	1,601,833	17,415	70,900	348,499
Commission / brokerage / bank charges paid	686	1,368	–	–	–
Salaries and allowances	–	–	522,114	–	–
Directors' fees	–	–	–	17,268	–
Charge to defined benefit plan	–	–	–	–	173,397
Contribution to defined contribution plan	–	–	–	–	200,214
Operating lease rentals / rent expenses	–	13,926	–	–	–
Insurance premium expenses	–	12,240	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	44,671	–	–	–
Management fee expense for technical and consultancy services*	400,105	–	–	–	–
Donation	–	23,920	–	–	–
Professional / other charges	–	196	–	–	–

* Management fee is as per the agreement with the ultimate parent company.

Transactions during the year

	2018					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	282	78,176	7,339	–	–	85,797
Fee and commission income	4,087	153,775	–	27	–	157,889
Rent income	5,616	–	–	–	–	5,616
Expenses						
Mark-up / return / interest expensed	–	1,070,658	5,987	37,252	347,222	1,461,119
Commission / brokerage / bank charges paid	1,256	1,406	–	–	–	2,662
Salaries and allowances	–	–	443,729	–	–	443,729
Directors' fees	–	–	–	16,779	–	16,779
Charge to defined benefit plan	–	–	–	–	149,894	149,894
Contribution to defined contribution plan	–	–	–	–	181,218	181,218
Operating lease rentals / rent expenses	–	13,067	–	–	–	13,067
Insurance premium expenses	–	17,077	–	–	–	17,077
Maintenance, electricity, stationery & entertainment expenses	–	69,489	–	–	–	69,489
Management fee expense for technical and consultancy services *	382,772	–	–	–	–	382,772
Donation	–	23,976	–	–	–	23,976
Dividend paid	–	130,339	–	–	–	130,339
Professional / other charges	–	9,457	–	–	–	9,457

* Management fee is as per the agreement with the ultimate parent company.

41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,478,315	10,478,315
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	44,712,650	34,907,701
Eligible Additional Tier 1 (ADT 1) Capital	117,613	—
Total eligible tier 1 capital	44,830,263	34,907,701
Eligible tier 2 capital	1,830,431	915,322
Total eligible capital (tier 1 + tier 2)	46,660,694	35,823,023
Risk Weighted Assets (RWAs):		
Credit risk	273,659,520	235,418,319
Market risk	1,694,641	1,571,342
Operational risk	43,067,830	36,732,186
Total	318,421,991	273,721,847
Common equity tier 1 capital adequacy ratio	14.04%	12.75%
Tier 1 capital adequacy ratio	14.08%	12.75%
Total capital adequacy ratio	14.65%	13.09%
Minimum capital requirements prescribed by SBP		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	12.50%	11.90%
The holding company uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
Leverage Ratio (LR):		
Eligible tier 1 capital	44,830,263	34,907,701
Total exposures	1,099,575,387	830,913,057
Leverage ratio	4.08%	4.20%

41.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time are placed on the website. The link to the full disclosures is available at <https://www.habibmetro.com/financials/#basel-statements>.

42. RISK MANAGEMENT

Risk management aspects are embedded in the holding company's strategy, organization structure and processes. The holding company has adopted a cohesive risk management structure for credit, operations, liquidity, market risk with an integrated approach to strengthen the process and system as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the holding company. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the holding company's system and organization.

42.1 Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the holding company.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 273,659,520 thousand (2018: Rs. 235,418,319 thousand) as depicted in note 41 to the financial statement.

The holding company's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The holding company, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the holding company's credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

Centralized Credit and Trade processing centres staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

The holding company's credit policy / manual defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The holding company continually assesses and monitors credit exposures. The holding company follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

The holding company uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The holding company uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numeric scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of exposures and ECAI's used

	2019				
Exposures	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–
Securitisation	–	–	–	–	–
Others	–	–	–	–	–

Credit exposures subject to Standardised Approach

Exposures	Rating category	2019			2018		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	43,514,148	8,924,191	34,589,957	24,117,478	455,860	23,661,618
	2	69,419,081	1,868,457	67,550,624	44,166,852	1,781,841	42,385,011
	3,4	20,239,452	–	20,239,452	7,009,370	–	7,009,370
	5,6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less		23,300,848	–	23,300,848	16,600,943	3,138,596	13,462,347
Retail		23,833,592	5,602,152	18,231,440	22,350,956	4,732,720	17,618,236
Public sector entities	1	17,665,277	8,440,349	9,224,928	4,892,198	261,074	4,631,124
	2,3	3,464,113	1,542	3,462,571	3,535,030	–	3,535,030
Others		566,746,076	9,185,000	557,561,076	430,907,485	13,273,000	417,634,485
Unrated		174,368,763	30,672,028	143,696,735	177,416,343	30,633,581	146,782,762

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the holding company and primarily includes cash, government, equity investment in blue chip companies and rated debt securities.

The holding company applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the holding company's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the holding company's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

Particulars of holding company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

42.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Public / government	7,507,303	–	–	–	–	–
Private	14,690,000	11,984,795	–	–	–	–
	<u>22,197,303</u>	<u>11,984,795</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

42.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Chemical and pharmaceuticals	29,518	35,745	29,518	35,745	29,518	35,745
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Financial	3,678,802	3,973,206	–	–	–	–
Power (electricity), gas, water and sanitary	5,101,187	376,721	–	–	–	–
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, storage and communication	78,962	131,958	70,403	72,045	70,403	72,045
Others	433,536,794	335,707,878	–	–	–	–
	<u>442,455,901</u>	<u>340,256,146</u>	<u>130,559</u>	<u>138,428</u>	<u>130,559</u>	<u>138,428</u>
Credit risk by public / private sector						
Public/ government	433,036,794	331,599,192	–	–	–	–
Private	9,419,107	8,656,954	130,559	138,428	130,559	138,428
	<u>442,455,901</u>	<u>340,256,146</u>	<u>130,559</u>	<u>138,428</u>	<u>130,559</u>	<u>138,428</u>

42.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Agriculture, forestry, hunting and fishing	2,527,560	826,781	-	-	-	-
Automobile and transportation equipment	3,884,133	3,191,955	1,444,991	1,465,452	1,444,991	1,465,453
Cement	5,373,691	3,827,923	-	-	-	-
Chemicals and pharmaceuticals	20,636,827	18,043,168	429,050	377,061	345,391	353,910
Commercial trade	11,332,539	15,774,388	501,070	395,271	266,839	286,665
Commodity finance	9,185,000	13,273,000	-	-	-	-
Construction and real estate	3,563,823	2,081,021	46,430	68,424	42,929	37,126
Electronics and electrical appliances	8,461,996	5,104,837	293,478	382,704	288,478	283,732
Financial	1,524,657	2,655,639	-	-	-	-
Footwear and leather garments	1,430,296	1,051,076	11,907	26,250	11,907	12,130
Mining and quarrying	49,545	367,826	-	-	-	-
Power (electricity), gas, water and sanitary	38,630,490	30,116,608	75,210	75,210	75,210	75,210
Services	7,150,969	3,899,296	174,541	98,947	139,889	69,662
Sugar	4,988,827	3,976,230	146,080	154,080	124,523	125,337
Textile	113,796,073	96,069,895	12,409,593	12,756,984	11,080,487	11,149,219
Transport, storage and communication	2,572,485	1,597,102	26,483	7,046	-	1,650
Individuals	4,533,832	3,950,303	11,788	3,431	11,788	3,431
Others	50,878,936	46,866,486	1,962,517	1,869,047	1,461,983	1,460,975
	<u>290,521,679</u>	<u>252,673,534</u>	<u>17,533,138</u>	<u>17,679,907</u>	<u>15,294,415</u>	<u>15,324,500</u>
Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Public / government	32,057,987	28,395,765	-	-	-	-
Private	258,463,692	224,277,769	17,533,138	17,679,907	15,294,415	15,324,500
	<u>290,521,679</u>	<u>252,673,534</u>	<u>17,533,138</u>	<u>17,679,907</u>	<u>15,294,415</u>	<u>15,324,500</u>

	2019	2018
	Rupees in '000	
42.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	336,282	152,415
Automobile and transportation equipment	11,002,748	11,819,948
Cement	12,565,395	5,131,148
Chemicals and pharmaceuticals	20,561,199	11,747,866
Commercial trade	25,885,499	20,271,390
Construction and real estate	4,869,468	1,668,382
Electronics and electrical appliances	7,873,600	7,505,452
Financial	387,167,521	213,066,370
Footwear and leather garments	372,394	314,864
Mining and quarrying	54,670	6,501
Power (electricity), gas, water and sanitary	37,927,077	16,031,212
Services	4,807,377	2,677,139
Sugar	2,749,153	2,993,560
Textile	195,288,393	65,057,143
Transport, storage and communication	4,572,928	2,594,571
Others	52,913,514	39,771,224
	<u>768,947,218</u>	<u>400,809,185</u>
Credit risk by public / private sector		
Public / government	139,699,890	68,986,829
Private	629,247,328	331,822,356
	<u>768,947,218</u>	<u>400,809,185</u>

42.1.5 Concentration of advances

The holding company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 120,682,204 thousand (2018: 97,831,714 thousand) are as following:

Funded	61,315,041	58,714,302
Non-funded	59,367,163	39,116,872
Total exposure	<u>120,682,204</u>	<u>97,831,174</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 145,090,292 thousand (2018: 120,069,000 thousand)

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date. The above exposure does not have any non-performing portfolio.

42.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2019						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in '000							
Punjab	99,799,025	99,112,489	583,128	–	–	103,408	–
Sindh	184,782,277	9,769,759	172,509,573	–	2,502,945	–	–
KPK including FATA	557,432	–	–	557,432	–	–	–
Balochistan	13,738	–	–	–	13,738	–	–
Islamabad	5,056,484	14,865	–	–	–	5,041,619	–
AJK including Gilgit-Baltistan	312,723	–	–	–	–	–	312,723
Total	290,521,679	108,897,113	173,092,701	557,432	2,516,683	5,145,027	312,723
Province / region	2018						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in '000							
Punjab	96,114,124	91,031,767	4,678,501	–	–	403,856	–
Sindh	152,422,622	5,050,381	140,175,142	383,205	6,813,894	–	–
KPK including FATA	489,290	–	–	489,290	–	–	–
Balochistan	14,097	–	–	–	14,097	–	–
Islamabad	3,308,391	15,473	–	–	–	3,292,918	–
AJK including Gilgit-Baltistan	325,010	–	–	–	–	–	325,010
Total	252,673,534	96,097,621	144,853,643	872,495	6,827,991	3,696,774	325,010

42.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

The Board of Directors oversees the holding company's strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the holding company, assesses the impact of interest rate change on holding company's investment portfolio through stress testing, and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy amongst other aspects covers the holding company asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the holding company has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system and a middle office function oversees limit adherence. Market risk can be categorised into Interest rate risk, foreign exchange risk and equity position risk.

42.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	70,713,833	–	70,713,833	48,177,307	–	48,177,307
Balances with other banks	2,691,101	–	2,691,101	1,916,548	–	1,916,548
Lendings to financial institutions	22,197,303	–	22,197,303	11,984,795	–	11,984,795
Investments	443,526,749	–	443,526,749	341,284,168	–	341,284,168
Advances	273,592,854	–	273,592,854	236,112,844	–	236,112,844
Fixed assets	8,381,391	–	8,381,391	3,947,862	–	3,947,862
Intangible assets	108,370	–	108,370	163,645	–	163,645
Deferred tax assets	3,710,134	–	3,710,134	5,821,468	–	5,821,468
Other assets	40,108,379	–	40,108,379	29,430,741	–	29,430,741
	<u>865,030,114</u>	<u>–</u>	<u>865,030,114</u>	<u>678,839,378</u>	<u>–</u>	<u>678,839,378</u>

42.2.2 Foreign Exchange Risk

Foreign exchange risk is the probability of loss resulting from adverse movement in exchange rates.

The holding company's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The holding company is not in the business of actively trading and market making activities and all FX exposures are backed by customer's trade transaction. A conservative risk approach backed by holding company's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs.

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance Sheet Items	Net Foreign Currency Exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance Sheet Items	Net Foreign Currency Exposure
	Rupees in '000							
United States Dollar	60,775,646	(99,687,924)	39,500,303	588,025	45,177,404	(83,580,308)	39,013,190	610,286
Euro	3,826,292	(2,485,074)	(1,296,276)	44,942	2,932,784	(2,176,460)	(771,956)	(15,632)
Great Britain Pound	926,582	(5,700,743)	4,772,001	(2,160)	596,369	(5,436,274)	4,844,252	4,347
Asian Currency Unit	421,701	(1,000,283)	–	(578,582)	1,352,010	(1,632,650)	–	(280,640)
Japanese Yen	79,473	(117)	(78,403)	953	32,035	(575)	(20,170)	11,290
Arab Emirates Dirham	130,230	(16)	(107,710)	22,504	23,481	(8,869)	(7,561)	7,051
Canadian Dollar	34,861	–	(17,803)	17,058	10,848	–	–	10,848
Australian Dollar	28,507	–	(17,899)	10,608	4,062	–	–	4,062
Saudi Riyal	5,807	–	–	5,807	1,337	–	–	1,337
Other currencies	329,531	(688)	(268,256)	60,587	34,978	(25,504)	11,135	20,609
	<u>66,558,630</u>	<u>(108,874,845)</u>	<u>42,485,957</u>	<u>169,742</u>	<u>50,165,308</u>	<u>(92,860,640)</u>	<u>43,068,890</u>	<u>373,558</u>

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	1,103	-	2,428	-
- Other comprehensive income	-	-	-	-

42.2.3 Equity position risk

Equity position risk arises due to adverse movements in equity prices. The holding company's policy is to take equity position in high dividend yield scripts. The bank as a policy does not enter into any kind of proprietary equity trades. Equity position risk of the holding company is mitigated through portfolio and script limits advised by the BoD and are reviewed by the ALCO. The investment in equities and mutual funds is also managed within the statutory limits as prescribed by the SBP.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	(19,599)	-	(18,855)	-
- Other comprehensive income	(15,639)	-	(22,473)	-

42.2.4 Yield / interest rate risk in the holding company book (IRRBB)-Basel II specific

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Duration analysis and stress testing are being carried out regularly to estimate the impact of adverse changes in the interest rates on holding company's fixed income portfolio. Optimization of yield is achieved through the holding company's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the holding company are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the holding company based on the earlier of contractual repricing or maturity date is as follows:

	2019				2018	
	Banking book		Trading book		Banking book	
					Rupees in '000	
Impact of 1% change in interest rates on						
- Profit and loss account						-
- Other comprehensive income					(3,360,903)	(2,379,585)

