



# HABIB METROPOLITAN BANK LTD.

[ Subsidiary of Habib Bank AG Zurich ]

Consolidated Accounts for the nine months  
ended 30 September 2020  
(Un-audited)

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	56,106,719	70,713,833
Balances with other banks	7	4,591,492	2,691,101
Lendings to financial institutions	8	3,000,000	22,197,303
Investments	9	553,345,609	443,526,749
Advances	10	290,687,243	273,592,854
Fixed assets	11	8,711,071	8,381,391
Intangible assets	12	122,966	108,370
Deferred tax assets		62,902	3,710,134
Other assets	14	34,513,150	40,108,379
		<b>951,141,152</b>	<b>865,030,114</b>
<b>LIABILITIES</b>			
Bills payable	15	13,663,691	11,541,474
Borrowings	16	176,939,653	145,812,010
Deposits and other accounts	17	653,419,600	611,259,968
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	45,804,688	48,587,058
		<b>889,827,632</b>	<b>817,200,510</b>
<b>NET ASSETS</b>			
		<b>61,313,520</b>	<b>47,829,604</b>
<b>REPRESENTED BY</b>			
Share capital		10,478,315	10,478,315
Reserves		19,381,349	17,706,354
Surplus / (deficit) on revaluation of assets - net of tax	19	4,991,723	(2,873,134)
Unappropriated profit		23,251,036	19,224,491
		<b>58,102,423</b>	<b>44,536,026</b>
Non-controlling interest		3,211,097	3,293,578
		<b>61,313,520</b>	<b>47,829,604</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		

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

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

## CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	30 September 2020		30 September 2019	
		Quarter ended	Nine months ended	Quarter ended	Nine months ended
Rupees in '000					
Mark-up / return / interest earned	22	19,185,191	60,093,440	20,599,560	51,619,340
Mark-up / return / interest expensed	23	(10,128,507)	(40,053,744)	(16,158,956)	(38,305,982)
Net mark-up / interest income		9,056,684	20,039,696	4,440,604	13,313,358
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	24	1,435,923	3,932,893	1,269,979	3,895,996
Dividend income		23,579	136,248	20,779	66,618
Foreign exchange income		1,022,621	3,029,153	1,321,760	2,680,476
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	(248,948)	(99,826)	(145,663)	(865,344)
Other income	26	22,430	44,982	3,383	38,922
Total non mark-up / interest income		2,255,605	7,043,450	2,470,238	5,816,668
Total income		11,312,289	27,083,146	6,910,842	19,130,026
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	27	3,685,018	10,645,111	3,318,996	9,599,945
Workers' welfare fund		173,712	325,185	64,309	177,985
Other charges	28	2,740	31,980	10,045	51,340
Total non-mark-up / interest expenses		(3,861,470)	(11,002,276)	(3,393,350)	(9,829,270)
Profit before provisions		7,450,819	16,080,870	3,517,492	9,300,756
(Provisions) / reversal and write offs - net	29	(396,164)	(1,999,253)	(402,764)	(295,907)
Extra ordinary / unusual items		—	—	—	—
<b>PROFIT BEFORE TAXATION</b>		7,054,655	14,081,617	3,114,728	9,004,849
Taxation	30	(2,817,882)	(5,554,249)	(1,193,841)	(3,724,221)
<b>PROFIT AFTER TAXATION</b>		4,236,773	8,527,368	1,920,887	5,280,628
<b>PROFIT ATTRIBUTABLE TO:</b>					
Equity shareholders of the holding company		4,164,469	8,321,191	1,841,613	5,042,615
Non-controlling interest		72,304	206,177	79,274	238,013
		4,236,773	8,527,368	1,920,887	5,280,628
Rupees					
<b>Basic and diluted earnings per share</b>	31	3.97	7.94	1.76	4.81

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**MOHOMED BASHIR**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	30 September 2020		30 September 2019	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation	4,236,773	8,527,368	1,920,887	5,280,628
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>				
Effect of translation of net investment in an offshore branch	37	(30)	—	—
Movement in surplus / (deficit) on revaluation of investments - net of tax	(3,966,933)	7,839,107	1,443,760	880,920
<b>Items that will not be reclassified to profit and loss in subsequent periods:</b>				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	17,841	(2,634)	34,187	50,605
<b>Total comprehensive income</b>	<b>287,718</b>	<b>16,363,811</b>	3,398,834	6,212,153
Equity share holders of the holding company	185,107	16,185,976	3,346,141	6,006,960
Non-controlling interest	102,611	177,835	52,693	205,193
	<u>287,718</u>	<u>16,363,811</u>	<u>3,398,834</u>	<u>6,212,153</u>

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**MOHOMED BASHIR**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman



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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Reserves					Surplus / (deficit) on revaluation		Un-appropriated profit	Sub total	Non-controlling interest	Total	
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments					Non-banking assets
						Rupees in '000						
<b>Balance as at 1 January 2019</b>	10,478,315	2,550,985	240,361	1,500,000	12,080,082	-	(5,741,590)	179,461	15,950,329	37,237,943	40,452,350	
Profit after taxation	-	-	-	-	-	-	-	-	5,042,615	5,042,615	5,280,628	
Other comprehensive income -net of tax	-	-	-	-	-	-	913,401	-	50,944	964,345	931,525	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	913,401	-	5,093,559	6,006,960	6,212,153	
Transfer to statutory reserve	-	-	-	-	1,019,891	-	-	-	(1,019,891)	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit -net of tax	-	-	-	-	-	-	-	(2,148)	2,148	-	-	
<b>Transactions with owners, recorded directly in equity</b>												
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)	
<b>Balance as at 30 September 2019</b>	10,478,315	2,550,985	240,361	1,500,000	13,099,973	-	(4,828,189)	177,313	17,930,482	41,149,240	44,312,349	
Profit after taxation	-	-	-	-	-	-	-	-	1,602,897	1,602,897	1,681,118	
Other comprehensive income - net of tax	-	-	-	-	-	28	1,729,624	48,840	5,397	1,783,889	1,836,137	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	28	1,729,624	48,840	1,608,294	3,386,786	3,517,255	
Transfer to statutory reserve	-	-	-	-	315,007	-	-	-	(315,007)	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit -net of tax	-	-	-	-	-	-	-	(722)	722	-	-	
<b>Balance as at 31 December 2019</b>	10,478,315	2,550,985	240,361	1,500,000	13,414,980	28	(3,098,565)	225,431	19,224,491	44,536,026	47,829,604	
Profit after taxation	-	-	-	-	-	-	-	-	8,321,191	8,321,191	8,527,368	
Other comprehensive income - net of tax	-	-	-	-	-	(30)	7,867,449	-	(2,634)	7,864,785	7,836,443	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(30)	7,867,449	-	8,318,557	16,185,976	16,363,811	
Transfer to statutory reserve	-	-	-	-	1,675,025	-	-	-	(1,675,025)	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit -net of tax	-	-	-	-	-	-	-	(2,592)	2,592	-	-	
<b>Transactions with owners, recorded directly in equity</b>												
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)	(2,619,579)	
Profit distribution by First Habib Modaraba (Rs. 1.40 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	(254,016)	(254,016)	
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.07 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	(6,300)	(6,300)	
<b>Balance as at 30 September 2020</b>	10,478,315	2,550,985	240,361	1,500,000	15,090,005	(2)	4,768,884	222,839	23,251,036	58,102,423	61,313,520	

