

HABIBMETRO

FIRST QUARTER ACCOUNTS

2020



[Subsidiary of Habib Bank AG Zurich]

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هَذَا فَضْلُكَ

OUR VISION

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

DIRECTORS

Ali S. Habib

Anjum Z. Iqbal

Firasat Ali

Mohomed Bashir

Muhammad H. Habib

Rashid Ahmed Jafer

Tahira Raza

BOARD COMMITTEES

AUDIT

Ali S. Habib

Anjum Z. Iqbal

Rashid Ahmed Jafer

CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohsin A. Nathani

Tahira Raza

COMPANY SECRETARY

Ather Ali Khan

REGISTERED OFFICE

Ground Floor, Spencer's Building

I. I. Chundrigar Road

Karachi – 74200, Pakistan

INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B

S.M.C.H.S., Main Shahra-e-Faisal

Karachi - 74400

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the un-audited accounts for the quarter ended 31st March, 2020.

The quarter under review saw Corona virus become a widespread epidemic and then a pandemic. COVID-19 is a global challenge that has severely impacted economic activity across the world, causing the IMF to significantly downgrade its global growth outlook for 2020 from 3.3 percent to below zero. There has been a sharp reduction in international trade, with physical borders, transportation and travel either operating with extreme restrictions or undergoing temporary bans. Global oil prices also plummeted, contributing towards an improvement in current account and inflation, locally.

Pakistan's fiscal consolidation was on-track with tax revenues exhibiting healthy increase of 17.1 percent year-on-year during Jul-Feb FY20. Going forward, revenue targets could be missed due to slowdown in economic activity and increased expenditures in health/social sectors for combatting the impact of the COVID-19 pandemic.

Real GDP growth for FY20, which was previously forecasted at around 2.4 percent, is likely to undergo a downward revision due to a significant slowdown in domestic demand and weakened demand for major exports, which could be further exacerbated by a negative impact on remittances and investor confidence. Regardless of this, the current account is expected to mildly improve due to low oil prices.

The current account deficit contracted to USD 2.77 billion during July-March FY20 (at 1.3 percent GDP versus 4.7 percent in the previous year), driven primarily by a reduction in imports, and facilitated by a modest growth in exports and remittances. This contributed to the State Bank of Pakistan (SBP) maintaining strong growth in FX reserves, which increased to USD 11.18 billion at the end of March 2020 from USD 7.28 billion at the end of June 2019.

Weak economic activity was reflected in private sector credit growth of 3.6 percent during the period of July 2019 to first week of March 2020, which was less than half of the growth experienced in the corresponding period of the previous year.

CPI Inflation which had surged to 14.6 percent year-on-year in January 2020, decelerated to 12.4 percent in February 2020. Average CPI marked at 11.5 percent during July-March FY20 compared to 6.7 percent in the corresponding period in the previous year. Inflation in March 2020 marked at 10.2 percent. Inflationary pressures are likely to subside in light of the COVID-19.

It is pertinent to note that COVID-19 has started to impact the economy in the month of March 2020. This negative impact is likely to continue in the coming quarters till the situation normalizes.

To mitigate the financial impact of decreased economic activity, depletion in borrowing/repayment capacity and liquidity contraction in economy, the SBP has introduced various measures including:

- Re-finance scheme for payment of wages/salaries to workers/employees of businesses.
- Relaxed credit, payment and FX regulations for exporters and importers.

- Re-scheduling/re-structuring of credit and deferment of payment for businesses (applicable SBP concessional financing schemes as well).
- Temporary Economic Re-Financing Facility (TERF) for businesses - lending at a fixed 7 percent for new projects.
- Re-finance/concessional facility and relaxation for hospitals catering to COVID-19.