42.2.5 Mismatch of interest rate sensitive assets and liabilities

Effective yield / interest rate	Exposed to yield / interest risk									
	2019		2018		2017		2016		2015	
	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments	
Total	70,713,833	16,348,050	-	-	-	-	-	-	54,365,783	
	2,691,101	1,135,605	-	-	-	-	-	-	1,555,496	
	22,197,303	12,190,000	10,007,303	-	-	-	-	-	-	
	443,526,749	4,073,365	25,601,978	42,727,276	60,188,331	20,144,063	19,070,845	-	1,201,407	
	273,592,854	30,825,341	200,721,585	1,413,544	1,487,260	2,739,078	5,281,926	1,627,205	-	
	38,255,065	-	-	-	-	-	-	-	38,255,065	
	850,976,905	64,572,361	236,330,866	93,963,857	206,052,542	44,140,820	24,352,771	1,627,205	95,377,751	

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	0.70%	70,713,833	16,348,050	-	-	-	-	-	54,365,783
Balances with other banks	11.25%	2,691,101	1,135,605	-	-	-	-	-	1,555,496
Lendings to financial institutions	8.00% to 12.25%	22,197,303	12,190,000	10,007,303	-	-	-	-	-
Investments	7.75% to 16.55%	443,526,749	4,073,365	25,601,978	42,727,276	60,188,331	19,070,845	-	1,201,407
Advances	1.5% to 20.55%	273,592,854	30,825,341	200,721,585	1,413,544	1,487,260	2,739,078	1,627,205	-
Other assets		38,255,065	-	-	-	-	-	-	38,255,065
		850,976,905	64,572,361	236,330,866	93,963,857	206,052,542	44,140,820	1,627,205	95,377,751

Liabilities

Bills payable		11,541,474	-	-	-	-	-	-	11,541,474
Borrowings	2% to 13.36%	145,812,010	90,607,640	28,556,934	11,730,120	1,219,729	4,978,580	192,000	4,106,849
Deposits and other accounts	0.25% to 16.67%	611,259,968	218,427,206	34,163,795	136,366,310	1,819,609	2,000	-	185,920,222
Other liabilities		45,184,710	-	-	-	-	-	-	45,184,710
		813,798,162	309,034,846	62,720,729	148,096,430	3,039,338	4,980,580	192,000	246,753,255
On-balance sheet gap		37,178,743	(244,462,485)	173,610,137	(54,132,573)	58,636,253	19,372,191	1,435,205	(151,375,504)

Off-balance sheet financial instruments

Forward foreign exchange contracts		538,997,600	-	-	-	-	-	-	538,997,600
Commitments against forward lendings		2,428,742	-	-	-	-	-	-	2,428,742
Commitments in respect of letter of credits		119,552,974	-	-	-	-	-	-	119,552,974
Commitments in respect of operating leases		-	-	-	-	-	-	-	-
Commitments against acquisition of fixed assets		440,408	-	-	-	-	-	-	440,408
Off-balance sheet gap		661,419,724	-	-	-	-	-	-	661,419,724

Total yield / interest risk sensitivity gap

		698,598,467	(244,462,485)	173,610,137	(54,132,573)	58,636,253	19,372,191	1,435,205	510,044,220
Cumulative yield / interest risk sensitivity gap		698,598,467	(244,462,485)	(70,852,348)	(124,984,921)	152,960,388	187,119,042	188,554,247	510,044,220

2018

Effective yield/ interest rate	Exposed to yield / interest risk									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	48,177,307	12,370,079	-	-	-	-	-	-	-	35,807,228
Balances with other banks	1,916,548	311,287	-	-	700,000	-	-	-	-	905,261
Lendings to financial institutions	11,984,795	6,684,795	5,300,000	-	-	-	-	-	-	-
Investments	341,284,168	45,421,829	146,294,367	16,597,027	7,680,474	24,860,208	44,887,917	36,662,638	16,603,695	2,276,013
Advances	236,112,844	37,983,763	175,150,275	11,928,905	2,043,379	1,195,445	1,077,531	1,847,238	3,529,486	-
Other assets	27,511,818	-	-	-	-	-	-	-	-	27,511,818
	666,987,480	102,771,753	326,744,642	28,525,932	10,423,853	26,055,653	45,965,448	38,509,876	20,133,181	66,500,320
Liabilities										
Bills payable	12,173,407	-	-	-	-	-	-	-	-	12,173,407
Borrowings	53,008,774	8,072,387	28,118,016	6,166,610	732,317	1,018,273	813,925	1,545,692	233,000	3,188,696
Deposits and other accounts	542,839,457	185,815,328	50,747,988	120,940,597	22,151,392	3,343,132	2,369,174	3,070,148	-	154,401,698
Other liabilities	28,858,964	-	-	-	-	-	-	-	-	28,858,964
	636,880,602	193,887,715	78,866,004	127,107,207	22,883,709	4,361,405	3,183,099	4,615,840	3,119,858	198,622,765
On-balance sheet gap	30,106,878	(91,115,962)	247,878,638	(98,581,275)	(12,459,856)	21,694,248	42,782,349	33,894,036	17,013,323	(132,122,445)
Off-balance sheet financial instruments										
Forward foreign exchange contracts	230,915,612	-	-	-	-	-	-	-	-	230,915,612
Commitments against forward lendings	2,267,933	-	-	-	-	-	-	-	-	2,267,933
Commitments in respect of letter of credits	89,700,969	-	-	-	-	-	-	-	-	89,700,969
Commitments in respect of operating leases	99,427	-	-	-	-	-	-	-	-	99,427
Commitments against acquisition of fixed assets	133,160	-	-	-	-	-	-	-	-	133,160
Off-balance sheet gap	323,117,101	-	-	-	-	-	-	-	-	323,117,101
Total yield / interest risk sensitivity gap	353,223,979	(91,115,962)	247,878,638	(98,581,275)	(12,459,856)	21,694,248	42,782,349	33,894,036	17,013,323	1,123,822
Cumulative yield / interest risk sensitivity gap	353,223,979	(91,115,962)	156,762,676	58,181,401	45,721,545	67,415,793	110,198,142	144,092,178	161,105,501	162,229,323
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities										
		2019	2018			2019	2018			
		Rupees in '000		Reconciliation to total liabilities		Rupees in '000				
Reconciliation to total assets										
Total financial assets		850,976,905		666,987,480		813,798,162		636,880,602		
Add: Non financial assets						Total financial liabilities				
Operating fixed assets		8,381,391		3,947,862		Add: Non financial liabilities		1,506,426		
Intangible assets		108,370		163,645		Other liabilities				
Deferred tax asset		3,710,134		5,821,468						
Other assets		1,853,314		1,918,923						
		14,053,209		11,851,898						
Balance as per statement of financial position		865,030,114		678,839,378		817,200,510		638,387,028		

42.3 Operational risk

The Group operates in a controlled manner and operational risk is managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Bank's strategy is to further strengthen operational risk management system along new industry standards.

The holding company's operational risk management strategy takes guidance from Basel-II, the SBP guidelines and best industry practices.

The holding company's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with holding company's business / support units and regularly collaborates in determining and reviewing the inherent operational risks, and assessment of residual risk leading to improved quality of control infrastructure and further strengthening of the processes (sub processes) & management information.

The holding company's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The holding company's operational risk management infrastructure has been further strengthened through the establishment of a separate operational Risk and Control Committee.

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Group over the past three years. Figures of capital charge of operation risk for the year is Rs. 3,445,426 thousand (2018: Rs. 2,938,575 thousand).

42.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to raise funds to meet its commitments.

Governance of liquidity risk management

ALCO manages the liquidity position on a continuous basis.

Liquidity and related risks are managed through standardized processes established in the holding company. The management of liquidity risk within the holding company is undertaken within limits and other parameters set by BOD. The holding company's treasury function has the primary responsibility for assessing, monitoring and managing the holding company's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of holding company's liquidity profile to ensure proactive liquidity management. Treasury Middle Office being part of the risk management division is responsible for the independent identification, monitoring and analysis of intrinsic risks of treasury business. The holding company has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the holding company.

Funding strategy

The group's liquidity model is based on "self-reliance" with an extensive branch network to diversify the holding company deposit base. Further, the holding company can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The holding company as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns. Furthermore, long term loans are generally kept at an amount lower than the Bank's capital / reserves.

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 which are monitored regularly against approved triggers and communicated to senior management and ALCO. Further, the holding company also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. The holding company also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity stress testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under well-defined stress scenarios. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the holding company.

Contingency funding plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Group which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The holding company has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress conditions. Contingency Event Management parameters and responsibilities are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources focusing on self-reliance, in case of a liquidity crisis.

42.4.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Bank

2019

[illegible]

2018

Rupees in '000

Assets

	Total	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years
Cash and balances with treasury banks	48,177,307	48,177,307	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,916,548	1,916,548	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	11,984,795	-	6,684,795	-	-	5,300,000	-	-	-	-	-	-	-	-
Investments	341,284,168	1,201,410	44,768,926	-	64,998	132,417,278	11,457,967	15,784,744	6,377,758	1,442,477	21,463,610	49,538,134	37,608,493	19,158,373
Advances	236,112,844	48,386,684	2,575,733	2,819,241	15,280,628	32,019,684	45,210,987	39,614,280	1,878,919	18,952,659	7,381,054	6,963,392	8,125,856	6,903,727
Fixed assets	3,947,862	7,122	42,736	49,860	121,084	80,584	80,584	234,309	235,291	235,292	1,079,872	185,849	329,303	1,265,976
Intangible assets	163,645	357	2,143	2,500	6,071	11,191	11,191	33,214	27,586	27,586	145	31	30	41,600
Deferred tax assets	5,821,468	44,769	268,626	313,400	761,108	1,113,387	1,113,387	602,891	95,750	95,751	210,912	502,968	412,317	286,202
Other assets	29,430,741	544,786	3,422,232	4,018,187	9,696,322	3,841,762	3,841,762	1,476,088	879,569	879,570	636,289	12,714	13,134	168,326
	678,839,378	100,278,983	57,765,191	7,203,188	25,930,211	174,783,886	61,715,878	57,745,526	9,494,873	21,633,335	30,771,882	57,203,088	46,489,133	27,824,204

Liabilities

Bills payable	12,173,407	12,173,407	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	53,008,774	3,351,135	3,907,929	173,189	3,994,578	23,879,333	3,744,037	6,567,277	346,503	314,045	1,018,273	813,925	1,545,692	3,352,858
Deposits and other accounts	542,839,457	239,340,660	19,350,473	18,458,955	61,432,474	16,628,924	66,438,051	42,159,717	55,001,570	15,246,180	3,343,132	2,369,124	3,070,197	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	30,365,390	565,935	3,549,110	4,416,213	10,055,811	3,695,749	3,695,749	1,234,145	742,329	742,329	490,496	5,143	764,445	407,936
	638,387,028	255,431,137	26,807,512	23,048,357	75,482,863	44,204,006	73,877,837	49,961,139	56,090,402	16,302,554	4,851,901	3,188,192	5,380,334	3,760,794

Net assets

	40,452,350	(155,152,154)	30,957,679	(15,845,169)	(49,552,652)	130,579,880	(12,161,959)	7,784,387	(46,595,529)	5,330,781	25,919,981	54,014,896	41,108,799	24,063,410
--	------------	---------------	------------	--------------	--------------	-------------	--------------	-----------	--------------	-----------	------------	------------	------------	------------

Share capital	10,478,315
Reserves	16,371,428
(Deficit) / surplus on revaluation of assets	(5,562,129)
Unappropriated profit	15,950,329
Non-controlling interest	3,214,407
	40,452,350

2018

[illegible]

43. GENERAL

43.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

43.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 27 February 2020 has proposed a final cash dividend of Rs. 2.5 per share amounting to Rs. 2,619,579 thousand (2018: final cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

43.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018. However, no material reclassifications have been made.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 27 February 2020 by the Board of Directors of the holding company.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	Rupees in '000				9	10	11	12
1	Bonne Fashion Plot No. F-540/A, SITE, Karachi.	Abdul Sattar Bundukda 42201-0431287-9 Muhammad Farhan Bundukda 42201-6581721-3 Muhammad Salman Bundukda 42201-5760409-1 Muhammad Irfan Bundukda 42201-9535188-1 Muhammad Sameer Bundukda 42201-9620688-1 Khatija Sattar 42201-3062595-4	Haji Ismail Bundukda Abdul Sattar Bundukda Abdul Sattar Bundukda Abdul Sattar Bundukda Abdul Sattar Bundukda Abdul Sattar Bundukda	18615	2,125	-	20,740	-	2,125	-	2,125
2	Farhan & Salman Ind. (Private) Limited Plot No. F-540, SITE, Karachi.	Abdul Sattar Bundukda 42201-0431287-9 Khatija Sattar 42201-3062595-4	Haji Ismail Bundukda Abdul Sattar Bundukda	16212	1,830	-	18,042	2,327	1,830	-	4,157
3	Hanif Rajput Caterers Suite No. 2, Society Apartment, Kashmir Road, Karachi.	Javed Hanif Rajput 42501-1459075-1	Muhammad Hanif Rajput	30,599	3,244	7,486	41,329	-	-	5,330	5,330
4	Nova International (Private) Limited Plot No. 81, Sector 7-A, Korangi Industrial Area, Karachi	Asif Nazar 42301-6434483-1 Yusuf Nazar 42301-0811400-1 Yasmeen Asif 42301-3484154-4 Nazia Yusuf 42301-0847770-4	Nazar Muhammad Asif Nazar Asif Nazar Yusuf Nazar	223	-	1,229	1,452	-	-	1,229	1,229

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	Rupees in '000				9	10	11	12
5	Patel Towel Industries F-61/B, SITE, Karachi.	Muhammad Zubair Patel 42201-0666228-5 Muhammad Yousuf Patel 42201-0616682-3 Sadaf Asif 42201-0387071-4	Abdul Rauf Abdul Rauf Muhammad Asif	62,024	-	141,406	203,430	-	-	141,406	141,406
6	Madni Chemicals Shop No. 6, Meraj Gulshan Center, 63 Circular Road, Near Akbari Mandi, Lahore	Mrs. Azra 42301-9501936-2	Allah Ditta	11,999	32	1,843	13,874	-	-	775	775
7	Royal Rice Millers (Private) Limited 37.5 KM Main G.T. Road, Sadhoke, District, Gujranwala.	Khawaja Zaheer Ahmed 42301-6879077-3 Khawaja Usman Ahmed 42301-0974172-3 Mrs. Naheed Zaheer 42301-7356985-0 Mian Waheed ud din 35202-2494465-1 Mrs. Akhtar Waheed 35202-2380018-6	Khawaja Muhammad Inam Khawaja Zaheer Ahmed Khawaja Zaheer Ahmed Mian Meraj ud din Mian Waheed ud din	55,391	22,248	-	77,639	9,920	22,248	-	32,168
8	Stahlco Automobile (Private) Limited 6.5 KM Raiwind Road, Lahore	Mr. Asif Rehan Dar 35202-8913452-1 Mrs. Tayyba Jabeen 35202-2643498-0 Mr. Mehmood Javaid Mir 35202-9824334-7 Mrs. Shama Mir 35202-8429701-8 Mr. Shahzaman 35202-6239009-1 Mrs. Yasmin Zaman 35202-3421546-0	Muhammad Zafar Asif Rehan Dar Noor Muhammad Mir Mehmood Javaid Mir Abdul Rasheed Shahzaman	7,736	4,157	19,038	30,931	-	2,293	19,038	21,331
				202,799	33,636	171,002	407,437	12,247	28,496	167,778	208,521

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 31 (2018: 31) Islamic banking branches and 222 (2018: 216) Islamic banking windows at the end of the year.