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**MOHOMED BASHIR**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	30 September 2020	30 September 2019
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		14,081,617	9,004,849
Less: Dividend income		(136,248)	(66,619)
		<b>13,945,369</b>	<b>8,938,230</b>
<b>Adjustments</b>			
Depreciation on operating fixed assets		810,388	728,393
Depreciation on right-of-use assets		586,280	561,306
Depreciation on non-banking assets		9,050	8,411
Amortization		48,323	76,292
Mark-up / return / interest expensed on lease liability against right-of-use assets		396,921	326,915
Provisions / (reversals) and write offs excluding recovery of written off bad debts	29	2,014,272	303,240
Unrealised gain on securities - held-for-trading		(522)	4,035
Net gain on sale of fixed assets		(16,009)	(13,263)
Provision against workers' welfare fund		325,185	177,985
Provision against compensated absences		56,250	49,183
Provision against defined benefit plan		133,571	132,287
		<b>4,363,709</b>	<b>2,354,784</b>
		<b>18,309,078</b>	<b>11,293,014</b>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		19,197,303	(5,222,508)
Advances		(21,166,206)	(34,055,647)
Other assets (excluding current taxation and including non-banking assets)		<b>5,362,604</b>	<b>(2,662,138)</b>
		<b>3,393,701</b>	<b>(41,940,293)</b>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		2,122,217	(2,185,340)
Borrowings from financial institutions		33,051,215	115,183,190
Deposits and other accounts		42,159,632	57,702,260
Other liabilities (excluding current taxation)		<b>(5,363,027)</b>	<b>5,571,983</b>
		<b>71,970,037</b>	<b>176,272,093</b>
		<b>93,672,816</b>	<b>145,624,814</b>
Payment against compensated absences		(33,479)	(35,511)
Payment against workers' welfare fund		(17,483)	(2,629)
Contribution paid to defined benefit plan		(4,996)	-
Income tax paid		<b>(2,152,162)</b>	<b>(3,116,526)</b>
		<b>91,464,696</b>	<b>142,470,148</b>
<b>Net cash flow from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in held-for-trading securities		(8,168,988)	(21,728,733)
Net investments in available-for-sale securities		(91,494,528)	(110,143,134)
Net investments in held-to-maturity securities		1,742,061	181,638
Dividend received		134,635	60,723
Investments in fixed assets		(1,178,328)	(1,112,632)
Investments in intangibles assets		(62,917)	(25,365)
Proceeds from sale of fixed assets		21,574	18,474
Effect of translation of net investment in an offshore branch		(30)	-
		<b>(99,006,521)</b>	<b>(132,749,029)</b>
<b>Net cash flow from investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,607,326)	(2,094,517)
Payment of lease against right-of-use assets		(634,000)	(594,588)
		<b>(3,241,326)</b>	<b>(2,689,105)</b>
<b>Net cash flow from financing activities</b>			
<b>Increase in cash and cash equivalents</b>		<b>(10,783,151)</b>	<b>7,032,014</b>
Cash and cash equivalents at beginning of the period / year		<b>69,298,085</b>	<b>46,905,159</b>
<b>Cash and cash equivalents at end of the period / year</b>		<b>58,514,934</b>	<b>53,937,173</b>

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

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

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

### **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 372 (31 December 2019: 362) branches, including 31 (31 December 2019: 31) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (31 December 2019: 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), musharaka, 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 3rd floor Al-Manzoor Building, Dr. Ziauddin Ahmed 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 / musharaka or any other approved modes of financing. The holding company and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

---

## 2. BASIS OF PRESENTATION

- 2.1** These consolidated condensed interim financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting period as the holding company using consistent accounting policies.

### 2.2 Statement of Compliance

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

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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 IAS 34 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 condensed interim 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.

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

### **3. SIGNIFICANT ACCOUNTING POLICY**

The significant accounting policies and method of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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

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 consolidated condensed interim financial statements.

#### **3.2 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year.**

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Group's financial statements except for the following:

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 by the State Bank of Pakistan. 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. The impact of the application of IFRS 9 on the Group's financial statements is being assessed.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the audited consolidated financial statements for the year ended 31 December 2019.

### **5. RISK MANAGEMENT**

The Group's risk management policies are the same as disclosed in the financial statements for the year ended 31 December 2019.

The COVID-19 has impacted global economy. Governments and regulators across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Government of Pakistan and State Bank of Pakistan have taken various fiscal and regulatory measures to sustain economic activity and to maintain banking system soundness which include the following;

- Reduction in the Policy Rate by 625 basis points since the beginning of the year,
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;

- 
- Allowing banks to defer borrowers' principal loan payments by one year and / or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
  - Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 impacts banks in Pakistan through increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Group's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

### **Credit Risk**

All credit approvals relating to the SBP COVID-19 measures are being reviewed on regular basis as per prescribed formats. Further, evaluation of all the requests are being made with the industry analysis especially geared to assess the impact of COVID-19 on the relevant industry.

Due to the ongoing pandemic credit reviews are being conducted as and when required in order to take adequate steps to identify potential defaults and come up with mitigation strategies.

### **Liquidity Risk**

Liquidity position of the Group remained strong in spite of approving deferment requests of principal & restructured loan, in line with the SBP directives. Habib Metro's strong deposit base backed by continued customer confidence and holding of government securities has enabled the Group to maintain a robust liquidity profile.

The Asset and Liability Committee (ALCO) of the holding company is continuously monitoring the liquidity position and is confident that the current liquidity buffer is sufficient to cater to any adverse movement in the maturity profile.

### **Equity Risk**

In order to dampen the effects of COVID -19, the SBP has allowed banks to recognize impairment loss, if any, resulting from the valuation of listed equity securities held as "Available-for-Sale" (AFS), in phased manner equally on quarterly basis during calendar year ending on 31 December 2020. However, SBP also encouraged the Banks for early recognition of full impairment loss. The Group has fully recognized the impairment on listed equity securities portfolio.

### **Operational Risk**

In response to the pandemic, the Group invoked its Organizational Business Continuity plan. The plan's primary objective was to assure that all safety and precautionary measures were adopted, safeguarding the staff and customers of the Group. These include rationalizing staff head count at office to ensure social distancing and maintaining healthy work force as backup. At all office locations availability of sanitizers, masks and other protection equipment and regular disinfection of locations were ensured.

From the operational perspective, the measures adopted by the Group include execution of BCP sites and implementation of the work from home strategy to facilitate split working locations thereby ensuring continuity of the Group's operations. Further to ensure uninterrupted availability of financial services to its customers, enhancements were made in the digital / alternate delivery channels allowing customer to execute business transactions without physical interactions.

## Capital Adequacy Ratio

In order to encourage Banks to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

As of 30 September 2020, the Group's CAR provides sufficient cushion over the minimum requirement.