In addition to this, the SBP reduced the policy rate by 75 bps to 12.50 percent on 17th March 2020. This was further reduced by another 150 basis points to 11 percent on 24th March 2020.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's investments and advances grew to Rs. 452,115 million and Rs. 279,802 million, respectively as at 31st March 2020, while deposits amounted to Rs. 578,560 million are in line with the strategy to reduce cost of funds. The Bank's current deposits, however, increased by 22 percent year-on-year to Rs. 194,469 million. The Bank posted a profit-after-tax of Rs. 1,527 million for the first quarter ended 31st March 2020, compared to Rs. 1,466 million for the first quarter of 2019 - an increase of 4.13 percent, which translates into earnings per share of Rs. 1.46. The Bank's Net Equity stands at Rs. 49,999 million with a strong capital adequacy level of 16.07 percent.

The Bank maintained AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the eighteenth consecutive year. These ratings denote a high credit quality, with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

With a network of 398 branches in 134 cities across Pakistan, including 31 Islamic banking branches, and 224 Islamic banking windows, HabibMetro provides a comprehensive spectrum of banking services and products. These include specialized trade finance products and an array of digital products and services including secured SMS, Internet and Mobile Banking services, globally accepted Visa Cards and nationwide network of ATMs.

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

On behalf of the Board

MOHSIN A. NATHANI

President & Chief Executive Officer

Karachi: 17 April 2020

- کاروبار کے محنت کشوں / ملازمین کے معاوضوں/ تنخواہوں کی ادائیگی کیلئے ری۔ فنانس اسکیم۔
- درآمد اور برآمد کنندگان کیلئے قرضہ جات، ادائیگی اور فارن ایکسچینج ریگولیشنز میں نرمی۔
- قرضہ جات کی ری شیڈولنگ اور ری اسٹرکچرنگ اور ادائیگیوں کا انواء (جس میں ایس بی پی کی رعایتی فنانسنگ اسکیم بھی شامل ہے)۔
- کاروباروں کیلئے پمپری اکٹا کم ری۔ فنانسنگ فسیلیٹی (TERF) - نئے پروڈیٹس کیلئے طے شدہ 7 فیصد لینڈنگ۔
- COVID-19 سے نمٹنے کیلئے اسپتالوں کو ری۔ فنانس / رعایتی سہولتیں اور رعایت۔

ان سب کے علاوہ ایس بی پی نے 17 مارچ 2020 کو پالیسی ریٹ 75 بی پی ایس کم کر کے 12.50 فیصد کیا۔ اسے 24 مارچ 2020 کو مزید 150 بنیادی پوائنٹس کم کر کے 11 فیصد پر لایا گیا۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو نے اپنی کارکردگی کا تسلسل برقرار رکھا۔ 31 مارچ 2020 کو بینک کی سرمایہ کاری اور ایڈوانسز بڑھ کر بالترتیب 452,115 ملین روپے اور 279,802 ملین روپے ہو گئے جبکہ ڈپازٹس، لاگت میں کمی کی حکمت عملی کے مطابق، 578,560 ملین روپے رہے۔ تاہم بینک کے کرنٹ ڈپازٹس سال بہ سال کی بنیاد پر 22 فیصد تک بڑھ کر 194,469 ملین روپے ہو گئے۔ 31 مارچ 2020 کو ختم ہونے والی پہلی سہ ماہی کیلئے منافع بعد از ٹیکس 1,527 ملین روپے رہا جو 2019 کی پہلی سہ ماہی میں 1,466 ملین روپے تھا اور اس طرح 4.13 فیصد کا اضافہ ہوا جو کہ 1.46 روپے فی شیئر کی آمدنی ہے۔ بینک کی خالص ایکویٹی 49,999 ملین روپے کے ساتھ 16.07 فیصد کی ایک مستحکم ایڈیکویٹی کی سطح پر ہے۔

بینک مسلسل اٹھارہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (اے ون پلس) برائے قلیل مدتی ریٹنگ حاصل کر رہا ہے جو اعلیٰ کریڈٹ کے معیار، کریڈٹ رسک کی کم اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

پاکستان بھر میں 134 شہروں میں 398 شاخوں بشمول 131 اسلامک بینکنگ کی شاخوں اور 224 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بہترین، وسیع تر اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کرتا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس، ڈیجیٹل پروڈکٹس اور خدمات بشمول محفوظ SMS، انٹرنیٹ اینڈ موبائل بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کے لئے ATM نیٹ ورک شامل ہیں۔