	Note	2019 Rupees in '000	2018
ASSETS			
Cash and balances with treasury banks		5,696,506	3,340,608
Balances with other banks		—	—
Due from financial institutions	1	22,197,303	1,000,000
Investments	2	14,718,222	21,312,705
Islamic financing and related assets - net	3	22,425,248	17,715,168
Fixed assets	4	522,276	82,121
Intangible assets		—	—
Due from head office	5	3,950,351	1,056,134
Other assets		2,825,100	1,605,849
		<u>72,335,006</u>	<u>46,112,585</u>
LIABILITIES			
Bills payable		718,549	657,934
Due to financial institutions		4,275,353	1,864,574
Deposits and other accounts	6	61,261,923	38,684,214
Due to Head Office		—	—
Subordinated debt		—	—
Other liabilities	7	1,980,357	1,473,908
		<u>68,236,182</u>	<u>42,680,630</u>
NET ASSETS			
		<u>4,098,824</u>	<u>3,431,955</u>
REPRESENTED BY			
Islamic banking fund		3,003,871	3,003,472
Reserves		—	—
Surplus / (deficit) on revaluation of assets		6,920	(17,981)
Unappropriated profit	8	1,088,033	446,464
		<u>4,098,824</u>	<u>3,431,955</u>
CONTINGENCIES AND COMMITMENTS			
	9		

The profit and loss account of the Bank's islamic banking branches for the year ended 31 December 2019 is as follows:

	Note	2019	2018
		Rupees in '000	
Profit / return earned	10	4,967,549	2,690,429
Profit / return expensed	11	(3,295,510)	(1,777,470)
Net profit / return		1,672,039	912,959
Other income			
Fee and commission income		152,188	131,603
Dividend income		9,484	—
Foreign exchange income		37,581	33,780
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		84,925	(156)
Other income		22,359	17,513
Total other income		306,537	182,740
Total income		1,978,576	1,095,699
Other expenses			
Operating expenses		686,601	615,528
Workers' welfare fund		—	—
Other charges		90	2,087
Total other expenses		686,691	617,615
Profit before provisions		1,291,885	478,084
Provisions and write offs - net		(203,852)	(31,620)
Profit before taxation		1,088,033	446,464

1. Due from Financial institutions

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Musharakah	14,690,000	—	14,690,000	1,000,000	—	1,000,000
Bai muajjal receivable from State Bank of Pakistan	7,507,303	—	7,507,303	—	—	—
	<u>22,197,303</u>	<u>—</u>	<u>22,197,303</u>	<u>1,000,000</u>	<u>—</u>	<u>1,000,000</u>

2. Investments by segments:

	2019				2018			
	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	–	–	–	–	11,313,145	–	(26,794)	11,286,351
– Bai muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
	<u>3,608,688</u>	<u>–</u>	<u>–</u>	<u>3,608,688</u>	<u>14,921,833</u>	<u>–</u>	<u>(26,794)</u>	<u>14,895,039</u>
Non-government debt securities								
– Listed	5,378,650	–	2,901	5,381,551	537,142	–	3,805	540,947
– Unlisted	5,723,964	–	4,019	5,727,983	5,871,711	–	5,008	5,876,719
	<u>11,102,614</u>	<u>–</u>	<u>6,920</u>	<u>11,109,534</u>	<u>6,408,853</u>	<u>–</u>	<u>8,813</u>	<u>6,417,666</u>
Total investments	<u>14,711,302</u>	<u>–</u>	<u>6,920</u>	<u>14,718,222</u>	<u>21,330,686</u>	<u>–</u>	<u>(17,981)</u>	<u>21,312,705</u>

Note

2019

2018

Rupees in '000

3. Islamic financing and related assets - net

Ijarah	3.1	385,320	398,097
Murabaha	3.2	7,754,898	5,906,879
Working capital musharakah		2,642,396	2,533,380
Diminishing musharakah		3,631,076	3,532,275
Salam		–	–
Istisna		569,445	1,029,204
Export refinance murabaha		987,965	497,902
Export refinance istisna		872,438	923,713
Al-bai financing		637,706	316,194
Advances against:			
Ijarah		80,714	123,988
Murabaha		574,988	349,302
Diminishing musharakah		1,969,374	596,470
Istisna		993,202	1,064,759
Export refinance murabaha		13,165	127,507
Export refinance istisna		1,911,104	326,288
Inventory related to			
Al-bai goods		–	240,116
Istisna goods		23,803	167,589
Gross islamic financing and related assets		<u>23,047,594</u>	<u>18,133,663</u>
Provision against non-performing islamic financings		<u>(622,346)</u>	<u>(418,495)</u>
Islamic financing and related assets - net of provision		<u>22,425,248</u>	<u>17,715,168</u>

3.1 Ijarah

	2019						
	Cost			Accumulated Depreciation			Book value
	As at Jan 01, 2019	Additions / (deletions)	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year / (deletions)	As at Dec 31, 2019	as at 31 Dec 2019
	Rupees in '000						
Plant & Machinery	384,035	56,771 (42,104)	398,702	164,345	298,431 (257,897)	204,879	193,823
Vehicles	266,906	119,052 (78,411)	307,547	88,499	108,076 (80,525)	116,050	191,497
Total	650,941	55,308	706,249	252,844	68,085	320,929	385,320

	2018						
	Cost			Accumulated Depreciation			Book value
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year / (deletions)	As at Dec 31, 2018	as at 31 Dec 2018
	Rupees in '000						
Plant & machinery	366,538	29,297 (11,800)	384,035	97,574	78,140 (11,369)	164,345	219,690
Vehicles	183,274	121,565 (37,933)	266,906	41,127	73,395 (26,023)	88,499	178,407
Total	549,812	101,129	650,941	138,701	114,143	252,844	398,097

Future Ijarah payments receivable

	2019				2018			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
	Rupees in '000							
Ijarah rental receivables	<u>218,540</u>	<u>213,392</u>	<u>1,167</u>	<u>433,099</u>	<u>208,308</u>	<u>290,883</u>	<u>698</u>	<u>499,889</u>

3.2 Murabaha

	Note	2019	2018
		Rupees in '000	
Murabaha financing	3.2.1	<u>7,754,898</u>	5,906,879
Advances against murabaha		<u>574,988</u>	349,302
		<u>8,329,886</u>	<u>6,256,181</u>
3.2.1 Murabaha receivable - gross	3.2.2	<u>8,146,332</u>	6,104,861
Less: Deferred murabaha income	3.2.4	<u>(213,623)</u>	(111,346)
Profit receivable shown in other assets		<u>(177,811)</u>	(86,636)
Murabaha financings		<u>7,754,898</u>	<u>5,906,879</u>

	2019	2018
	Rupees in '000	
3.2.2 The movement in murabaha financing during the year is as follows:		
Opening balance	6,104,861	4,348,615
Sales during the year	17,401,642	13,402,157
Adjusted during the year	(15,360,171)	(11,645,911)
Closing balance	8,146,332	6,104,861
3.2.3 Murabaha sale price	17,401,642	13,402,157
Murabaha purchase price	(16,653,493)	(13,020,273)
	748,149	381,884
3.2.4 Deferred murabaha income		
Opening balance	111,346	72,516
Arising during the year	748,149	381,884
Less: Recognised during the year	(645,872)	(343,054)
Closing balance	213,623	111,346

4. Fixed assets included right-of-use assets of Rs. 426,791 thousand and other liabilities included related lease liability of Rs. 471,290 thousand more fully explained in note 2.3.3 to the financial statements.

5. Due from Head Office

Inter-branch transactions are made on qard basis.

6. Deposits

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	11,870,383	3,358,637	15,229,020	7,495,475	868,171	8,363,646
Savings deposits	20,335,790	1,516,796	21,852,586	17,668,850	618,605	18,287,455
Term deposits	18,674,999	939,335	19,614,334	10,608,516	226,122	10,834,638
	50,881,172	5,814,768	56,695,940	35,772,841	1,712,898	37,485,739
Financial Institutions						
Current deposits	851	—	851	2,054	—	2,054
Savings deposits	4,040,132	—	4,040,132	756,421	—	756,421
Term deposits	525,000	—	525,000	440,000	—	440,000
	4,565,983	—	4,565,983	1,198,475	—	1,198,475
	55,447,155	5,814,768	61,261,923	36,971,316	1,712,898	38,684,214

	2019	2018
	Rupees in '000	
6.1 Composition of deposits		
Individuals	30,921,255	20,518,813
Government / Public Sector Entities	35,343	354,537
Banking Companies	3,652,371	1,510
Non-Banking Financial Institutions	1,072,426	1,263,776
Private Sector	25,580,528	16,545,578
	<u>61,261,923</u>	<u>38,684,214</u>

6.2 Particulars of deposits and other accounts

In local currency	55,447,155	36,971,316
In foreign currencies	5,814,768	1,712,898
	<u>61,261,923</u>	<u>38,684,214</u>

6.3 This includes eligible deposits of Rs. 26,123,251 thousand which are covered under deposit protection mechanism as required by the Deposit Protection Corporation Circular no. 4 of 2018.

7. It includes charity fund, details of which are given below:

Charity fund

Opening balance	291	479
Additions during the period		
Received from customers on account of delayed payment	6,663	241
Dividend purification amount	–	–
Other non-shariah compliant income	–	50
Profit on charity saving account	–	–
	<u>6,663</u>	<u>291</u>
Payments / utilization during the period		
Education	(1,445)	(120)
Health	(3,372)	(359)
	<u>(4,817)</u>	<u>(479)</u>
Closing balance	<u>2,137</u>	<u>291</u>

Details of charity where amounts exceeds Rs 500,000 is as follows:

The Citizen Foundation	674	120
Afzaal Memorial Thalassemia Foundation	674	120
Anjuman Behbood-e-Samat-e-Atfal	674	120
Shaukat Khanum Memorial Trust	674	119
Society for Welfare of Patient of SIUT	674	–
The Kidney Centre	674	–
The Layton Rehmatullah Benevolent Trust	674	–

	2019	2018
	Rupees in '000	
8. Unappropriated profit		
Opening balance	446,464	283,058
Add: Islamic banking profit for the period	1,088,033	446,464
Less: Taxation	—	—
Less: Reserves	—	—
Less: Transferred to head office	(446,464)	(283,058)
Closing balance	<u>1,088,033</u>	<u>446,464</u>
9. Contingencies and commitments		
Guarantees	4,646,271	1,893,613
Commitments	<u>4,175,877</u>	<u>3,362,786</u>
	<u>8,822,148</u>	<u>5,256,399</u>
10. Profit / return earned of financing, investments and placement		
Profit earned on:		
Financing	2,031,739	1,132,798
Investments	1,272,668	1,377,339
Placements	<u>1,663,142</u>	<u>180,292</u>
	<u>4,967,549</u>	<u>2,690,429</u>
11. Profit on deposits and other dues expensed		
Deposits and other accounts	3,143,486	1,742,222
Due to financial institutions	89,196	35,248
Lease liability against right-of-use assets	<u>62,828</u>	<u>—</u>
	<u>3,295,510</u>	<u>1,777,470</u>
12. Pool management		
Following pools are maintained by the Bank's Islamic Banking Division (IBD)		
—	General pool - local currency and foreign currencies	
	Deposit accepted in general pool local and foreign currencies is based on modaraba. Profit distributed to depositors as per pre agreed weightages.	
—	Special pool	
	Deposit accepted in special pools are based on modaraba. Profit distributed to depositors as per pre agreed profit sharing ratio.	
—	Islamic export refinance scheme musharakah pool	
	The IERS Pool caters the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.	

Nature of general / specific pools local and foreign currencies.

a) Consideration attached with risk and reward

- Period, return, safety, security and liquidity of investment
- All financing proposals under process at various stages and likely to be extended in near future
- Expected withdrawal of deposits according to the maturities affecting the deposit base
- Maturities of funds obtained under modaraba arrangement from head office, Islamic Banking financial institutions
- Element of risk associated with different kind of investments
- Regulatory requirement
- Shariah compliance

b) Priority of utilization of funds

- Depositor funds
- Equity funds
- Placement / investments of other IBI
- Modaraba placement of HabibMetro (head office)

c) Weightages for distribution of profits

Profits are calculated on the basis of weightages assigned to different tiers and tenors (General pool). These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors.

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next month (where applicable).

d) Identification and allocation of pool related income and expenditure:

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by Habib Metro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; Habib Metro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.

Islamic export refinance scheme musharakah pool

All the features and other details of this pool are in accordance with the SBP IERS scheme and all circulars and instructions issued from time to time in this regard.

Avenues / sectors of economy / business where mudaraba based deposits have been deployed.

- Agriculture, forestry, hunting and fishing
- Automobile and transportation equipment
- Chemicals and pharmaceuticals
- Electronic and electrical appliances
- Financial
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Cement
- Others

Parameters used for allocation of profit, charging expenses and provisions etc.

a) Basis of profit allocation

	From 1 January 2019 to 31 December 2019	
	Local Currency	Foreign Currencies
- Rabbul maal	66.73%	10%
- Mudarib	33.27%	90%

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment cost shall be borne by IBD as mudarib.

c) Provisions

Specific provision amounting to Rs. 203,852 thousand (2018: Rs. 31,620 thousand) has been made during the year.