	Note	<b>30 September 2020</b> (Un-Audited)	31 December 2019 (Audited)
<hr/> Rupees in '000 <hr/>			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		<b>7,948,077</b>	7,400,405
Foreign currencies		<b>1,243,282</b>	1,289,049
		<b>9,191,359</b>	8,689,454
<b>With State Bank of Pakistan in</b>			
Local currency current account		<b>28,213,064</b>	37,267,827
Foreign currency current account		<b>41,935</b>	64,248
Foreign currency deposit accounts			
– cash reserve account		<b>5,778,861</b>	5,663,551
– special cash reserve account		<b>11,101,067</b>	16,348,050
		<b>45,134,927</b>	59,343,676
<b>With National Bank of Pakistan in</b>			
Local currency current account		<b>1,767,228</b>	2,558,634
<b>National Prize Bonds</b>		<b>13,205</b>	122,069
		<b>56,106,719</b>	70,713,833
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		<b>97,794</b>	146,760
In deposit accounts		<b>434,045</b>	1,135,605
		<b>531,839</b>	1,282,365
<b>Outside Pakistan</b>			
In current accounts		<b>4,059,653</b>	1,408,736
		<b>4,591,492</b>	2,691,101
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Musharaka placements	8.1	<b>3,000,000</b>	7,190,000
Bai-muajjal receivable with the State Bank of Pakistan		–	7,507,303
Letter of placement		–	7,500,000
		<b>3,000,000</b>	22,197,303

8.1 These carry profit / return rate from 6.25% to 6.50% (2019: 8% to 12.15%) per annum with maturity upto 19 October 2020 (2019: 3 February 2020).

## 9. INVESTMENTS

### 9.1 Investments by types

	30 September 2020 (Un-Audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Held-for-trading securities</b>								
Federal government securities	8,168,988	-	522	8,169,510	-	-	-	-
<b>Available-for-sale securities</b>								
Federal government securities	485,297,180	-	7,106,469	492,403,649	401,863,579	-	(4,916,659)	396,946,920
Shares	1,422,696	(453,626)	335,885	1,304,955	891,935	(333,784)	171,177	729,328
Non-government debt securities	10,866,209	(124,007)	(82,220)	10,659,982	9,458,743	(130,559)	(39,636)	9,288,548
Mutual funds	6,088,930	(9,647)	(2,095)	6,077,188	29,702	(9,647)	9,656	29,711
Real estate investment trust	387,869	-	(5,357)	382,512	387,869	-	54,499	442,368
	504,062,884	(587,280)	7,352,682	510,828,286	412,631,828	(473,990)	(4,720,963)	407,436,875
<b>Held-to-maturity securities</b>								
Federal government securities	34,347,813	-	-	34,347,813	36,089,874	-	-	36,089,874
Non-government debt securities	-	-	-	-	-	-	-	-
	34,347,813	-	-	34,347,813	36,089,874	-	-	36,089,874
<b>Total Investments</b>	<b>546,579,685</b>	<b>(587,280)</b>	<b>7,353,204</b>	<b>553,345,609</b>	<b>448,721,702</b>	<b>(473,990)</b>	<b>(4,720,963)</b>	<b>443,526,749</b>

**30 September 2020**      31 December 2019  
(Un-Audited)      (Audited)  
Rupees in '000

#### 9.1.1 Investments given as collateral

##### Federal government securities

Market treasury bills	58,647,143	81,790,898
Pakistan investment bonds	24,536,883	7,415,475
	<b>83,184,026</b>	<b>89,206,373</b>

### 9.2 Provision for diminution in value of investments

<b>9.2.1</b> Opening balance	473,990	417,991
Charge for the period / year	183,313	63,868
Reversal for the period / year	(6,551)	(7,869)
Net charge for the period / year	176,762	55,999
Reversal on disposal	(63,472)	
Closing balance	<b>587,280</b>	<b>473,990</b>



## 9.2.2 Particulars of provision against debt securities

Category of classification	30 September 2020 (Un-Audited)		31 December 2019 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
Rupees in '000				
<b>Domestic</b>				
Loss	124,007	124,007	130,559	130,559
	<u>124,007</u>	<u>124,007</u>	<u>130,559</u>	<u>130,559</u>

**9.3** The market value of securities classified as held-to-maturity is Rs. 34,468,036 thousand (31 December 2019: Rs 34,168,228 thousand).

## 10. ADVANCES

Note	Performing		Non-Performing		Total	
	30 September 2020 (Un-Audited)	31 December 2019 (Audited)	30 September 2020 (Un-Audited)	31 December 2019 (Audited)	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000						
Loans, cash credits, running finances, etc.						
In Pakistan	202,804,294	199,539,259	13,715,060	14,554,885	216,519,354	214,094,144
Islamic financing and related assets	41,627,665	31,850,902	852,337	853,946	42,480,002	32,704,848
Bills discounted and purchased	48,629,711	41,598,380	1,363,207	2,124,307	49,992,918	43,722,687
Advances - gross	293,061,670	272,988,541	15,930,604	17,533,138	308,992,274	290,521,679
Provision against non-performing advances						
- specific	-	-	(13,903,511)	(15,294,415)	(13,903,511)	(15,294,415)
- general	(4,401,520)	(1,634,410)	-	-	(4,401,520)	(1,634,410)
	<u>(4,401,520)</u>	<u>(1,634,410)</u>	<u>(13,903,511)</u>	<u>(15,294,415)</u>	<u>(18,305,031)</u>	<u>(16,928,825)</u>
Advances - net of provisions	<u>288,660,150</u>	<u>271,354,131</u>	<u>2,027,093</u>	<u>2,238,723</u>	<u>290,687,243</u>	<u>273,592,854</u>

**10.1** It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 8,747,300 thousand and Rs. 205,477 thousand respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 33,527,226 thousand as disclosed in note 36.3 to these consolidated condensed interim financial statements.

## 10.2 Particulars of advances - gross

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000		
In local currency	271,933,985	248,763,551
In foreign currencies	37,058,289	41,758,128
	<u>308,992,274</u>	<u>290,521,679</u>

- 10.3** Advances include Rs. 15,930,604 thousand (31 December 2019: Rs. 17,533,138 thousand) which have been placed under non-performing status as detailed below:

	30 September 2020 (Un-Audited)		31 December 2019 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees in '000				
<b>Category of classification</b>				
<b>Domestic</b>				
Substandard	1,096,360	266,846	433,980	76,611
Doubtful	699,607	116,079	628,533	273,742
Loss	14,134,637	13,520,586	16,470,625	14,944,062
	<b>15,930,604</b>	<b>13,903,511</b>	<b>17,533,138</b>	<b>15,294,415</b>

#### 10.4 Particulars of provision against advances

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	15,294,415	1,634,410	16,928,825	15,324,500	1,236,190	16,560,690
Charge for the period / year	1,437,753	2,767,110	4,204,863	1,179,540	398,220	1,577,760
Reversals for the period / year	(2,370,046)	–	(2,370,046)	(1,197,378)	–	(1,197,378)
Net (reversal) / charge for the period / year	(932,293)	2,767,110	1,834,817	(17,838)	398,220	380,382
Amount written off	(458,611)	–	(458,611)	(12,247)	–	(12,247)
Closing balance	<b>13,903,511</b>	<b>4,401,520</b>	<b>18,305,031</b>	<b>15,294,415</b>	<b>1,634,410</b>	<b>16,928,825</b>

- 10.4.1** General provision includes provision of Rs. 3,630 thousand (31 December 2019: Rs. 3,410 thousand) made against consumer portfolio and Rs. 17 thousand (31 December 2019: Rs. 55 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