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

منجانب بورڈ

حسن اے۔ ناتھانی
صدر و چیف ایگزیکٹو آفیسر

کراچی: 17 اپریل 2020

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2020 کو ختم ہونے والی پہلی سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

زیر جائزہ مدت کے دوران کورونا وائرس نے وسیع پیمانے پر ایک وبائی صورت اختیار کی اور پوری دنیا کو لپیٹ میں لے لیا۔ COVID-19 ایک عالمی پھیلنے والے جس کے دنیا بھر میں اقتصادی سرگرمیوں پر انتہائی مضر اثرات مرتب ہوئے اور آئی ایم ایف کو 2020 کیلئے عالمی شرح نمو کو 3.3 فیصد سے کم کر کے صفر سے بھی نیچے لانا پڑا۔ عالمی تجارت میں نمایاں حد تک کمی آئی جس کی وجہ سرحدی حدود، نقل و حمل اور آمدورفت میں عارضی یا انتہائی پابندیاں ہیں۔ تیل کے عالمی نرخوں میں بھی نمایاں کمی آئی جس سے کرنٹ اکاؤنٹ اور افراط زر میں مقامی سطح پر بہتری ظاہر ہوئی۔

پاکستان کی مالیاتی کنسولیدیشن ٹریک پر آنے کے ساتھ ٹیکس ریویو میں بھی محتمل اندہ بہتری آ رہی تھی اور مالی سال 2020 میں جولائی۔ فروری کے دوران سال بہ سال کے لحاظ سے 17.1 فیصد اضافہ ہوا تھا۔ تاہم آئندہ آنے والے عرصے میں معاشی سرگرمیوں میں سست روی اور COVID-19 کی وبائی صورتحال سے نمٹنے کیلئے صحت/سماجی شعبوں میں بڑھتے ہوئے اخراجات کے باعث آمدنی کے اہداف حاصل نہیں کئے جاسکیں گے۔

مالیاتی سال 2020 کیلئے حقیقی جی ڈی پی گرتھ، جس کا تخمینہ پہلے 2.4 فیصد کے لگ بھگ لگایا گیا تھا، میں مقامی طلب میں سست روی اور نمایاں برآمدات کیلئے طلب میں کمی کے باعث ٹیلی سطح پر نظر ثانی کا امکان ہے جس میں ترسیلات زر اور سرمایہ کاروں کے اعتماد میں منفی رجحان کے باعث مزید کمی کا امکان ہے۔ جبکہ تیل کے نرخوں میں کمی سے کرنٹ اکاؤنٹ میں کچھ بہتری کی توقع ہے۔

کرنٹ اکاؤنٹ خسارہ مالیاتی سال 2020 کے ماہ جولائی۔ مارچ کے دوران کم ہو کر 2.77 بلین امریکی ڈالر رہا (جی ڈی پی کا 1.33 فیصد جو کہ گزشتہ سال 4.7 فیصد تھا) جس میں بنیادی طور پر درآمدات میں کمی کے ساتھ برآمدات اور ترسیلات زر میں معمولی اضافے سے مدد ملی۔ اس سے اسٹیبل بینک آف پاکستان کو غیر ملکی زرمبادلہ کے ذخائر میں مستحکم گرتھ برقرار رکھنے میں مدد ملی جو مارچ 2020 کے آخر تک بڑھ کر 11.18 بلین امریکی ڈالر ہو گئے۔ یہ زرمبادلہ کے ذخائر مارچ 2019 کے آخر میں 7.28 بلین امریکی ڈالر تھے۔

جولائی 2019 سے مارچ 2020 کے پہلے ہفتے کی مدت میں نجی شعبے کی کریڈٹ گرتھ میں 3.6 فیصد اضافہ کمتر اقتصادی سرگرمیاں ظاہر کرتا ہے جو کہ گزشتہ سال کی اسی مدت کی گرتھ کے نصف سے کم ہے۔