Mudarib share

	2019		2018	
	Rupees in '000	%	Rupees in '000	%
Rabbul maal	3,181,614	66.57	1,776,235	69.15
Mudarib	1,597,827	33.43	792,338	30.85
Distributable income	4,779,441	100.00	2,568,573	100.00

Amount and percentage of mudarib share transferred to depositors through Hiba (if any)

	2019	2018
	Rupees in '000	
Mudarib share	1,597,827	792,338
Hiba	184,665	49,235
Hiba percentage of mudarib share	11.56%	6.21%

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

	(% Per Annum)	
Profit rate earned	11.54	6.69
Profit rate distributed to depositors	7.09	4.23

اسلامک بینکنگ کے دائرہ کار اور کنٹرول کو مزید بڑھانے کی غرض سے شریعہ بورڈ مندرجہ ذیل تجاویز پیش کرتا ہے:

- ہم سمجھتے ہیں اسلامی بینکاری عملے کیلئے شریعہ کمپلائنسٹ پراویڈنٹ فنڈ سہولت فراہم کرنے کا ہدف ابھی تکمیل کے مراحل میں ہے تاہم یہ جلد ہی مکمل کر لیا جائے۔
- مزید ای۔ لرننگ ماڈیولز اسلامی بینکاری کے صارفین کی سہولت کیلئے مالی ذمہ داریوں اور اثاثہ جات پر مبنی پروڈکٹس کے سلسلے میں IBBs اور IBWs کے اسٹاف کیلئے متعارف کرائے جائیں۔

ہماری دعا ہے کہ اللہ تعالیٰ ہماری کوششوں کو قبول فرمائے اور ہمیں اسلامی فنانس کے شعبے میں کامیابی عطا فرمائے۔ ہم اللہ تعالیٰ سے دعا کرتے ہیں اور اُس سے حبیب میٹرو صراط کی مزید ترقی، ارتقاء اور خوشحالی کے لئے رہنمائی اور فضل چاہتے ہیں۔

مفتی محمد زبیر اشرف عثمانی

چیئر مین شریعہ بورڈ

مفتی عبدالستار لغاری

ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محمد ابراہیم عیسیٰ

شریعت بورڈ ممبر

کراچی: 27 فروری، 2020

شریعی بورڈ رپورٹ

برائے 31 دسمبر 2019

اللہ تعالیٰ کے مبارک نام سے جو نہایت مہربان اور رحم کرنے والا ہے۔

جیسا کہ بورڈ آف ڈائریکٹرز اور مینجمنٹ مکمل طور پر اس امر کیلئے ذمہ دار ہیں کہ حبیب میٹرو صراط کے آپریشنز اس طریقے پر انجام دیئے جائیں کہ تمام مراحل پر شریعہ کے اصولوں کی پاسداری ہو، لہذا شریعہ بورڈ کے لئے یہ ضروری ہے کہ وہ حبیب میٹرو صراط میں شریعت کے اصولوں کی مجموعی پاسداری کے بارے میں رپورٹ جمع کرائیں۔

اللہ تعالیٰ کی مہربانی سے شریعہ بورڈ (ایس بی) نے سال کے دوران ریویژنڈ شریعہ بورڈ ممبر (آر ایس بی ایم) کی جانب سے پیش کئے گئے مختلف تصورات، پروڈکٹس، طریقہ کار، ٹرانزیکشنز اور ان کے مطابق ہونے کا جائزہ لینے کیلئے 17 اجلاس منعقد کئے۔ مزید برآں فنانسنگ کی سہولتوں کے بارے میں جاری تمام طریقہ ہائے کار کی منظوری جو آر ایس بی ایم سے لی گئی اور شریعہ بورڈ نے بھی اس کی توثیق کی۔

چنانچہ ہم نے اس رپورٹ میں ظاہر کی گئی اپنی رائے کی تصدیق کرنے کے لئے، بینک کے شریعہ بورڈ نے جانچ کرنے کیلئے منتخب شدہ لین دین، ان سے متعلق دستاویزات اور ان کی عملی روانی (پراسفلو) کا جائزہ لیا۔ مزید یہ کہ شریعہ بورڈ نے ریویژنڈ شریعہ بورڈ ممبر، شریعہ کمپلائنس ڈپارٹمنٹ (ایس سی ڈی) اور انٹرئل شریعہ آڈٹ ڈپارٹمنٹ کی معیادی رپورٹوں کا بھی جائزہ لیا، ایکسٹرنل شریعہ آڈٹ رپورٹ برائے سال 2018 کا جائزہ شریعہ بورڈ کی جانب سے لیا جا چکا ہے جبکہ سال 2019 کیلئے ایکسٹرنل شریعہ آڈٹ ابھی زیر عمل ہے۔ مذکورہ بالا کی بنیاد پر شریعہ بورڈ نے درج ذیل کا اظہار کیا ہے کہ:

- ۱۔ حبیب میٹرو صراط نے اپنے شریعہ بورڈ کے جاری کردہ فتویٰ، احکامات، ہدایات کی روشنی میں شرعی قوانین اور اصولوں کی تعمیل کی ہے۔
- ۲۔ حبیب میٹرو صراط نے بینک دولت پاکستان کی شریعہ ایڈوائزری کمیٹی کے شریعہ بورڈ کے جاری کردہ احکامات، ہدایات، رہنما اصول اور ضوابط کی تعمیل کی ہے۔
- ۳۔ حبیب میٹرو صراط کے پاس اپنے تمام کاروباری معاملات کو شریعہ کے مطابق چلائے جانے کو یقینی بنانے کے لئے ایک جامع نظام موجود ہے۔
- ۴۔ حبیب میٹرو صراط کے پاس ایک مضبوط اور واضح نگرانی کا نظام موجود ہے جس کے باعث کسی شرعی طور سے ممنوع ذرائع یا مقاصد سے حاصل ہونے والی آمدنی کو فلاحی کھاتے میں منتقل کر دیا گیا ہے اور اس کو مناسب طور سے صرف کیا گیا ہے۔
- ۵۔ حبیب میٹرو صراط نفع و نقصان اور پول مینجمنٹ پر بینک دولت پاکستان کی ہدایات پر عمل کر رہا ہے اور ایک آٹومیٹڈ پول مینجمنٹ سسٹم آمدنی، اخراجات اور منافع کی تقسیم کے تخمینے میں شفافیت کو یقینی بنانے پر عمل پیرا ہونے کیلئے موجود ہے۔
- ۶۔ انتظامیہ نے اسلامی بینکاری کے عملے کیلئے متعدد ڈیپارٹمنٹس کا انتظام نیز کنوینینٹ برانچز اور اسلامی بینکنگ ونڈوز (IBWs) کے عملے کیلئے بھی متعدد بار تربیت کا بندوبست کیا ہے۔ مزید برآں شریعہ بورڈ آر ایس بی ڈی نے اسلامک بینکنگ برانچز (IBBs) کے اسٹاف ممبران کیلئے پروڈکٹ کے لحاظ سے خصوصی تربیت کا انعقاد بھی کیا ہے۔
- ۷۔ عملے، انتظامیہ اور بورڈ آف ڈائریکٹرز کی مصنوعات (پروڈکٹس) اور عملی طریقوں کے بارے میں شریعہ کی تعمیل کی اہمیت کو سراہنے کے بارے میں ان کی آگاہی، استعداد اور حساسیت کافی حد تک اطمینان بخش ہے۔
- ۸۔ شریعہ بورڈ کو اپنے فرائض کی موثر طور پر ادائیگی کرنے کیلئے ضروری وسائل فراہم کئے گئے ہیں۔
- ۹۔ گزشتہ سال دی گئی تجاویز کے مطابق مینجمنٹ نے سال کے دوران درج ذیل اقدامات کئے:

- دو، ای۔ لرننگ ماڈیولز اسلامی بینکنگ برانچز اور IBWs کے اسٹاف کی استعداد کار بڑھانے کیلئے اسلامی بینکاری کے تصورات پر سال کے دوران متعارف کرائے گئے۔
- شریعہ کمپلائنس ڈیپارٹمنٹ فنانس سہولت شریعہ بورڈ کی جانب سے منظور کی گئی ہے جو ہیومن ریسورس ڈویژن کی مشاورت سے نافذ ہونے کے عمل میں ہے۔
- سرمایہ کاری کی سرگرمیوں میں اضافے کے ساتھ اسلامک کریڈٹ ایڈمنسٹریشن ڈپارٹمنٹ (CAD) میں کریڈٹ آپریشنز کا کردار اور وسائل موثر کارکردگی کیلئے بڑھایا گیا ہے۔

مستقبل پر ایک نظر

اوسطاً افراط زر کے لئے ایس بی پی کا اندازہ ہے کہ یہ مالی سال 2020 کیلئے تبدیل ہوئے بغیر 11-12 فیصد پر رہے گی اور توقع ہے کہ آئندہ 6 سے 8 سہ ماہیوں میں افراط زر کا وسط مدتی ہدف 5 تا 7 فیصد تک آجائے گا۔

مالی سال 2020 کیلئے حقیقی جی ڈی پی گروتھ کیلئے ایس بی پی کا ہدف ممکنہ طور پر چٹائی سطح پر نظر ثانی شدہ ہوگا اور آنے والے مہینوں میں متوقع طور پر بتدریج بحالی کی صورت ظاہر ہوگی۔ آنے والے عرصے میں حبیب میٹرو شیئر ہولڈرز کے مفادات کا تحفظ کرنے پر کاربند ہے جبکہ ایک جدید ترین ٹیکنالوجیکل پلیٹ فارم کے تحت تیار کی گئی مالیاتی پروڈکٹس کے ایک مختلف معیار کے ذریعے اپنے صارفین کیلئے بہترین اور شاندار خدمات کا اضافہ کرتا رہے گا۔ بینک کا ہدف نامیاتی ترقی اور نئے کلائنٹس، کم لاگتی ڈپازٹس کا فروغ، اثاثوں کے معیار میں بہتری اور باکفایت کارکردگی میں اضافہ ہے۔

اظہار تشکر

میں بورڈ، وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی معاونت اور مستقل رہنمائی اور ہمارے صارفین کو ان کے اعتماد اور تعاون پر خراج تحسین پیش کرتا ہوں۔ میں اپنے اسٹاف ممبران کا بھی ان کی انتھک جدوجہد، عزم اور شاندار کارکردگی پر انتہائی مشکور ہوں۔

منجانب بورڈ

محمد علی آر۔ حبیب
چیئرمین

محسن اے۔ ناتھانی
صدر و چیف ایگزیکٹو آفیسر

کراچی: 27 فروری 2020

کامن رپورٹنگ اسٹینڈرڈ (CRS) ایک عالمی معیار ہے جو اقتصادی تعاون و ترقی کی تنظیم (او ای سی ڈی) کونسل سے منظور شدہ ہے اور حکومت پاکستان ملکی قوانین کے توسط سے انکم ٹیکس آرڈیننس مجریہ 2001 کے SRO 166(1)/2017 کی روشنی میں اس کی تشریح کرتی ہے۔ بینک CRS قوانین پر عمل پیرا ہے اور اس مقصد کیلئے بینک کے کھاتوں کی جانچ پڑتال کی جاتی ہے تاکہ ان کی ٹیکس ریزیڈنسی کے بارے میں فیڈرل بورڈ آف ریونیو کو مزید رپورٹ دی جائے۔

کمپلائنس یونٹ ریگولیٹری امور (بشمول فالو اپ) کی شناخت، نگرانی اور تعمیل کو ایسا کمپلائنس آفیسرز (ACOs) کی جانب سے آن سائٹ جائزے کے ذریعے یقینی بناتا ہے۔ مزید برآں ACOs برانچ کی سطح پر قوانین پر عملدرآمد کے معیار کو بڑھا کر بینک میں کمپلائنس کلچر میں اضافے کیلئے موثر کردار ادا کرتے ہیں۔

تحلیقی اور امتیازی کوششوں پر خصوصی توجہ کے ساتھ کمپلائنس فنکشن اپنے اسٹاف کی پیشہ ورانہ بہتری و ترقی اور معمولات کی انجام دہی کو مستحکم بنانے کے ذریعے خود کو موثر بناتا رہے گا۔

کنٹرولز

ادارے میں مجموعی کنٹرول کلچر خصوصاً رسک کے نقطہ نظر سے نافذ کرنے میں رسک مینجمنٹ فنکشن کی ہر ممکن کوشش شامل ہے۔ مزید برآں انٹرنل کنٹرول (ICU) جو بینک کی رسک مینجمنٹ ٹیم کا حصہ ہے، موثر آپریشنز، قانونی تقاضوں کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنانے کیلئے آپریشنل انٹرنل کنٹرول کے ایک موثر سسٹم کے قیام اور عملدرآمد کا ذمہ دار ہے۔ یہ کوششیں کمپلائنس، فنکشن اور رسک مینجمنٹ ڈویژن کے زیر انتظام آپریشن، قانونی ضروریات کی تعمیل اور فنانشل رپورٹنگ میں مجموعی طور پر انٹرنل کنٹرول میں مہارت کا حصہ ہیں۔ بینک کے مجموعی مقاصد کے حصول میں ناکامی کے خطرات کی شناخت اور ان کو کم کرنے کیلئے مینجمنٹ کی طرف سے موزوں سسٹم، پراسس اور کنٹرول رائج کئے گئے ہیں۔

بینک کا تنظیمی ڈھانچہ اور اتھارٹی کے مراحل واضح ہیں اور بینک میں نافذ تمام پراسس بورڈ سے منظور شدہ پالیسیوں اور طریقہ کار کے تابع ہیں۔ موجودہ پالیسیوں اور طریقہ کار کا مستقل بنیادوں پر جائزہ لیا جاتا ہے اور وقتاً فوقتاً ان میں بہتری لائی جاتی ہے۔ بورڈ نے مجموعی رسک مینجمنٹ فریم ورک کی نظر ثانی کیلئے ذیلی کمیٹیاں تشکیل دی ہیں جو موزوں گورننس کو یقینی بنانے کیلئے باقاعدگی سے ملتی ہیں۔

ہر پروسس اور فنکشن میں موجود کنٹرول کے وہ تمام پہلو جو پالیسیوں اور طریقہ کار کے تابع ہیں، بینک کے آپریٹنگ نظام میں موجود ہیں، اور ان کنٹرول کی تعمیل اور موثر ہونے کی تصدیق غیر جانبدار انٹرنل آڈٹ ڈویژن کرتا ہے جو بورڈ آڈٹ کمیٹی کو بلا واسطہ طور پر جوابدہ ہے۔