#### 10.4.2 Particulars of provision against advances

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	13,438,213	4,401,520	17,839,733	14,877,139	1,634,410	16,511,549
In foreign currencies	465,298	–	465,298	417,276	–	417,276
	<b>13,903,511</b>	<b>4,401,520</b>	<b>18,305,031</b>	<b>15,294,415</b>	<b>1,634,410</b>	<b>16,928,825</b>

## 10.4.3 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. 239,975 thousand (31 December 2019: Rs. 315,348 thousand). Further, as of 30 September 2020, 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. 830,990 thousand (31 December 2019: Rs. 1,598,972 thousand) and accumulated profit would have been lower by Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand). This amount of Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	673,444	343,734
Property and equipment		4,224,576	4,186,336
Right-of-use assets		3,813,051	3,851,321
		<u>8,711,071</u>	<u>8,381,391</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		458,160	243,323
Advance to suppliers		215,284	100,411
		<u>673,444</u>	<u>343,734</u>
		<b>Nine months ended</b>	
		<b>30 September 2020</b>	<b>30 September 2019</b>
		(Un-Audited)	
		Rupees in '000	
<b>11.2 Additions to fixed assets</b>			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress additions / (transfer to fixed assets) - net		329,710	154,751
<b>Property and equipment</b>			
Leasehold land		—	91,851
Building on leasehold land		—	158,523
Furniture and fixture		85,276	48,628
Electrical office and computer equipment		452,015	525,753
Vehicles		20,849	33,378
Lease hold improvement		296,043	99,748
		<u>854,183</u>	<u>957,881</u>
Right-of-use assets		544,489	249,562
Total		<u>1,728,382</u>	<u>1,362,194</u>
<b>11.3 Disposal of fixed assets</b>			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		223	93
Electrical office and computer equipment		704	588
Vehicles		4,638	4,530
Total		<u>5,565</u>	<u>5,211</u>

## 12. INTANGIBLE ASSETS

Computer Software  
Management rights

**30 September  
2020** 31 December  
(Un-Audited) (Audited)  
———— Rupees in '000 ————

<b>81,366</b>	66,770
<b>41,600</b>	41,600
<b>122,966</b>	108,370

### Nine months ended

**30 September  
2020** 30 September  
(Un-Audited) 2019  
———— Rupees in '000 ————

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

- directly purchased

<b>62,917</b>	25,365
---------------	--------

**30 September  
2020** 31 December  
(Un-Audited) (Audited)  
———— Rupees in '000 ————

## 13. DEFERRED TAX ASSETS

### Deductible temporary differences

Provision for diminution in value of investments  
Provision for non-performing loans and advances  
and off - balance sheet items  
Deficit on revaluation of investments  
Deferred liability on defined benefit plan  
Others

<b>205,548</b>	165,897
<b>2,507,912</b>	2,024,464
—	1,674,879
<b>40,651</b>	40,979
—	1,494
<b>2,754,111</b>	3,907,713

### Taxable temporary differences

Surplus on revaluation of investments  
Surplus on revaluation of non-banking assets  
Provision against other assets  
Accelerated depreciation

<b>(2,559,659)</b>	—
<b>(119,991)</b>	(121,385)
—	—
<b>(11,559)</b>	(76,194)
<b>(2,691,209)</b>	(197,579)
<b>62,902</b>	3,710,134

### Net deferred tax asset

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
<b>14. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency		<b>9,043,835</b>	12,437,768
Income / mark-up / profit accrued in foreign currencies		<b>18,505</b>	43,085
Advances, deposits, advance rent and other prepayments		<b>475,734</b>	374,300
Advance taxation (payments less provision)		<b>—</b>	837,013
Non-banking assets acquired in satisfaction of claims		<b>2,649,180</b>	417,244
Branch adjustment account		<b>—</b>	58
Mark to market gain on forward foreign exchange contracts		<b>2,392,946</b>	4,458,787
Acceptances		<b>19,348,722</b>	20,971,205
Receivable from the SBP against encashment of government securities		<b>36,152</b>	55,080
Stationery and stamps on hand		<b>115,042</b>	89,065
Dividend receivable		<b>1,613</b>	—
Others		<b>302,466</b>	289,140
		<b>34,384,195</b>	39,972,745
Provision against other assets	14.1	<b>(213,875)</b>	(211,182)
Other assets (net of provision)		<b>34,170,320</b>	39,761,563
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	<b>342,830</b>	346,816
		<b>34,513,150</b>	40,108,379
<b>14.1 Provision held against other assets</b>			
Operational loss		<b>210,000</b>	210,000
Other receivable		<b>3,875</b>	1,182
		<b>213,875</b>	211,182
<b>15. BILLS PAYABLE</b>			
In Pakistan		<b>13,663,691</b>	11,541,474

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
<b>16. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	55,555,266	36,842,480
Under long term financing facility - renewable energy	957,736	884,970
Under long term financing facility - locally manufactured plant and machinery	14,412,091	10,466,484
Under refinance for payment of wages and salaries	14,269,095	—
Under temporary economic refinance facility	855,837	—
	<u>86,050,025</u>	<u>48,193,934</u>
Repurchase agreement borrowings (Repo)	83,125,806	89,397,739
Due against bills rediscounting	—	2,765,541
	<u>169,175,831</u>	<u>140,357,214</u>
<b>Unsecured</b>		
Call borrowing	1,000,000	—
Certificate of investment	4,580,545	1,247,947
Murhabaha financing	—	100,000
Overdrawn nostro accounts	2,183,277	4,106,849
	<u>7,763,822</u>	<u>5,454,796</u>
	<u>176,939,653</u>	<u>145,812,010</u>

## 17. DEPOSITS AND OTHER ACCOUNTS

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits (non-remunerative)	174,257,760	34,341,109	208,598,869	146,277,565	26,743,116	173,020,681
Savings deposits	156,815,856	20,136,740	176,952,596	135,304,410	19,016,742	154,321,152
Term deposits	189,939,357	53,466,437	243,405,794	165,209,671	55,096,182	220,305,853
Others	13,362,510	1,047	13,363,557	10,525,924	979	10,526,903
	<u>534,375,483</u>	<u>107,945,333</u>	<u>642,320,816</u>	<u>457,317,570</u>	<u>100,857,019</u>	<u>558,174,589</u>
<b>Financial institutions</b>						
Current deposits (non-remunerative)	1,382,066	1,172,843	2,554,909	1,353,086	1,019,552	2,372,638
Savings deposits	6,676,173	—	6,676,173	46,679,121	—	46,679,121
Term deposits	1,862,620	5,082	1,867,702	4,033,620	—	4,033,620
	<u>9,920,859</u>	<u>1,177,925</u>	<u>11,098,784</u>	<u>52,065,827</u>	<u>1,019,552</u>	<u>53,085,379</u>
	<u>544,296,342</u>	<u>109,123,258</u>	<u>653,419,600</u>	<u>509,383,397</u>	<u>101,876,571</u>	<u>611,259,968</u>