اسٹیٹ بینک آف پاکستان کی انٹرنل کنٹرول رہنما ہدایات بینک کی انتظامیہ سے انٹرنل کنٹرول کے موثر ہونے کی جانچ پڑتال کا تقاضہ کرتی ہے۔ مینجمنٹ کو یقین ہے کہ بینک کا موجودہ انٹرنل کنٹرول کا نظام مناسب انداز میں ڈیزائن کیا گیا ہے اور اس پر موثر انداز میں عملدرآمد اور نگرانی کی جاتی ہے۔ برائے مہربانی اس سالانہ رپورٹ سے منسلک ”اسٹیٹمنٹ آف انٹرنل کنٹرول“ ملاحظہ کریں۔

انٹرنل آڈٹ

بڑھتے ہوئے خطرات کی آگاہی اور ریگولیٹری کمپلائنس کو یقینی بنانے کیلئے انٹرنل آڈٹ حبیب میٹرو کی تیسری دفاعی لائن کی حیثیت سے بینک کے مجموعی کنٹرول کے ماحول میں بنیادی عنصر ہے۔ جو کہ انتظامیہ اور بورڈ کو بینک کے انٹرنل کنٹرول سسٹم کا جائزہ لے کر غیر جانبدار یقین دہانی فراہم کرتا ہے۔ انٹرنل کنٹرول ڈویژن گورننگ اتھارٹی کو معقول یقین دہانی فراہم کرنے کیلئے بینک کی پالیسیاں، معاملات، سسٹم اور کنٹرولز کا جائزہ لیتا ہے اور رسک میں کمی کیلئے امداد فراہم کرتا ہے۔

حبیب میٹرو ایک موثر بورڈ آڈٹ کمیٹی کا حامل ہے جو ایس ای سی پی کی جانب سے طے کردہ اور ایس پی کی جانب سے مروجہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے تحت کام کرتی ہے۔ بورڈ کی آڈٹ کمیٹی کے ممبران نان ایگزیکٹو ڈائریکٹرز اور اس کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔

بورڈ آڈٹ کمیٹی کو براہ راست رپورٹ کرتے ہوئے انٹرنل آڈٹ فعال طور پر برانچوں کے آڈٹ، آپریشن اور بینک کی اہم سرگرمیوں کیلئے خطرات پر مبنی نقطہ نظر کا استعمال کرتا ہے اور اس کے ساتھ اصلاحی اقدامات اور کنٹرول کی خامیوں کے تذکرے پر خصوصی توجہ دیتا ہے۔ آڈٹ کے جائزے متعلقہ کلیدی خطرات کے اشاروں اور سسٹم کی خامیوں پر مرکوز ہوتے ہیں تاکہ کنٹرول، اخراجات اور آمدنی کی کارکردگی کی نشاندہی کی جائے۔

کنٹینر ٹریڈنگ

بینک ایک آپریشنل کاروباری تسلسل کے پلان کا حامل ہے جو کہ کسی بھی ناگہانی صورتحال کے باعث ادارے کی سرگرمیاں اچانک معطل ہونے کے خطرے کو کم کرتا ہے۔ یہ پلان کاروباری تسلسل کی ایک سخت میٹک کی بنیاد پر بنایا گیا ہے۔ انفرادی یونٹس کے آف سائٹ انتظامات کے علاوہ بینک ادارے کی سطح پر کارکردگی موثر بنانے کیلئے جامع بی سی پی سائٹس کی سہولت میں اضافہ کر رہا ہے۔

انفارمیشن ٹیکنالوجی رسک

انفارمیشن سکیورٹی ڈیپارٹمنٹ (آئی ایس ڈی) بینک کے رسک مینجمنٹ ڈویژن کا ایک حصہ ہے اور انفارمیشن اور انفارمیشن سسٹم کو تحفظ دینے کیلئے دفاع کی دوسری صف کے طور پر کام کرتا ہے۔ صارفین کو سروسز کی فراہمی میں ٹیکنالوجی کے استعمال میں اضافے کے پیش نظر انفارمیشن سکیورٹی ڈیپارٹمنٹ کا مقصد آپریشن اور کارکردگی کو بہتر بنانے اور صارفین کے ذاتی اور کاروباری معلومات کی حفاظت کے ساتھ انفارمیشن سکیورٹی رسک کو کم کرنا ہے۔ بینک کے خطرات کی حدود میں رہتے ہوئے انفارمیشن اور ٹیکنالوجی کے خطرات پر قابو پانے کے حتمی ہدف کے پیش نظر انفارمیشن ٹیکنالوجی ڈیپارٹمنٹ مختلف سرگرمیاں مثلاً خطرات کی جانچ، جائزہ، تشخیص اور مانیٹرنگ انجام دیتا ہے۔

کمپلائنس

آپ کے بینک نے سال کے دوران اپنے نیٹ ورک پر مکمل نگرانی کو مستحکم رکھا جس میں شامل اپنے صارفین کو پہچاننے (کے وائی سی) / اینٹی منی لانڈرنگ (اے ایم ایل) / دہشت گردی کیلئے سرمایہ (سی ایف ٹی) اور ریگولیٹری کمپلائنس کی آگاہی شامل ہے۔ کمپلائنس یونٹ نے کمپلائنس اور ریگولیٹری امور پر انتظامیہ اور اسٹاف کو سپورٹ اور مشاورت فراہم کی۔ تمام نئی پالیسیاں اور طریقہ کار، اقدامات، پروڈکٹس، سروسز، کاروباری طریقہ کار وغیرہ کا کمپلائنس اے ایم ایل / سی ایف ٹی کے نظریے سے جائزہ اور ریگولیٹری حکام کے ساتھ تعلقات کا قائم رکھنا اس یونٹ کے فرائض میں شامل ہے۔ یہ یونٹ ایک ریگولیٹری لائبریری، جس میں اسٹیٹ بینک آف پاکستان اور دیگر متعلقہ ریگولیٹری حکام کی جانب سے جاری سرکلرز شامل ہیں، کے قیام اور اسے برقرار رکھنے میں بھی سرگرم ہے مزید براں اسٹیٹ بینک آف پاکستان کے انسپکشن کے عمل کو آسان بنانے کیلئے اسٹیٹ بینک آف پاکستان اور اس کی آن سائٹ انسپکشن ٹیم کے ساتھ سہولت کاری اور رابطہ کاری میں اس یونٹ کا اہم کردار رہا ہے۔

انتہائی چیلنجنگ اور متقاضی عالمی اے ایم ایل / سی ایف ٹی انوائزمنٹ کے ساتھ بینک کا فنانشل کرائمز و کمپلائنس فنکشن بینک میں مکمل طور پر کمپلائنس کے اعلیٰ ترین معیار کے نفاذ اور ان اسٹینڈرڈز کو انتظامیہ اور ملازمین کیلئے یقینی بنانے کیلئے پرعزم ہے۔ بینک کا جدید ترین ٹرانزیکشن مانیٹرنگ سسٹم (ٹی ایم ایس) منی لانڈرنگ کی ان سرگرمیوں کی مانیٹرنگ میں مدد دیتا ہے جن کا تعلق بینک چینلز، پروڈکٹس اور خدمات کے ذریعے منی لانڈرنگ (ایم ایل) اور دہشت گردی کے لئے سرمایہ (ٹی ایف) سے ہو سکتا ہے۔ ٹی ایم ایس غیر معمولی منتقلیوں کی نگرانی اور اس میں موجود کثیر نوعیتی اے ایم ایل / سی ایف ٹی صورت حال کے ذریعے بینک کے سسٹم میں ٹرانزیکشنز کی مختلف سرگرمیوں کا جائزہ لیتا ہے۔ علاوہ ازیں بینک ایک مضبوط کسٹمر ڈیو ڈیٹیکشن (سی ڈی ڈی) پروسس کا حامل ہے جو کہ ہر ایک صارف کا پروفائل / دستاویزات کو اپ ڈیٹ کرنے اور ریگولیٹری ضروریات کے مطابق جامع سی ڈی ڈی کی انجام دہی کی اجازت دیتا ہے۔ بحیثیت ٹریڈ اور اینڈ بینک، پابندی کی حامل ٹرانزیکشنز کی روک تھام کو یقینی بنانے کے لئے کراس بارڈر ٹرانزیکشنز کمپلائنس یونٹ کی جانب سے سکرین شدہ اور پہلے سے منظور شدہ ہوتی ہیں۔ علاوہ ازیں بینک میں ایک مخصوص سی ایف ٹی ڈیک قائم کی گئی ہے جو ٹی ایف رسک میں کمی پر توجہ مرکوز رکھتی ہے۔ یہ یونٹ قانون نافذ کرنے والوں کو معلومات فراہم کرنے میں سہولت کاری بھی فراہم کرتا ہے۔ UNSC ریزولوشنز کی تعمیل اور اس امر کو یقینی بنانے کیلئے کہ بینکنگ سروسز کسی ممنوعہ فرد یا ادارے کو فراہم نہیں کی جارہی، وقتاً فوقتاً سسٹم کے پروسیس اور کنٹرولز کو مانیٹر کیا جاتا ہے۔

مشتبہ ٹرانزیکشن کی رپورٹ (STRs) اور کرنسی ٹرانزیکشن رپورٹ (CTRs) کی فنانشل مانیٹرنگ یونٹ (FMU) کو بروقت اطلاع دینے کے عمل کو گواہ ایم ایل (goAML) اپیلی کیشن کے ذریعے خود کار بنایا ہے۔

آپ کا بینک بطور ایک فارن فنانشل انسٹی ٹیوشن (ایف ایف آئی) شراکت کا حامل ہے اور فارن اکاؤنٹس ٹیکس کمپلائنس ایکٹ (FATCA) کی، اس امر کا تعین کرنے کیلئے کہ ممکنہ کلائنٹس امریکی ٹیکس رپورٹنگ ذمہ داریوں کا حامل ہے یا نہیں، ان سے اضافی معلومات اور دستاویزات کے حصول کے ذریعے پوری طرح تعمیل کرتا ہے۔ FATCA ایک امریکی قانون ہے جس کا مقصد امریکی شہریوں اور کمپنیوں کی جانب سے ٹیکس کی عدم ادائیگی کی روک تھام ہے اور جو یکم جولائی 2014 سے نافذ ہو چکا ہے FATCA قانون کی تعمیل کو یقینی بنانے کے لئے کمپلائنس ڈویژن روالہ، تربیت، ڈیولپمنٹ اور FATCA کی ضروریات کی نگرانی جیسی سہولیات فراہم کرتا ہے۔

رسک مینجمنٹ رسک مینجمنٹ فریم ورک پر بیان

حبیب میٹرو کے فلسفے، حکمت عملی اور انتظامی ڈھانچے میں خطرے کے پہلو پر غور کرنا شامل ہے۔ بینک کریڈٹ، آپریشنز، انفارمیشن، تسلسل، لیکویڈیٹی اور مارکیٹ رسک کیلئے منظم اپروچ اور مستحکم انٹرول کنٹرول کے ایک مربوط و منظم رسک مینجمنٹ اسٹرکچر کا حامل ہے۔

بینک کا مکمل برانچ نیٹ ورک آن لائن اور جدید ترین پروسیجرنگ سسٹم محفوظ اور مناسب گنجائش کا حامل ہے۔ بینک کے نظام اور ادارے میں فرائض کی تقسیم بطور کنٹرول موجود ہے۔ کنٹرول سسٹم کی جانچ پڑتال کیلئے انٹرل آڈٹ ڈویژن، بینک کی برانچوں اور دیگر امور کا آزاد اور خطرات پر مبنی جائزہ لینا اور توثیق کرتا ہے۔ مینجمنٹ کیلئے رسک کنٹرول کی مناسبت سے جامع اندرونی رپورٹ اور مینجمنٹ انفارمیشن سسٹم بطور اضافی سہولیات مہیا کیا گیا ہے۔ رسک مینجمنٹ ڈویژن ماہر اور تجربے کار پیشہ ور افراد پر مشتمل ہے جو بینک میں موجود خطرات سے نمٹنے کی معلومات اور صلاحیت کے حامل ہیں۔

بینک کا بورڈ آف ڈائریکٹرز بشمول بورڈ رسک و کمپلائنس کمیٹی، سینئرل مینجمنٹ کمیٹی اور آپریشنل رسک و کمپلائنس کمیٹی بینک کی حکمت عملی (اسٹریٹیجی)، کاوشوں اور رسک مینجمنٹ سے متعلق تمام تر عوامل کی نگرانی کرتی ہے۔

کریڈٹ رسک

حبیب میٹرو پروڈکٹ، جغرافیہ، صنعت اور صارفین کی مختلف اقسام کے ذریعے کریڈٹ رسک کو کنٹرول کرنے کی حکمت عملی پر کاربند ہے۔ بینک، ایک بڑا حصہ مختصر مدتی اور سیلف لیکویڈیٹنگ میں رکھتے ہوئے، تجارت اور ورکنگ کیپٹل فنانسنگ کو توسیع دے رہا ہے۔ بینک کے کریڈٹ پورٹ فولیو کا ایک بڑا حصہ KIBOR کو بطور ایک حوالہ استعمال کرتے ہوئے فلوئنگ ریٹ کی بنیاد پر نرخ شدہ ہے جو شرح سود کے خطرات کو کم کرتا ہے۔ کریڈٹ کی توسیع میں شامل خطرات کا امکان کریڈٹ گرانٹ کرنے کے مضبوط طریقہ کار کے ذریعے مزید کم ہو جاتا ہے جو مناسب جانچ پڑتال، مناسب سیکورٹی اور جاری بنیادوں پر ایک سپورٹرز کی مانیٹرنگ کو یقینی بنانے کیلئے تشکیل دیا گیا ہے۔ ان تمام اقدامات میں مرکزی ٹریڈ پروسیجرنگ اور کریڈٹ ایڈمنسٹریشن کے ذریعے مزید اضافہ ہوتا ہے۔

مارکیٹ/لیکویڈیٹی رسک

ایسٹ اینڈ انٹیلیجنٹ مینجمنٹ کمیٹی غیر ملکی زرمبادلہ اور منی مارکیٹ کی لمٹس اور ایکسپوزر کے حوالے سے جائزہ، سفارشات اور نگرانی کے امور سنبھالتی ہے۔ اس کی حکمت عملی رسک، لیکویڈیٹی اور منافع جات میں توازن رکھنے پر مشتمل ہے۔ بورڈ کی منظور شدہ سرمایہ کاری پالیسی، دیگر پہلوؤں کے ساتھ اثاثہ جات کو مختص کرنے اور آپریٹنگ کی رہنمادایات پر خصوصی توجہ دیتی ہے۔ مزید برآں مارکیٹ اور لیکویڈیٹی رسک کی نگرانی کو بورڈ کی منظور کردہ مارکیٹ اور لیکویڈیٹی رسک مینجمنٹ پالیسی کے مطابق یقینی بنایا جاتا ہے۔

اسٹریٹس ٹیسٹنگ

اسٹریٹس ٹیسٹنگ کے طریقے پورے ادارے میں رسک کی موجودگی اور پورٹ فولیو کی قدر و قیمت میں تبدیلی کا جائزہ لینے کیلئے اس وقت استعمال کئے جاتے ہیں جب مختلف نوعیت کے خطرات ظاہر ہوتے ہیں۔ شرح سود، کریڈٹ، لیکویڈیٹی پرائس، شرح مبادلہ اور لیکویڈیٹی وہ عناصر ہیں جو اسٹریٹس ٹیسٹنگ کے ماڈلز میں استعمال ہوتے ہیں۔ بینک کا اسٹریٹس ٹیسٹنگ کا طریقہ کار اسٹریٹ بینک آف پاکستان کی رہنمادایات پر عملدرآمد کو بھی یقینی بناتا ہے۔

آپریشنل رسک

آپریشنل رسک بینکنگ کی تمام تر سرگرمیوں میں موجود ہے اور دنیا بھر میں ایک اہم چیلنج تصور کیا جاتا ہے۔ وقوع پذیر ہونے سے پہلے خطرات کی شناخت اور ان کے مدارک کیلئے کنٹرولز کا استحکام ہمیشہ بینک کی ترجیح رہی ہے۔ بینک میں ایک مخصوص آپریشنل رسک مینجمنٹ یونٹ موجود ہے جو ادارے میں آپریشنل رسک فریم ورک تشکیل دیتا اور لاگو کرتا ہے۔ او آر ایم یونٹ بینک کے کاروبار/سپورٹ یونٹ کے ساتھ مصروف عمل ہے اور کنٹرول انفراسٹرکچر کے معیار میں بہتری کے ساتھ ادارے کے عوامل (ذیلی عوامل) اور مینجمنٹ انفارمیشن کو متحد کرنے کیلئے موجودہ آپریشنل رسک کے تعین، جائزہ اور دیگر خطرات کی تشخیص کے لئے باقاعدگی سے تعاون کرتا ہے۔ بینک کے آپریشنل رسک مینجمنٹ انفراسٹرکچر کو مزید مستحکم کرنے کیلئے علیحدہ آپریشنل رسک اینڈ کنٹرول کمیٹی تشکیل دی گئی ہے۔

آڈیٹرز

موجودہ آڈیٹرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہوئے اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرری کیلئے پیش کیا۔ کوڈ آف کارپوریٹ گورننس کی ہدایات کے مطابق، آڈٹ کمیٹی کی تجویز پر بورڈ نے کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی 31 دسمبر 2020 کو ختم ہونے والے سال کیلئے بینک کے آڈیٹرز کی حیثیت سے تقرری کی سفارش کی ہے۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک

- ۱- بینک کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو ز اور ایکویٹی میں تبدیلی کو شفاف انداز میں پیش کیا گیا ہے۔
- ۲- بینک کی جانب سے حسابات کی باقاعدہ کتب تیار کی گئی ہیں۔
- ۳- موزوں اکاؤنٹنگ پالیسیاں اور تخمینہ جات، مالیاتی حسابات کی تیاری میں تسلسل کے ساتھ لاگو کئے گئے ہیں ماسوائے وہ تبدیلیاں جن کا ذکر مالیاتی حسابات کے نوٹ نمبر 4.1 میں درج ہیں۔
- ۴- مالیاتی حسابات کی تیاری میں پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عمل کیا گیا ہے اور ان سے کسی بھی رُوگردانی کو مناسب طور پر ظاہر کیا گیا ہے۔
- ۵- انٹرئل کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہا ہے۔
- ۶- بینک کے کاروبار کو جاری رکھنے کی صلاحیت پر کسی قسم کے شبہات نہیں ہیں۔
- ۷- کوڈ آف کارپوریٹ گورننس کی بہترین پریکٹسز (طریقہ کار) جو کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے، سے کوئی رُوگردانی نہیں کی گئی ہے۔
- ۸- بینک کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا برائے گزشتہ 6 سال درج ذیل ہے:

روپے بلین میں

2014	2015	2016	2017	2018	2019	
34,750	36,828	39,670	40,498	37,002	44,238	شیئر ہولڈرز کی ایکویٹی
10,478	10,478	10,478	10,478	10,478	10,478	اداشدہ سرمایہ
409,894	502,433	538,007	660,666	673,396	859,575	مجموعی اثاثہ جات
319,597	402,671	429,932	508,104	543,578	611,869	ڈپازٹس
134,751	132,647	142,962	174,319	226,690	263,948	ایڈوانسز
221,761	292,779	314,619	396,637	346,666	448,910	سرمایہ کاریاں
7,312	12,539	10,334	9,129	10,074	11,238	منافع قبل از ٹیکس
4,927	7,656	6,119	5,509	6,161	6,583	منافع بعد از ٹیکس
4.7	7.31	5.84	5.26	5.88	6.28	آمدنی فی حصص (روپے)
25	20	30	30	20	25	نقد منافع منقسمہ (فیصد) - حتمی
-	20	-	-	-	-	- عبوری
3,914	4,277	4,597	4,719	4,841	5,192	عملے کی تعداد
240	276	307	320	352	392	برانچوں/ذیلی برانچوں کی تعداد

پراویڈنٹ فنڈ اور گریجویٹ اسکیم کی سرمایہ کاریوں کی قدر و قیمت درج ذیل ہے:

- پراویڈنٹ فنڈ 3,297.226 ملین روپے برطانیہ 31 دسمبر 2019
- گریجویٹ فنڈ 1,372.614 ملین روپے برطانیہ 31 دسمبر 2019

ایف سے متعلق شکایات) جبکہ مجموعی طور پر شکایات کے تذکرہ کا اوسطاً دورانیہ 8.9 ایام رہا۔ بینک کسی بھی مرحلے، پروڈکٹس اور خدمات کی فراہمی میں موجود خلاء کی شناخت اور بہتری کے لئے مسلسل طور پر بنیادی و مفصل تجربے کا اہتمام کرتا ہے۔

کارپوریٹ گورننس بورڈ اور بورڈ کمیٹیوں کے اجلاس

سال 2019 کے دوران بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاس اور ہر ایک ڈائریکٹر/کمیٹی ممبر کی جانب سے اس کی شرکت کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	کریڈٹ کمیٹی	ہیومن ریسورسز و ریٹائرمنٹ کمیٹی	رسک و کمپلائنس کمیٹی	انفارمیشن ٹیکنالوجی کمیٹی
جناب محمد علی آر۔ حبیب	4/4	-	4/4	-	-	-
جناب علی ایس۔ حبیب	3/4	5/6	-	-	-	-
جناب انجم زید۔ اقبال	4/4	6/6	4/4	-	4/4	3/3
جناب فراست علی	4/4	-	-	3/3	4/4	3/3
جناب محمد بشیر	4/4	-	-	-	-	-
جناب محمد ایچ۔ حبیب	4/4	-	4/4	-	-	-
جناب سہیل حسن	4/4	6/6	-	-	-	-
جناب طارق اکرام	4/4	-	-	3/3	-	-
جناب محسن اے۔ ناتھانی	4/4	-	4/4	3/3	4/4	3/3
منعقدہ اجلاس	4	6	4	3	4	3

بورڈ کی ری میونریشن پالیسی

نان۔ ایگزیکٹو ڈائریکٹرز کی ری میونریشن پالیسی بورڈ کی جانب سے سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری کے لئے تجویز کردی گئی ہے۔

ڈائریکٹر کے معاوضے کے سلسلے میں معلومات مالیاتی حسابات کے نوٹ 37 میں فراہم کی گئی ہیں۔

بورڈ اور بورڈ کمیٹیوں کی تشکیل

بورڈ اور بورڈ کی کمیٹیوں کی موجودہ تشکیل کولسڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے اسٹیمٹ آف کمپلائنس میں فراہم کر دیا گیا ہے۔

پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2019 کا پیٹرن آف شیئر ہولڈنگ رپورٹ کے ساتھ منسلک ہے۔

بینک، حبیب بینک اے جی زیورخ۔ سوئٹزرلینڈ (ہولڈنگ کمپنی جس کے پاس بینک کے 51 فیصد شیئرز ہیں) جو سوئٹزرلینڈ میں انکوارپریٹڈ ہے، کی ذیلی کمپنی ہے۔

بینک نے پروفیشنل نیٹ ورک کی جانب سے منعقدہ نویس ایس آرسمٹ میں صحت اور تعلیم کے شعبے میں سی ایس آر ایوارڈ حاصل کیا۔ بینک نے 2020 گلوبل ڈائیورسٹی اینڈ انکلوژن پیچ مارک ایوارڈ کی تقریب میں کیوئی، گورنمنٹ ریلیشن شپ اینڈ سوشل ریسپانسیبلیٹی ایوارڈ بھی حاصل کیا۔

دی سٹیزن فاؤنڈیشن بڑے وصول کنندگان میں سے ایک رہا اور بینک اس کے ذریعے پسماندہ دیہی علاقوں میں 6 اسکول چلا رہا ہے جہاں 1500 سے زائد بچے داخل ہیں۔ بینک کی سماجی معاونت کی تفصیل اکاؤنٹس کے نوٹس میں دیکھی جاسکتی ہے۔

آپ کا بینک سال 2019 کے دوران حکومت پاکستان کو 4 بلین روپے سے زائد بلا واسطہ (ڈائریکٹ) ٹیکسوں کی مد میں ادائیگی کے ساتھ ملک کے بڑے ٹیکس دہندگان میں سے ایک رہا۔ مزید برآں بینک نے اپنے نیٹ ورک کے ذریعے تقریباً 10.983 بلین روپے کی اضافی رقم بالواسطہ ٹیکس اور ود ہولڈنگ انکم ٹیکس کٹوتیوں کی مد میں قومی خزانے کے لئے جمع کی۔

گرین بینکنگ کے اقدامات

گرین بینکنگ بینکاری کے شعبے میں ایک ابھرتا ہوا تصور ہے جو ماحول دوست بینکاری کے طریقہ کار کو مربوط بناتا ہے تاکہ طویل و پائیدار گروتھ حاصل کی جاسکے۔ بحیثیت ایک محتاط ریگولیٹری اسٹیٹ بینک آف پاکستان نے گرین بینکنگ گائیڈ لائنز متعارف کرائی ہیں اور اس کے مطابق بینکوں کو ماحول دوست طریقہ کار اپنانے اور ایک 'گرین پورٹ فولیو' قائم کرنے پر زور دے رہا ہے۔

ریگولیٹری توقعات پر پورا اُترنے کے ضمن میں حبیب میٹرو نے ایک گرین بینکنگ پالیسی کو تشکیل دی ہے جس کو درج ذیل تین شعبوں میں تقسیم کیا گیا ہے:

ماحولیاتی خطرات سے نمٹنے کا انتظام

فنانسنگ پورٹ فولیوز کے ماحولیاتی ایکسپوز کو سمجھنے، انتظام اور تدارک کے ذریعے ماحولیاتی استحکام میں اضافے کی غرض سے حبیب میٹرو نے کریڈٹ رسک انویسٹمنٹ کے دوران ماحولیاتی رسک پر غور کرنے کا آغاز کیا ہے۔ جن کے لئے ایک ڈیویڈنڈ پینل کی چیک لسٹ متعارف کرائی ہے جو اب کریڈٹ پروپوزلز کا حصہ ہے۔

کاروباری سہولت

بینک غیر آلودہ توانائی اور باکفایت وسائل کے منصوبوں میں سرمایہ کاری کے ذریعے 'گرین مارکیٹ' کو فروغ دینے کے لئے کوشاں ہے۔ بینک گرین پورٹ فولیو میں اضافے کے لئے اسٹیٹ بینک آف پاکستان کی ریگولیٹری فنانس اسکیم کے ذریعے ریگولیٹری فنانسنگ سے متعلق کلائنٹس کو راغب کرنے پر زور دے رہا ہے۔

ذاتی اثرات میں کمی

بینک نے ماحول اور ماحولیاتی آلودگی کے اثرات میں کمی کیلئے اپنے اندرونی آپریشنز اور طریقہ ہائے کار میں تبدیلی کی ہے۔ بینک نے توانائی کے موثر استعمال کے حل تلاش کئے ہیں جن میں کم توانائی صرف ہونے والی ای ڈیزائن کی تبدیلی، گریڈ انورٹر کے حامل ایئر کنڈیشننگ یونٹس کے کولنگ سسٹم کی تبدیلی اور یو پی ایس و سولر پینلز کو ای ایم کے لئے پرائمری بینک ایپس کے طور پر تنصیب کرنا شامل ہے۔

صارفین کی شکایات

حبیب میٹرو ایک شفاف و متوازن کسٹمر سروس فراہم کرنے پر کاربند ہے اور یہ سمجھتا ہے کہ بینک کی ترقی و فروغ کیلئے یہ نہایت اہم عنصر ہے۔ صارفین کو درپیش مشکلات سے نمٹنے کا موثر میکینزم بینک صارفین کی مشکلات کے خلاف دفاع کی پہلی صف کے طور پر کام کرتا ہے۔ لہذا اس امر کو یقینی بنایا جاتا ہے کہ موصول ہونے والی تمام شکایات کو منصفانہ، شفاف اور موثر طور پر نمٹایا جائے۔ بینک کے صارفین کیلئے شکایات سے نمٹنے کے عمل کو شفاف اور قابل رسائی بنانے کے لئے شکایات کنندہ اپنی شکایات مختلف چینلز مثلاً ای میل، کال سینٹر، لیٹر، ویب سائٹ وغیرہ کے ذریعے رجسٹر کر سکتے ہیں جن کی تفتیش و تحقیقات اور ان کا تدارک فوری طور پر کرتے ہوئے صارف کو شکایات پر ہونے والی پیشرفت سے ایس ایم ایس، ای میل اور لیٹرز کے ذریعے آگاہ کیا جاتا ہے۔ 2019 میں مجموعی طور پر 19,498 شکایات بینک کو موصول ہوئیں۔ شکایات کو نمٹانے کا اوسط وقت 4.6 ایام تھا (ماسوائے ویزا/ پی او ایس اور ایف اینڈ

کشمکش

بینک کے مالیاتی سال اور رپورٹ کی تاریخ کے درمیان بینک کی مالیاتی پوزیشن کو متاثر کرنے والی مالی ذمہ داریوں میں کوئی نمایاں تبدیلی وقوع پذیر نہیں ہوئی۔