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
———— Rupees in '000 ————			
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		<b>7,970,812</b>	9,657,635
Mark-up / return / interest payable in foreign currencies		<b>361,076</b>	396,052
Unearned commission and income on bills discounted		<b>271,718</b>	200,781
Accrued expenses		<b>1,519,792</b>	999,003
Current taxation (provision less payments)		<b>3,152,381</b>	—
Acceptances		<b>19,348,722</b>	20,971,205
Unclaimed dividend		<b>384,350</b>	111,781
Branch adjustment account		<b>1,129</b>	—
Mark to market loss on forward foreign exchange contracts		<b>3,118,999</b>	7,716,740
Provision for compensated absences		<b>249,188</b>	226,417
Deferred liability on defined benefit plan		<b>249,251</b>	116,624
Provision against off-balance sheet obligations	18.1	<b>113,716</b>	113,716
Workers' welfare fund	18.2	<b>1,505,158</b>	1,197,456
Charity fund balance		<b>2,242</b>	2,137
Excise duty payable		<b>1,522</b>	907
Locker deposits		<b>855,975</b>	817,043
Advance against diminishing musharakah		<b>49,257</b>	145,457
Advance rental for ijarah		<b>4,438</b>	2,739
Security deposits against leases / ijarah		<b>518,994</b>	642,570
Sundry creditors		<b>1,375,358</b>	743,366
Lease liability against right-of-use assets		<b>4,161,598</b>	3,846,508
Withholding tax / duties		<b>485,037</b>	404,091
Others		<b>103,975</b>	274,830
		<b><u>45,804,688</u></b>	<b><u>48,587,058</u></b>
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		<b>113,716</b>	113,716
Charge for the period / year		<b>—</b>	—
Closing balance		<b><u>113,716</u></b>	<b><u>113,716</u></b>

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

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

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

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

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
<b>19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Non-banking assets		342,830	346,816
- Available-for-sale securities	9.1	7,352,682	(4,720,963)
		7,695,512	(4,374,147)
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Non-banking assets		119,991	121,385
- Available-for-sale securities		2,559,659	(1,674,879)
		(2,679,650)	1,553,494
		5,015,862	(2,820,653)
Surplus pertaining to non-controlling interest		(24,139)	(52,481)
		4,991,723	(2,873,134)
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	20.1	85,507,734	81,881,337
Commitments	20.2	539,911,809	661,419,724
Other contingent liabilities	20.3	4,924,809	25,646,157
		630,344,352	768,947,218
<b>20.1 Guarantees</b>			
Financial guarantees		42,799,055	27,956,898
Performance guarantees		26,795,473	40,518,388
Other guarantees		15,913,206	13,406,051
		85,507,734	81,881,337
<b>20.2 Commitments</b>			
Documentary credits and short-term trade-related transactions:			
Letters of credit		127,814,946	119,552,974
Commitments in respect of:			
Forward exchange contracts	20.2.1	409,672,484	538,997,600
Forward lendings	20.2.2	2,128,884	2,428,742
Acquisition of operating fixed assets		295,495	440,408
		539,911,809	661,419,724
<b>20.2.1 Commitments in respect of forward exchange contracts</b>			
Purchase		232,040,988	290,279,554
Sale		177,631,496	248,718,046
		409,672,484	538,997,600



### 20.2.2 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	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		———— Rupees in '000 ————	
Commitments in respect of syndicate financing		<b>1,838,349</b>	2,168,630
Commitments in respect of financing transaction		<b>290,535</b>	260,112
		<b><u>2,128,884</u></b>	<b><u>2,428,742</u></b>

### 20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		<b>4,818,753</b>	25,540,101
Foreign exchange repatriation case	20.3.1	<b>106,056</b>	106,056
		<b><u>4,924,809</u></b>	<b><u>25,646,157</u></b>

#### 20.3.1 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 judgement. 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.

## 21. 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).

		<b>Nine months ended</b>	
		<b>30 September 2020</b>	<b>30 September 2019</b>
		(Un-Audited)	
		Rupees in '000	
<b>22. MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances	<b>19,738,012</b>	20,078,791	
Investments	<b>38,528,558</b>	27,031,074	
Lending with financial institutions	<b>1,749,659</b>	4,417,387	
Balance with other banks	<b>77,211</b>	92,088	
	<b>60,093,440</b>	51,619,340	
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits	<b>25,791,486</b>	28,693,236	
Borrowings	<b>9,624,028</b>	5,034,394	
Foreign currency swap cost	<b>4,241,309</b>	4,251,437	
Lease liability against right-of-use assets	<b>396,921</b>	326,915	
	<b>40,053,744</b>	38,305,982	
<b>24. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees	<b>407,207</b>	394,373	
Credit related fees	<b>34,846</b>	42,431	
Card related fees	<b>183,435</b>	281,191	
Commission on trade	<b>2,744,797</b>	2,665,951	
Commission on guarantees	<b>338,804</b>	330,943	
Commission on remittances including home remittances	<b>29,597</b>	21,313	
Commission on bancassurance	<b>96,572</b>	77,174	
Others	<b>97,635</b>	82,620	
	<b>3,932,893</b>	3,895,996	
<b>25. GAIN / (LOSS) ON SECURITIES</b>			
<b>Realised</b>			
Federal government securities	<b>(328,576)</b>	(877,169)	
Mutual funds	<b>198,002</b>	18,147	
Shares	<b>25,274</b>	(2,287)	
Term finance certificate, sukuk certificates and bonds	<b>4,952</b>	—	
<b>Unrealised - held-for-trading</b>			
Federal government securities	<b>522</b>	(4,035)	
	<b>(99,826)</b>	(865,344)	
<b>26. OTHER INCOME</b>			
Rent on properties	<b>7,115</b>	22,838	
Gain on sale of fixed assets - net	<b>16,009</b>	13,263	
Gain on sale of ijarah and diminishing musharaka assets - net	<b>20,818</b>	148	
Staff notice period and other recoveries	<b>1,040</b>	2,673	
	<b>44,982</b>	38,922	

## 27. OPERATING EXPENSES

	Nine months ended	
	30 September 2020	30 September 2019
	(Un-Audited)	
	Rupees in '000	
Total compensation expense	4,894,057	4,446,027
<b>Property expense</b>		
Rent & taxes	346,943	242,404
Insurance	3,960	3,159
Utilities cost	316,145	306,674
Security	341,196	277,615
Repair & maintenance	257,347	203,702
Depreciation	904,349	856,338
	2,169,940	1,889,892
<b>Information technology expenses</b>		
Software maintenance	123,102	81,900
Hardware maintenance	117,031	108,146
Depreciation	142,377	112,053
Amortisation	48,323	76,292
Network charges	165,399	145,401
	596,232	523,792
<b>Other operating expenses</b>		
Directors' fees and allowances	8,300	11,965
Fees and allowances to Shariah Board	7,747	7,553
Legal & professional charges	117,600	129,784
Outsourced services costs	220,315	195,112
Travelling & conveyance	148,170	188,697
NIFT and clearing charges	50,200	54,469
Depreciation	349,942	321,308
Depreciation - non-banking assets	9,050	8,411
Training & development	9,279	20,458
Postage & courier charges	64,651	74,403
Communication	79,496	77,208
Subscription	148,764	117,350
Repair & maintenance	83,335	74,814
Brokerage & commission	158,111	87,468
Stationery & printing	164,055	182,002
Marketing, advertisement & publicity	83,932	81,470
Management fee	372,248	297,767
Insurance	435,447	392,366
Donations	84,660	76,230
Auditors' Remuneration	12,350	14,783
Others	377,230	326,616
	2,984,882	2,740,234
	10,645,111	9,599,945