کریڈٹ ریٹنگ

اللہ تعالیٰ کے کرم سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کی جانب سے مسلسل 19 ویں سال بینک کی کریڈٹ ریٹنگ طویل مدت کے لئے AA+ (ڈبل اے پلس) اور قلیل مدت کے لئے A1+ (اے ون پلس) برقرار رکھی گئی۔ یہ ریٹنگز کریڈٹ کے اعلیٰ معیار، کریڈٹ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہیں۔

صارفین تک اضافی رسائی

حبیب میٹرو نے 2019 میں مزید 40 نئی برانچوں کا اضافہ کر کے اپنی رسائی کو وسعت دی۔ 21 نئے شہروں کے اضافے کے ساتھ بینک نے پاکستان بھر کے 133 شہروں میں 392 برانچوں کے ساتھ اپنے دائرہ کار کو وسیع کیا۔

آپ کا بینک 100 سے زائد ملک میں مستحکم بینکوں کے ساتھ تعلقات رکھتا ہے اور متعدد دیگر بینکوں سے باقاعدہ کریڈٹ لائنز کا بھی حامل ہے۔ حبیب میٹرو پورے ملک میں اپنے صارفین کو جامع بینکاری خدمات پیش کرتا ہے یہ پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس، ان میں خصوصی ٹریڈ فنانس پروڈکٹس شامل ہیں اس کے ساتھ پروڈکٹس اور سروسز مثلاً محفوظ SMS اور ویب وموبائل بینکنگ سروسز، عالمی سطح پر قابل قبول ویزا ڈیبٹ کارڈ اور ملک گیر ATM نیٹ ورک بھی اس کا حصہ ہیں۔

آپ کے بینک کی ذیلی کمپنی حبیب میٹرو پالیٹن فنانشل سروسز باسہولت اور قابل اعتماد ایکویٹی بروکر تاج اور کسٹڈی خدمات فراہم کرتی ہے۔ مزید برآں حبیب میٹرو پالیٹن مضاربہ منجمنٹ بذریعہ فرسٹ حبیب مضاربہ اور حبیب میٹرو مضاربہ، اسلامی مالیاتی حل تک رسائی فراہم کرتا ہے۔

متبادل ڈیلیوری کے چینلز

اتیاری خدمات کے معیار کو برقرار رکھنا آپ کے بینک کی حکمت عملی کی بنیاد ہے۔ سال کے دوران بینک نے 36 نئی آٹومیٹڈ ٹیلر مشینیں (ATMs) بشمول 6 آف سائٹ ATMs کی تنصیب کی اور اس طرح ملک بھر میں ATMs کی مجموعی تعداد 417 تک پہنچ چکی ہے۔ بینک کے ویزا ڈیبٹ کارڈز اور ایس ایم ایس اور ویب بینکنگ سبسکریپشن نے بھی اس مدت کے دوران قابل ذکر اضافہ ظاہر کیا۔

افراد و وسائل

حبیب میٹرو فیملی کی مجموعی تعداد سال کے دوران بڑھ کر 5,192 ہو گئی۔ بینک نے اندرون خانہ کورسز کے انعقاد اور اسٹاف کو بیرونی تربیت کیلئے بھیج کر اپنی افرادی قوت کی تربیت کی ضروریات کو پورا کرنا جاری رکھا۔

آپ کا بینک ملازمت کے مساوی مواقع فراہم کرنے والا ادارہ ہے جہاں خواہشمند بینکرز کو پرجوش کیریئر اور ترقی کے شاندار مواقع فراہم کئے جاتے ہیں۔

کارپوریٹ سماجی ذمہ داریاں

بحیثیت ایک ذمہ دار و فعال کارپوریٹ شہری آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں کو بخوبی سمجھتا اور سماجی اداروں کی معاونت کرتا ہے۔ سال کے دوران بینک نے تین نمایاں شعبوں یعنی تعلیم، صحت کی دیکھ بھال اور سماجی بہبود میں پسماندہ طبقات کی معاونت کیں۔ یہ رضا کارانہ عطیات 94.117 ملین روپے کے تھے۔

بینک میں سی ایس آئی آر پر توجہ اور عمل کی شمولیت میں اضافہ ہوا۔ بینک نے یوم پاکستان پرنٹنگ میل کمپین کے دوران پسماندہ اور یتیم بچوں کے ساتھ جشن منایا۔ یوم آزادی کمپین کے دوران بینک کے سی ایس آئی آر سے مستفید حاضرین کو بہتر شہری بننے کا پیغام دیا گیا۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

میرے لئے یہ امر باعث مسرت ہے کہ آپ کے سامنے 31 دسمبر 2019 کو ختم ہونے والے مالی سال کیلئے حبیب میٹرو پولیٹن بینک (حبیب میٹرو) کے سالانہ حسابات پیش کر رہا ہوں۔

اقتصادی اور بینکاری کا جائزہ

2019 کے اقتصادی جائزے میں بڑھتا ہوا افراط زر کا دباؤ، مارکیٹ پر منحصر زرمبادلہ کے ریٹ کا استحکام، مالیاتی استحکام اور درآمدات میں کمی کے ذریعے کرنٹ اکاؤنٹ خسارے میں کمی کے نکات شامل ہیں۔ مالی سال 2020 کے جولائی۔جنوری کے عرصے میں افراط زر کی شرح 11.6 فیصد تک پہنچ گئی (جو اس کے مقابلے میں مالی سال 2019 کے جولائی۔جنوری کے عرصے میں 5.9 فیصد تھی)۔ منتخب فوڈ آئٹمز کی ترسیل میں عارضی تعطل اور قیمتوں میں بڑھتے ہوئے انتظامی ردوبدل کے باعث سی پی آئی افراط زر نومبر 2019 میں بڑھ کر 12.7 فیصد ہو گیا۔

زیر جائزہ سال کے دوران مالیاتی نظم و ضبط بہتر ہوا اور آئی ایم ایف کی شرائط کے مطابق رہا۔ مالی سال 2020 کی پہلی ششماہی کے دوران ٹیکس ریونیو کی وصولیابی میں گزشتہ سال کی اسی مدت کے مقابلے میں 16 فیصد کا صحتمندانہ اضافہ ظاہر ہوا۔ دریں اثناء اخراجات کے حوالے سے غیر سودی کرنٹ اخراجات پر قابو پالیا گیا اور پبلک سیکٹر ڈیولپمنٹ پروگرامز 300 بلین روپے تک بڑھ گئے (جو کہ مالی سال 2019 کی پہلی ششماہی میں مقابلہ 187 بلین روپے تھے)۔

کرنٹ اکاؤنٹ خسارہ مالی سال 2020 کی پہلی ششماہی کے دوران درآمدات میں نمایاں کمی، برآمدات اور محنت کشوں کے ترسیلات زر میں اضافے کے باعث مالی سال 2020 کی پہلی ششماہی کے دوران 75 فیصد کم ہو کر 2.15 بلین امریکی ڈالر ہو گیا۔ چاول، ویلیو ایڈڈ ٹیکسٹائلز، لیڈر پروڈکٹس اور مچھلی و گوشت کا برآمدی حجم جولائی۔دسمبر مالی سال 2020 کے دوران نمایاں حد تک بڑھا جو مزید مسابقتی شرح مبادلہ اور برآمدات سے متعلق سیکٹرز کے لئے مراعاتی کریڈٹ اسکیمز کا عکاس ہے۔ بڑھتے ہوئے فارن پورٹ فولیوز انویسٹمنٹ اور فارن ڈائریکٹ انویسٹمنٹ کے باعث کیپٹل اکاؤنٹ میں مزید استحکام آیا۔

کرنٹ اکاؤنٹ میں بہتری نے ایس بی پی کے غیر ملکی زرمبادلہ کے ذخائر کے استحکام میں کردار ادا کیا۔ باوجود اس کے کہ دسمبر 2019 کے عوائل میں 1.0 بلین امریکی ڈالر کے غیر ملکی سکوک کی ادائیگی کی گئی، یہ ذخائر وسط جنوری 2020 میں بڑھ کر 11.73 بلین امریکی ڈالر ہو گئے (جو کہ جون 2019 کے آخر میں 7.28 بلین امریکی ڈالر تھے)۔

مالی سال 2020 میں جولائی سے وسط جنوری کے دوران نجی سیکٹر کا کریڈٹ 2.2 فیصد تک بڑھا (جو مقابلہ گزشتہ سال کی اسی مدت کے دوران 8.5 فیصد تھا)۔ یہ کمی سست رفتار معاشی سرگرمی ظاہر کرتی ہے۔ دوسری جانب ایس بی پی ایکسپورٹ فنانس اسکیم اور برآمد کنندگان کیلئے طویل مدتی فنانسنگ کی سہولت میں اسی مدت کے دوران بالترتیب 20.6 فیصد اور 13.2 فیصد تک اضافہ ہوا جو کہ برآمدات میں اضافے کے مطابق ہے۔

بینکاری سیکٹر کے ڈپازٹس دسمبر 2019 کے آخر تک 9.6 فیصد تک بڑھ کر 14.63 ٹریلین روپے ہو گئے اسی دوران ایڈوانسز 3.42 فیصد تک بڑھ کر 8.16 ٹریلین روپے پر موجود رہے اور سرمایہ کاری 16 فیصد تک بڑھ کر 8.8 ٹریلین روپے ریکارڈ کی گئی۔ تمام تجارتی بینکوں کے این پی ایلز بڑھ کر 706.76 بلین روپے (دسمبر 2018: 624.16 بلین روپے) ہو گئے اور ان فیکشن کا تناسب 8.66 فیصد (دسمبر 2018: 7.9 فیصد) رہا۔

اسٹیٹ بینک آف پاکستان نے 2019 کے دوران پالیسی ریٹ مجموعی طور پر 3.25 فیصد بڑھایا۔ 28 جنوری 2020 کی مانیٹری پالیسی اسٹیٹمنٹ میں ایس بی پی نے پالیسی ریٹ کو تبدیل کئے بغیر 13.25 فیصد پر برقرار رکھنے کا فیصلہ کیا۔

سال کے دوران بینک کی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے سال 2019 کے اختتام پر بینک کا قبل از ٹیکس منافع 11.5 فیصد بڑھ کر 11.238 بلین روپے ہو گیا۔ سالانہ بعد از ٹیکس منافع 6.9 فیصد اضافے کے ساتھ 6.583 بلین روپے رہا جس کے نتیجے میں فی حصص آمدنی گزشتہ سال 5.88 روپے کے مقابلے میں 6.28 روپے رہی۔

زیر جائزہ مدت کے دوران بینک کے ڈپازٹس، ایڈوانسز اور سرمایہ کاریاں بالترتیب 611.869 بلین روپے، 263.948 بلین روپے اور 448.910 بلین روپے تک بڑھ گئے جو بالترتیب 12.6 فیصد، 16.4 فیصد اور 29.5 فیصد کا اضافہ ہے۔ خالص ایکویٹی 14.6 فیصد کیپٹل ایڈیکٹنس کے ساتھ 44.238 بلین روپے رہی۔

BRANCH NETWORK

Registered Office and Head Office

Ground Floor, Spencer's Building, G.P.O. Box 1289,
I.I. Chundrigar Road, Karachi-74200, Pakistan
U.A.N.: (92-21) 111-14-14-14 Fax: (92-21) 32630404-05

HMB Connect: 111-1-HABIB (42242)

For information / query: info@habibmetro.com
website: <http://www.habibmetro.com/atm-branch-locator/>

SOUTHERN REGION

KARACHI

Main Branch

Abul Hassan Isphani Road Branch
(Sub Branch of University Road)

Aisha Manzil Branch
(Sub Branch of Hussainabad)

Alamgir Road Branch

Allama Iqbal Road Branch

Askari V, Malir Cantt. Branch

Baara Market Branch

Bahadurabad Branch

Bilal Chowrangi Branch
(Sub Branch of Korangi)

Block-M, North Nazimabad
(Sub Branch of Hyderi)

Block-N, North Nazimabad
(Sub Branch of UP More)

Boat Basin Branch

Bohri Bazar Branch

Bombay Bazar Branch
(Sub Branch of Jodia Bazar)

Bukhari Commercial Branch

Business Avenue Branch

Caesars Tower Branch

Ceramic Market Branch

Chandni Chowk Branch

Chartered Accountants Avenue
Branch (Sub Branch of Gizri)

City Court Branch

Civil Lines Branch

Clifton Block 2 Branch

Clifton Branch

Cloth Market Branch

Dalmia Road Branch

Dastagir Branch
(Sub Branch of Hussainabad)

DHA Branch

DHA Phase I Branch

DHA Phase II Branch

DHA Phase IV Branch
(Sub Branch of Khayaban-e-Sehar)

DHA Phase VI Branch
(Sub Branch of Khayaban-e-Shahbaz)

DHA Phase VIII Branch

Dhoraji Colony Branch

DMCHS Branch

Eidgah Branch

Falcon Complex Branch

Garden East Branch

Gizri Branch

Gulistan-e-Johar Branch

Gulshan Chowrangi Branch

Gulshan-e-Ali Branch
(Sub Branch of Water Pump)

Gulshan-e-Iqbal 13-C Branch
(Sub Branch of Hasan Square)

Gulshan-e-Iqbal Branch

Gulshan-e-Jamal Branch

Gulshan-e-Maymar Branch

Hasrat Mohani Road

Hassan Square Branch

HBZ Plaza Branch

Hussainabad Branch

Hyderi Branch

Industrial Area Korangi Branch

Ittehad Branch

Jodia Bazar Branch

Juna Market Branch

Karachi Export Processing Zone

Karimabad Branch

Khalid Bin Walid Road Branch

Khayaban-e-Bukhari Branch

Khayaban-e-Nishat Branch

Khayaban-e-Sehar Branch

Khayaban-e-Shahbaz Branch

Khayaban-e-Tanzeem Branch

Korangi Branch

Korangi Township Branch

Kutchi Gali Branch

Landhi Industrial Area Branch

Liaquatabad Branch

M.A. Jinnah Road Branch

Malir Cantt Branch

Malir City Branch

Manghopir Road Branch

Marriot Road Branch

Mehmoodabad Branch

Mereweather Branch

Mission Road Branch

Mithadar Branch

NHS Branch Karachi

Nazimabad No.1 Branch

Nazimabad No.3 Branch
(Sub Branch of North
Nazimabad)

New Falcon Complex (AFOHS)