		Nine months ended	
	Note	30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by the SBP		<b>31,980</b>	51,340
<b>29. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	9.2.1	<b>176,762</b>	58,731
Provision / (reversal) of provision against loan & advances - net	10.4	<b>1,834,817</b>	244,509
Provision against other assets		<b>2,693</b>	—
Recovery of written off bad debts		<b>(15,019)</b>	(7,333)
		<b>1,999,253</b>	295,907
<b>30. TAXATION</b>			
Current		<b>6,141,556</b>	3,029,792
Prior year		—	300,546
Deferred		<b>(587,307)</b>	393,883
		<b>5,554,249</b>	3,724,221
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit attributable to equity shareholders of the holding company		<b>8,321,191</b>	5,042,615
		Number in '000	
Weighted average number of ordinary shares		<b>1,047,831</b>	1,047,831
		Rupees	
Basic and diluted earnings per share		<b>7.94</b>	4.81

## 32. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment 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.

### 32.1 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

	30 September 2020 (Un-Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rupees in '000				
<b>Financial assets measured at fair value</b>					
- Investments					
- Held-for-trading securities					
Federal government securities	8,169,510	-	8,169,510	-	8,169,510
- Available-for-sale securities					
Federal government securities	492,403,649	-	492,403,649	-	492,403,649
Sukuk certificates and bonds	7,863,373	-	7,863,373	-	7,863,373
Ordinary shares of listed companies	1,249,511	1,249,511	-	-	1,249,511
Mutual funds - open end	5,685,086	-	5,685,086	-	5,685,086
- close end	392,102	392,102	-	-	392,102
Real estate investment trust	382,512	382,512	-	-	382,512
Listed term finance certificates	2,796,609	-	2,796,609	-	2,796,609
Unlisted term finance certificates	-	-	-	-	-

## Financial assets not measured at fair value

- Cash and balances with treasury banks	56,106,719	-	-	-	-
- Balances with other banks	4,591,492	-	-	-	-
- Lendings to financial institutions	3,000,000	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	34,347,813	-	-	-	-
Certificates of investments	-	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	290,687,243	-	-	-	-
- Other assets	31,144,238	-	-	-	-
	<u>938,875,301</u>	<u>2,024,125</u>	<u>516,918,227</u>	<u>-</u>	<u>518,942,352</u>

## Non-financial assets measured at fair value

- Non-banking assets acquired in satisfaction of claim	2,992,010	-	2,992,010	-	2,992,010
--	-----------	---	-----------	---	-----------

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

- Forward purchase of foreign exchange contracts	232,040,988	-	230,590,799	-	230,590,799
- Forward sale of foreign exchange contracts	177,631,496	-	178,355,632	-	178,355,632

## On balance sheet financial instruments

31 December 2019 (Audited)

	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
<b>Financial assets measured at fair value</b>					
- Investments					
- Held-for-trading securities					
Federal government securities	-	-	-	-	-
- 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

- 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	—	—	—	—
Certificates of investments	—	—	—	—	—
- 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	<u>764,060</u>	<u>—</u>	<u>764,060</u>	<u>—</u>	<u>764,060</u>
---	----------------	----------	----------------	----------	----------------

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

- Forward purchase of foreign exchange contracts	<u>303,454,611</u>	<u>—</u>	<u>283,969,816</u>	<u>—</u>	<u>283,969,816</u>
- Forward sale of foreign exchange contracts	<u>260,497,060</u>	<u>—</u>	<u>245,666,261</u>	<u>—</u>	<u>245,666,261</u>

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

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.

### 33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 September 2020 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	28,008,948	(11,131,057)	3,161,805	20,039,696
Inter segment revenue - net	(21,319,715)	14,976,198	6,343,517	-
Non mark-up / return / interest income	(121,578)	198,074	6,966,954	7,043,450
Total income	6,567,655	4,043,215	16,472,276	27,083,146
Segment direct expenses	(291,913)	-	(180,870)	(472,783)
Inter segment expense allocation	3,772	(3,174,544)	(7,358,721)	(10,529,493)
Total expenses	(288,141)	(3,174,544)	(7,539,591)	(11,002,276)
Provisions	(179,459)	2,383	(1,822,177)	(1,999,253)
Profit before tax	6,100,055	871,054	7,110,508	14,081,617
<b>Balance Sheet</b>				
Cash & bank balances	4,061,295	24,175,156	32,461,760	60,698,211
Investments	554,473,530	-	(1,127,921)	553,345,609
Lendings to financial institutions	3,000,000	-	-	3,000,000
Advances - performing	-	3,685,096	289,376,574	293,061,670
Advances - non-performing	-	18,948	15,911,656	15,930,604
Provision against advances	-	(16,089)	(18,288,942)	(18,305,031)
Net inter segment lending	-	277,552,690	168,461,279	446,013,969
Others	4,849,183	2,657,753	35,903,153	43,410,089
<b>Total assets</b>	566,384,008	308,073,554	522,697,559	1,397,155,121
Borrowings	86,309,083	-	90,630,570	176,939,653
Subordinated debt	-	-	-	-
Deposits & other accounts	-	281,980,890	371,438,710	653,419,600
Net inter segment borrowing	446,013,969	-	-	446,013,969
Others	3,562,928	9,283,049	46,622,402	59,468,379
<b>Total liabilities</b>	535,885,980	291,263,939	508,691,682	1,335,841,601
Equity	30,774,186	16,809,615	13,729,719	61,313,520
<b>Total equity &amp; liabilities</b>	566,660,166	308,073,554	522,421,401	1,397,155,121
<b>Contingencies &amp; commitments</b>	409,672,484	-	220,671,868	630,344,352

### 30 September 2019 (Un-Audited)

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	27,043,363	(16,976,041)	3,246,036	13,313,358
Inter segment revenue - net	(25,813,174)	20,825,868	4,987,306	–
Non mark-up / return / interest income	(608,911)	443,280	5,982,299	5,816,668
Total income	621,278	4,293,107	14,215,641	19,130,026
Segment direct expenses	(217,255)	–	(108,291)	(325,546)
Inter segment expense allocation	–	(3,387,807)	(6,115,917)	(9,503,724)
Total expenses	(217,255)	(3,387,807)	(6,224,208)	(9,829,270)
Provisions	(58,731)	(301)	(236,875)	(295,907)
Profit before tax	345,292	904,999	7,754,558	9,004,849

### 31 December 2019 (Audited)

#### Balance Sheet

Cash & bank balances	1,408,898	29,210,677	42,785,359	73,404,934
Investments	443,526,749	–	–	443,526,749
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)
Net inter segment lending	–	240,325,478	117,585,753	357,911,231
Others	13,146,487	2,467,870	36,693,917	52,308,274
<b>Total assets</b>	<b>480,279,437</b>	<b>275,416,862</b>	<b>467,245,046</b>	<b>1,222,941,345</b>
Borrowings	97,618,076	–	48,193,934	145,812,010
Subordinated debt	–	–	–	–
Deposits & 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
<b>Total liabilities</b>	<b>463,635,689</b>	<b>261,479,217</b>	<b>449,996,835</b>	<b>1,175,111,741</b>
Equity	16,643,748	13,937,645	17,248,211	47,829,604
<b>Total equity &amp; liabilities</b>	<b>480,279,437</b>	<b>275,416,862</b>	<b>467,245,046</b>	<b>1,222,941,345</b>
<b>Contingencies &amp; commitments</b>	<b>538,997,600</b>	<b>–</b>	<b>229,949,618</b>	<b>768,947,218</b>



### 34. TRANSACTIONS WITH RELATED PARTIES

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

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions and accruals 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.

	30 September 2020 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
<b>Balances with other banks</b>						
In current accounts	156,888	159,107	–	–	–	315,995
<b>Advances</b>						
Opening balance	366	4,144,390	222,737	–	–	4,367,493
Addition during the period	–	26,124,532	11,449	–	–	26,135,981
Repaid during the period	(282)	(26,066,041)	(32,974)	–	–	(26,099,297)
Closing balance	84	4,202,881	201,212	–	–	4,404,177
<b>Other Assets</b>						
Mark-up / return / interest accrued	–	5,792	–	–	–	5,792
Prepayments / advance deposits / other receivables	56	8,324	–	–	–	8,380
	56	14,116	–	–	–	14,172
<b>Deposits</b>						
Opening balance	529,172	11,234,004	262,708	785,494	940,576	13,751,954
Received during the period	16,323,978	1,143,922,171	1,008,997	1,932,614	1,758,117	1,164,945,877
Withdrawn during the period	(16,578,244)	(1,141,236,417)	(976,283)	(2,035,137)	(1,252,217)	(1,162,078,298)
Closing balance	274,906	13,919,758	295,422	682,971	1,446,476	16,619,533
<b>Other Liabilities</b>						
Mark-up / return / interest payable	–	159,801	2,812	2,855	48,748	214,216
Management fee payable for technical and consultancy services *	447,994	–	–	–	–	447,994
Other payables	–	10,056	–	–	245,527	255,583
	447,994	169,857	2,812	2,855	294,275	917,793
<b>Contingencies &amp; commitments</b>						
Transaction-related contingent liabilities	–	9,099,975	–	–	–	9,099,975
Trade-related contingent liabilities	–	2,137,609	–	–	–	2,137,609
Commitment against operating leases	–	11,551	–	–	–	11,551
	–	11,249,135	–	–	–	11,249,135

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

## 31 December 2019 (Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
<b>Balances with other banks</b>						
In current accounts	111,070	79,224	–	–	–	190,294
<b>Advances</b>						
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
<b>Other Assets</b>						
Mark-up / return / interest accrued	–	14,298	–	–	–	14,298
Prepayments / advance deposits / other receivables	–	5,604	–	–	–	5,604
Receivable against purchase of securities	(23,967)	–	–	–	–	(23,967)
	(23,967)	19,902	–	–	–	(4,065)
<b>Borrowings</b>						
Opening balance	8,822	–	–	–	–	8,822
Borrowings during the year	–	–	–	–	–	–
Settled during the year	(8,822)	–	–	–	–	(8,822)
Closing balance	–	–	–	–	–	–
<b>Deposits</b>						
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
<b>Other Liabilities</b>						
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
Other payables	–	6,332	–	–	116,624	122,956
	188,163	374,660	2,960	6,541	686,242	1,258,566
<b>Contingencies &amp; commitments</b>						
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 .

## Transactions during the period

	For the period ended 30 September 2020 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
<b>Income</b>					
Mark-up / return / interest earned	–	102,809	9,674	–	–
Fee and commission income	2,600	219,739	–	60	–
Rent income	4,212	–	–	–	–
<b>Expense</b>					
Mark-up / return / interest expensed	86	674,038	15,959	48,433	91,867
Commission / brokerage / bank charges paid	803	1,215	–	–	–
Salaries and allowances	–	–	383,754	–	–
Directors' fees and allowances	–	–	–	8,300	–
Charge to defined benefit plan	–	–	–	–	133,571
Contribution to defined contribution plan	–	–	–	–	164,417
Operating lease rentals / rent expenses	–	10,996	–	–	–
Insurance premium expenses	–	7,671	–	–	–
Maintenance, electricity, stationery & entertainment	–	61,322	–	–	–
Management fee expense for technical and consultancy services *	368,875	–	–	–	–
Donation	–	12,440	–	–	–
Professional / other charges	–	1,842	–	–	–

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

## Transactions during the period

For the period year ended 30 September 2019 (Un-Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
<b>Income</b>						
Mark-up / return / interest earned	23	103,669	11,173	–	–	114,865
Fee and commission income	6,286	172,195	–	33	–	178,514
Rent income	4,212	–	–	–	–	4,212
<b>Expenses</b>						
Mark-up / return / interest expensed	–	1,099,784	11,755	52,726	379,786	1,544,051
Commission / brokerage / bank charges paid	477	1,016	–	–	–	1,493
Salaries and allowances	–	–	330,323	–	–	330,323
Directors' fees and allowances	–	–	–	11,965	–	11,965
Charge to defined benefit plan	–	–	–	–	132,287	132,287
Contribution to defined contribution plan	–	–	–	–	147,694	147,694
Operating lease rentals / rent expenses	–	10,445	–	–	–	10,445
Insurance premium expenses	–	9,410	–	–	–	9,410
Maintenance, electricity, stationery & entertainment	–	43,071	–	–	–	43,071
Management fee expense for technical and consultancy services *	297,767	–	–	–	–	297,767
Donation	–	8,440	–	–	–	8,440
Professional / other charges	–	1,564	–	–	–	1,564

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

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

	<b>30 September 2020</b> (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<b>10,478,315</b>	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) capital	<b>53,418,095</b>	44,712,650
Eligible Additional Tier 1 (ADT 1) capital	<b>102,464</b>	117,613
Total eligible tier 1 capital	<b>53,520,559</b>	44,830,263
Eligible tier 2 capital	<b>9,365,316</b>	1,830,431
Total eligible capital (tier 1 + tier 2)	<b>62,885,875</b>	46,660,694
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	<b>277,084,668</b>	273,659,520
Market risk	<b>8,635,943</b>	1,694,641
Operational risk	<b>43,067,830</b>	43,067,830
Total	<b>328,788,441</b>	318,421,991
CET 1 capital adequacy ratio	<b>16.25%</b>	14.04%
Tier 1 capital adequacy ratio	<b>16.28%</b>	14.08%
Total capital adequacy ratio	<b>19.13%</b>	14.65%
<b>Minimum capital requirements prescribed by SBP</b>		
<b>CET 1 capital adequacy ratio</b>	<b>6.00%</b>	6.00%
<b>Tier 1 capital adequacy ratio</b>	<b>7.50%</b>	7.50%
<b>Total capital adequacy ratio</b>	<b>11.50%</b>	12.50%

Simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively have been used in the capital adequacy calculation.

**Leverage Ratio (LR):**

Eligible tier-1 capital	<b>53,520,559</b>	44,830,263
Total exposures	<b>1,207,903,574</b>	1,099,575,387
Leverage ratio	<b>4.43%</b>	4.08%

### 36. ISLAMIC BANKING BUSINESS

The holding company is operating 32 (31 December 2019: 31) Islamic banking branches and 226 (2019: 222) Islamic banking windows at the end of the period.