NHS Complex Karsaz Branch

Nishtar Road Branch

North Karachi Industrial Area Branch

North Napier Road Branch
 North Nazimabad Branch
 Nursery Branch
 Paper Market Branch
 Paposh Nagar Branch
 Philips Chowranghi Branch
 PIB Colony Branch
 Plaza Square Branch
 Port Qasim Branch
 Preedy Street Branch
 Progressive Plaza Branch
 Saba Avenue Branch
 Saddar Branch
 Saadi Town Branch
 Safoora Goth Branch
 Samanabad Gulberg Branch
 Sehba Akhtar Road Branch
 (Sub Branch of Gulshan Chowranghi)
 Shahbaz Commercial Branch
 Shahbaz Priority Branch
 Shah Faisal Colony Branch
 Shahrah-e-Faisal Branch
 Shahrah-e-Liaquat Branch
 Shahrah-e-Quaideen Branch
 Sharfabad Branch
 (Sub Branch of Alamgir Road)
 Shershah Branch
 Shireen Jinnah Colony Branch
 (Sub Branch of Clifton)
 Sindhi Muslim Society Branch
 (Sub Branch of Shahrah-e-Quaideen)
 S.I.T.E. Branch
 S.I.T.E. - II Branch
 Soldier Bazar Branch
 South Park Avenue Branch
 (Sub Branch of Ittehad)
 Stadium Road Branch
 Star Gate Branch
 Stock Exchange Branch
 Sunset Boulevard Branch
 (Sub Branch of Gizri)

Tariq Road Branch
 Textile Plaza Branch
 Timber Market Branch
 Tipu Sultan Road Branch
 University Road Branch
 UP More Branch
 Water Pump Branch
 West Wharf Branch
 Zamzama Branch

HYDERABAD

Hyderabad Branch
 Latifabad Branch
 Market Road Branch-Hyderabad
 Qasimabad Branch

OTHER SOUTHERN REGION CITIES

Daharki Branch
 Dhoru Naro Branch
 Ghotki Branch
 Gwadar Branch
 Hub Chowki Branch
 Jacobabad Branch
 Kandhkot Branch
 Khairpur Branch
 Larkana Branch
 M.A. Jinnah Road Quetta
 Mazai Adda Branch, Qilla Abdullah District
 Military Road Branch, Sukkur
 Muslim Bagh Branch, Qilla Saifullah
 Mirpurkhas Branch
 Nawabshah Branch
 Qilla Abdullah Branch
 Quetta Branch
 Qazi Ahmed Branch
 Shikarpur Branch
 Sukkur Branch
 Tandoadam Branch
 Tando Muhammad Khan Branch
 Thatta Branch

Umerkot Branch
 Usta Muhammad Branch

NORTHERN REGION

LAHORE

Lahore Main Branch
 Azam Cloth Market Branch
 (Sub Branch of Badami Bagh)
 Badami Bagh Branch
 Badian Road Branch
 (Sub Branch of DHA Lahore)
 Baghbanpura Branch
 Bahria Town Branch Lahore
 Bank Square Market Model Town
 Brandreth Road Branch
 Cantt. Branch
 Cavalry Ground Branch
 Circular Road Branch
 Daroghawala Branch
 Davis Road Branch
 DHA Branch
 DHA Phase IV Branch
 DHA Phase V Branch
 DHA Phase VI Branch
 DHA Phase VIII, Cantt. Branch
 EME Society Branch
 (Sub Branch of Raiwind Road)
 Faisal Town Branch
 (Sub Branch of Model Town
 Link Road)
 Ferozepur Road Branch
 Fruit & Sabzi Market Branch
 Garden Town Branch
 Garhi Shahu Branch
 Gulberg Branch
 Gulshan-e-Ravi Branch
 Hall Road Lahore
 Iqbal Town Branch
 Jail Road Branch
 Johar Town Branch
 Lalik Chowk Branch
 Main Boulevard Branch

McLeod Road Branch
(Sub Branch of Brandreth Road)
Misri Shah Branch
(Sub Branch of Badami Bagh)
Model Town Link Road Branch
Punjab C.H.S. Branch
Raiwind Road Branch
Ravi Road Branch
Samanabad Branch
(Sub Branch of Iqbal Town)
Shadman Branch
Shahalam Market Branch
Shahdara Branch
Shahrah-e-Quaid-e-Azam Branch
Sheikhupura Road Branch
Township Branch
Urdu Bazar Branch
Valencia Town Branch
(Sub Branch of Raiwind Road)
Wahadat Road Branch
(Sub Branch of Shadman)
Walton Road Branch
WAPDA Town Branch

FAISALABAD

Faisalabad Main Branch
Ghulam Muhammadabad Branch
Karkhana Bazar Branch
Millat Chowk Branch
Muridwala Branch
Peoples Colony Branch
Samanabad Branch
Sargodha Road Branch
Susan Road Branch
University of Faisalabad
(Sub Branch of Faisalabad)

MULTAN

GhallaMandi Branch
Gulgasht Colony Branch
Hussain Agahi Branch
Multan Main Branch
Shahrugn-e-Alam Branch

SIALKOT

Do-BurjiMalhiyan Branch
Ganjanwali Khurd Branch
Gohadpur Branch
Khadim Ali Road
Kotli Loharan Branch
Ladhar Branch
Pasrur Road Branch
Sambrial Branch
Sialkot Cantt. Branch
Sialkot Main Branch
Small Industrial Estates Branch
Sohawa Branch
Ugoki Branch

ISLAMABAD

Bahria Town Branch
Civic Center Bahria Town
E-11 Branch
(Sub Branch of F-10 Markaz)
F-6 Markaz Branch
F-7 Markaz Branch
F-8 Markaz Branch
F-10 Markaz Branch
F-11 Markaz Branch
G - 6 Markaz Branch
G - 8 Markaz Branch
G-11 Markaz Branch
Humak Industrial Area Branch
I-8 Markaz Branch
I-9 Markaz Branch
I-10 Markaz Branch
Islamabad Main Branch
Tarnol Branch

RAWALPINDI

Chaklala Scheme III Branch
Dhamial Camp Branch
Iqbal Road Branch
KallarSyedan Branch
Kashmir Road Branch
Khanna Branch

Muree Road Branch
PWD Commercial Area Branch
Raja Bazar Branch
Rawalpindi Main Branch

PESHAWAR

Peshawar Branch
Khyber Bazar Branch
Rampura Branch
University Road Branch

AZAD KASHMIR

ArraJattan Branch
Mirpur (A.K) Branch
Muzafarabad Branch
Pang Peeran Branch
Rawalakot Branch

GILGIT BALTISTAN

Alamdard Chowk Branch, Skardu
Astore Branch
Aliabad Branch
Chillas Branch
Danyore Branch
Gilgit Branch
Jutial Branch
Khaplu Branch
Skardu Branch
Sost Branch

FATA / PATA

Dassu Branch
Khawazakhela Branch
Mingora Branch
Parachinar Branch
Sikandrabad Branch Naggar

OTHER NORTHERN REGION CITIES

Abbottabad Branch
Ahmedpur East Branch
Arifwala Branch

Attock Branch
 Bahawalpur Branch
 Bannu Branch
 Battagram Branch
 Besham Branch
 Bhalwal Branch
 Burewala Branch
 Chakwal Branch
 Chak #111 SB Branch
 Chakdara Branch - Lower Dir
 Chenab Nagar - Rabwah
 Chichawatni Branch
 Chiniot Branch
 Chitral Branch
 Circular Road Branch, Narowal
 D. G. Khan Branch
 D. I. Khan Branch
 Dharanwala Branch
 FaqirWali Branch
 Farid Town Branch, Sahiwal
 Fazilpur Branch
 Gojra Branch
 Gujranwala Branch
 Gujrat Branch
 Hafizabad Branch
 Haripur Branch
 Haroonabad Branch
 Hasilpur Branch
 Jauharabad Branch
 Jhang Branch
 Jhelum Branch
 Kamoke Branch
 Kasur Branch
 Kharian City Branch
 Khushab Branch
 Kohat Branch
 Kot Abdul Malik Branch
 Lala Musa Branch
 Mailsi Branch
 MandiBahauddin Branch
 Mansehra Branch

Mateela Branch, Sarghoda
 Mianwali Branch
 MianChannu Branch
 Mardan Branch
 Marrot Branch
 MouzaKachi Jamal Branch
 Muhafiz Town Branch
 Muslim Bazar Branch
 Nankana Sahib Branch
 Okara Branch
 Oghi Branch
 Pattan Branch - Lower Kohistan
 Pezu Branch
 Rahim Yar Khan Branch
 Raiwind City Branch
 Renala Khurd Branch
 Ring Road Branch
 Hayatabad
 Sadiqabad Branch
 Sahiwal Branch
 Salar Wahan Branch
 Sargodha Branch
 Satellite Town Branch, Gujranwala
 Sheikhupura Branch
 Swabi Branch
 Swari Bazar Branch, Buner
 Talagang Branch
 Toba Tek Singh Branch
 Wah Cantt Branch
 Wazir Dhand Shakas Branch
 Yazman Branch
 ZahirPir Branch

ISLAMIC BANKING BRANCHES

KARACHI

Alfalah Court Branch
 Clifton Branch
 Dhorajee Colony Branch

Gulzar-e-Hijri Branch
 Jodia Bazar Branch
 Khayaban-e-Jami
 Korangi Branch
 Rashid Minhas Road Branch
 Shahrah-e-Faisal Branch
 Shaheed-e-Millat Branch
 SITE Branch
 North Karachi Branch
 North Nazimabad

LAHORE

BadamiBagh Branch
 Circular Road Branch
 Gulberg Branch
 Azam Cloth Market Branch

OTHER CITIES

Batkhela Branch
 Dir Upper
 Gujranwala Branch
 Hyderabad Branch
 Islamabad Branch
 Multan Branch
 Mingora Branch
 Nowshera Branch
 Peshawar Branch
 Rawalpindi Branch
 Saleh Khana Branch
 Sialkot
 Sundar Industrial Estate Raiwind
 Timergarah Branch

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- 📋 Licensed Entities Verification
- 📊 Scam meter*
- 🎮 Jamapunji games*
- 📊 Tax credit calculator*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ?? FAQs Answered

- 📈 Stock trading simulator
(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📊 Financial calculator
- 📱 Subscription to Alerts (event
notifications, corporate and
regulatory actions)
- 📱 Jamapunji application for
mobile device
- 📺 Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

@jamapunji_pk

*Mobile apps are also available for download for android and ios devices

PROXY FORM

I/We _____

of _____

being member (s) of Habib Metropolitan Bank Limited and holding _____

ordinary shares, as per Folio No. / CDC participant ID - A/C No. _____

hereby appoint _____ Folio No. / CDC participant ID - A/C No. _____

of _____

or failing him _____ Folio No. / CDC participant ID - A/C No. _____

of _____

another member of the Bank to vote for my / our behalf at the 28th Annual General Meeting of the Bank to be held on 31 March 2020 and at any adjournment thereof.

As Witness my / our hand this _____ day of March 2020.

Witness

1. Signature _____
Name _____
Address _____
CNIC # _____

2. Signature _____
Name _____
Address _____
CNIC # _____

REVENUE
STAMP
Rs. 5/-

Signature of Member(s)

A member entitled to attend General Meeting is entitled to appoint a person as his / her proxy to attend and vote instead of him / her. A proxy should be a member of the Bank. 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. 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 authorized in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies, in order to be valid, must be deposited at the Registered Office of the Bank not less than 48 hours before the time of meeting.

پراکسی فارم

میں/ہم _____

ساکن _____

بحیثیت ممبر حبیب میٹرو پولیٹن بینک لمیٹڈ اور ہولڈنگ _____

عام شیئرز جنکے فوئیو نمبر / سی ڈی سی پارٹسپینٹ آئی ڈی۔ اکاؤنٹ نمبر _____ رکھتا ہوں / رکھتے ہیں۔

بذریعہ ہذا _____ فوئیو نمبر / سی ڈی سی پارٹسپینٹ آئی ڈی۔ اکاؤنٹ نمبر _____

ساکن _____

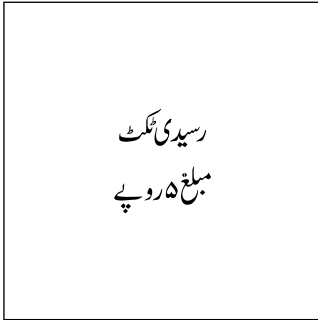
اور اگر ان کے لئے ممکن نہ ہو تو _____ فوئیو نمبر / سی ڈی سی پارٹسپینٹ آئی ڈی۔ اکاؤنٹ نمبر _____

ساکن _____

جو کہ بینک کے ممبر ہیں کو بینک کے ۲۸ واں سالانہ اجلاس عام جو مورخہ ۳۱ مارچ ۲۰۲۰ء کو منعقد ہو رہا ہے یا اس کے کسی بھی التواء میں میری / ہماری جگہ شرکت کرنے اور ووٹ دینے کیلئے پراکسی مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں۔

بطور سند میرے / ہمارے دستخط مورخہ _____ مارچ ۲۰۲۰ء۔

گواہان



ممبر (ممبران) کے دستخط

۱۔ دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

۲۔ دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

ایک ممبر جو کہ ایک اجلاس عام میں شرکت کا حق رکھتا ہے یہ حق بھی رکھتا ہے کہ اس کی جگہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے وہ کسی فرد کو نامزد کر سکتا / سکتی ہے۔ پراکسی بینک کا ممبر ہونا چاہیے۔ کوئی شخص بطور پراکسی (کارپوریشن مشنٹی) شرکت نہیں کر سکتا / سکتی تا آنکہ وہ بذات خود اجلاس میں موجود ہونے اور ووٹ دینے کا حق نہ رکھتا / رکھتی ہو۔

شیئر ہولڈر کے اپنے اور پراکسی کے سی این آئی سی / پاسپورٹ کے سلسلے میں دونوں مصدقہ نقول پراکسی فارم کے ساتھ ارسال کرنا ہوں گی۔ کارپوریٹ اداروں کے سلسلے میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع مصدقہ دستخط کے پراکسی فارم کے ساتھ ارسال کرنا ہوں گی۔

پراکسی کی تقرری کے دستاویز ممبر یا اس کے تحریری طور پر مجاز کئے ہوئے اٹارنی کی دستخط شدہ ہونی چاہیے۔ اگر ممبر کوئی کارپوریشن ہے تو اس کی عمومی مہر (اگر کوئی ہو تو) دستاویز پر ثبت ہونی چاہیے۔

پراکسی بینک کے رجسٹرڈ دفتر میں اجلاس شروع ہونے سے ۲۸ گھنٹے قبل جمع کرادینی چاہیے۔

HABIB METROPOLITAN BANK LTD.
HEAD OFFICE: SPENCER'S BUILDING
I.I. CHUNDRIGAR ROAD
KARACHI, PAKISTAN

111-1-HABIB(42242) | STAY AHEAD
www.habibmetro.com