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		3,913,515	5,696,506
Balances with other banks		—	—
Due from financial institutions	36.1	3,000,000	22,197,303
Investments	36.2	34,628,985	14,718,222
Islamic financing and related assets - net	36.3	32,698,623	22,425,248
Fixed assets	36.4	462,381	522,276
Intangible assets		—	—
Due from head office		5,768,216	3,950,351
Other assets		3,651,562	2,825,100
		<b>84,123,282</b>	<b>72,335,006</b>
<b>LIABILITIES</b>			
Bills payable		865,272	718,549
Due to financial institutions		12,033,305	4,275,353
Deposits and other accounts	36.5	62,809,488	61,261,923
Due to head office		—	—
Subordinated debt		—	—
Other liabilities	36.4	2,609,572	1,980,357
		<b>78,317,637</b>	<b>68,236,182</b>
<b>NET ASSETS</b>			
		<b>5,805,645</b>	<b>4,098,824</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		5,504,143	3,003,871
Reserves		—	—
(Deficit) / surplus on revaluation of assets		(656,787)	6,920
Unappropriated profit	36.9	958,289	1,088,033
		<b>5,805,645</b>	<b>4,098,824</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	36.6		

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

	Note	Nine months ended	
		30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
Profit / return earned	36.7	3,912,301	3,463,791
Profit / return expensed	36.8	(2,716,512)	(2,229,305)
<b>Net profit / return</b>		<b>1,195,789</b>	<b>1,234,486</b>
<b>Other income</b>			
Fee and commission income		148,549	106,503
Dividend income		23,400	—
Foreign exchange income		95,312	27,953
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		206,512	11,701
Other income		31,981	16,319
<b>Total other income</b>		<b>505,754</b>	<b>162,476</b>
<b>Total income</b>		<b>1,701,543</b>	<b>1,396,962</b>
<b>Other expenses</b>			
Operating expenses		539,047	511,700
Workers' welfare fund		—	—
Other charges		605	85
<b>Total other expenses</b>		<b>539,652</b>	<b>511,785</b>
Profit before provisions		1,161,891	885,177
Provisions and write offs - net		(203,602)	(226,294)
<b>Profit before taxation</b>		<b>958,289</b>	<b>658,883</b>

## 36.1 Due from financial institutions

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Unsecured</b>						
Musharaka	3,000,000	—	3,000,000	14,690,000	—	14,690,000
Bai-muajjal receivable from State Bank of Pakistan	—	—	—	7,507,303	—	7,507,303
	<b>3,000,000</b>	<b>—</b>	<b>3,000,000</b>	<b>22,197,303</b>	<b>—</b>	<b>22,197,303</b>

### 36.2 Investments by segments:

	30 September 2020 (Un-Audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
<b>Federal Government Securities:</b>								
– Ijarah Sukuks	17,250,133	–	(633,208)	16,616,925	–	–	–	–
– Bai-muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
	<u>20,858,821</u>	<u>–</u>	<u>(633,208)</u>	<u>20,225,613</u>	<u>3,608,688</u>	<u>–</u>	<u>–</u>	<u>3,608,688</u>
<b>Non-Government Debt Securities</b>								
– Listed	7,137,387	–	(1,646)	7,135,741	5,378,650	–	2,901	5,381,551
– Unlisted	1,569,564	–	(21,933)	1,547,631	5,723,964	–	4,019	5,727,983
	<u>8,706,951</u>	<u>–</u>	<u>(23,579)</u>	<u>8,683,372</u>	<u>11,102,614</u>	<u>–</u>	<u>6,920</u>	<u>11,109,534</u>
<b>Mutual Fund</b>								
Open end	5,720,000	–	–	5,720,000	–	–	–	–
<b>Total investments</b>	<u>35,285,772</u>	<u>–</u>	<u>(656,787)</u>	<u>34,628,985</u>	<u>14,711,302</u>	<u>–</u>	<u>6,920</u>	<u>14,718,222</u>

**30 September 2020**      31 December 2019  
 (Un-Audited)      (Audited)  
 — Rupees in '000 —

### 36.3 Islamic financing and related assets - net

Ijarah	221,198	385,320
Murabaha	4,204,492	7,754,898
Working capital musharaka	5,069,855	2,642,396
Diminishing musharaka	4,876,698	3,631,076
Istisna	966,903	569,445
Salam	199,374	–
Diminishing musharaka - islamic long term financing facility	424,623	–
Export refinance working capital musharaka	3,170,000	–
Export refinance murabaha	594,817	987,965
Export refinance istisna	414,975	872,438
Export refinance al-bai	2,596	–
Al-bai financing	183,654	637,706



	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
Advances against:		
Ijarah	74,207	80,714
Diminishing musharaka - islamic long term financing facility	825,673	—
Diminishing musharaka - islamic refinance scheme for payment of wages and salaries	1,551,751	—
Diminishing musharaka - islamic financing facility for storage of agricultural produce	124,354	—
Diminishing musharaka - islamic temporary economic refinance facility	596,042	—
Murabaha	307,951	574,988
Diminishing musharaka	725,801	1,969,374
Salam	—	—
Istisna	2,127,544	993,202
Export refinance murabaha	284,547	13,165
Export refinance istisna	6,165,800	1,911,104
Inventory related to		
Al-bai goods	192,738	—
Export refinance of al-bai goods	15,463	—
Istisna goods	206,170	23,803
Gross Islamic financing and related assets	33,527,226	23,047,594
Provision against non-performing islamic financing	(828,603)	(622,346)
Islamic financing and related assets - net of provision	32,698,623	22,425,248

## 36.4 Fixed assets and other liabilities

At 30 September 2020, fixed assets included right-of-use assets of Rs. 402,737 thousand (31 December 2019: Rs. 457,832 thousand) and other liabilities included related lease liability of Rs 437,736 thousand (31 December 2019: Rs. 471,290 thousand).

## 36.5 Deposits

### Customers

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
Current deposits	17,475,574	15,229,020
Savings deposits	22,901,050	21,852,586
Term deposits	21,026,871	19,614,334
	61,403,495	56,695,940

### Financial Institutions

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Current deposits	109,124	851
Savings deposits	1,296,869	4,040,132
Term deposits	—	525,000
	1,405,993	4,565,983
	62,809,488	61,261,923

## 36.6 Contingencies and commitments

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Guarantees	4,532,212	4,646,271
Commitments	14,232,835	4,175,877
	18,765,047	8,822,148

	Nine months ended	
	30 September 2020	30 September 2019
	(Un-Audited)	(Un-Audited)
	Rupees in '000	

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

#### Profit earned on:

Financing	1,621,914	1,390,314
Investments	1,810,289	1,493,309
Placements	480,098	580,168
	<u>3,912,301</u>	<u>3,463,791</u>

### 36.8 Profit on deposits and other dues expensed

Deposits and other accounts	2,548,881	2,118,964
Due to financial institutions	123,668	62,556
Discount expense on lease liability against right-of-use assets	43,963	47,785
	<u>2,716,512</u>	<u>2,229,305</u>

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

### 36.9 Unappropriated profit

Opening balance	1,088,033	446,464
Add: Islamic banking profit for the period / year	958,289	1,088,033
Less: Transferred to head office	(1,088,033)	(446,464)
Closing balance	<u>958,289</u>	<u>1,088,033</u>

## 37. GENERAL

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

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

## 38. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on 22 October 2020 by the Board of Directors of the holding company.

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