سی پی آئی افراط زر جو جنوری 2020 میں سال بہ سال کی سطح پر 14.6 فیصد تک بڑھ گئی تھی فروری 2020 میں 12.4 فیصد تک گر گئی۔ مالی سال 2020 کے ماہ جولائی۔ مارچ کے دوران اوسط سی پی آئی 11.5 فیصد تک رہی جو گزشتہ سال کی اسی مدت کے دوران 6.7 فیصد تھی۔ مارچ 2020 میں افراط زر کی شرح 10.2 فیصد رہی۔ COVID-19 کے باعث افراط زر کے دباؤ میں کمی متوقع ہے۔

اس امر کو مد نظر رکھنا ہوگا کہ COVID-19 نے مارچ 2020 کے ماہ میں معیشت پر اثرات مرتب کرنا شروع کر دیئے تھے یہ منفی اثرات آئندہ سہ ماہیوں میں بھی ممکنہ طور پر برقرار رہیں گے حتیٰ کہ صورتحال معمول پر آ جائے۔

معاشی سرگرمیوں میں منفی رجحان، قرضہ جات/ادائیگی کی استعداد میں کمی اور معیشت میں لیکویڈٹی میں کمی کے مالیاتی اثرات کے تدارک کیلئے ایس پی پی نے درج ذیل سمیت مختلف اقدامات کئے ہیں:

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	62,295,503	70,713,603
Balances with other banks	7	4,502,890	1,865,528
Lendings to financial institutions	8	11,000,000	22,197,303
Investments	9	452,115,387	448,909,727
Advances	10	279,801,694	263,948,473
Fixed assets	11	8,492,066	8,306,783
Intangible assets	12	77,035	66,462
Deferred tax assets	13	2,658	3,712,435
Other assets	14	55,725,721	39,854,208
		874,012,954	859,574,522

LIABILITIES

Bills payable	15	13,345,797	11,541,474
Borrowings	16	167,958,449	144,464,063
Deposits and other accounts	17	578,559,647	611,869,248
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	64,150,247	47,462,207
		824,014,140	815,336,992
NET ASSETS		49,998,814	44,237,530

REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		17,889,615	17,584,517
Surplus/(deficit) on revaluation of assets - net of tax	19	3,994,255	(2,885,060)
Unappropriated profit		17,636,629	19,059,758
		49,998,814	44,237,530

CONTINGENCIES AND COMMITMENTS

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2020

	Note	31 March 2020	31 March 2019 (Restated)
		Rupees in '000	
Mark-up / return / interest earned	22	20,607,758	14,003,333
Mark-up / return / interest expensed	23	(16,284,177)	(9,623,196)
Net mark-up / interest income		4,323,581	4,380,137
Non mark-up / interest income			
Fee and commission income	24	1,342,764	1,276,821
Dividend income		32,747	20,488
Foreign exchange income		782,001	457,628
Income / (loss) from derivatives		—	—
Gain / (loss) on securities	25	104,705	10,578
Other income	26	8,887	16,814
Total non mark-up / interest income		2,271,104	1,782,329
Total Income		6,594,685	6,162,466
Non mark-up / interest expenses			
Operating expenses	27	3,504,607	3,058,381
Workers' welfare fund		66,000	60,000
Other charges	28	6,404	714
Total non-mark-up / interest expenses		(3,577,011)	(3,119,095)
Profit before provisions		3,017,674	3,043,371
(Provisions) / reversal and write offs - net	29	(484,126)	(133,628)
Extra ordinary / unusual items		—	—
Profit before taxation		2,533,548	2,909,743
Taxation	30	(1,007,041)	(1,443,818)
Profit after taxation		1,526,507	1,465,925
		Rupees in '000	
Basic and diluted earnings per share	31	1.46	1.40

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2020

	31 March 2020	31 March 2019 (Restated)
	Rupees in '000	
Profit after taxation	1,526,507	1,465,925
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	(203)	—
Movement in deficit on revaluation of investments - net of tax	6,880,176	534,337
Items that will not be reclassified to profit and loss in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(25,617)	18,878
Total comprehensive income	8,380,863	2,019,140

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2020

	Reserves						Surplus / (deficit) on revaluation			
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Balance as at 1 January 2019	10,478,315	–	2,550,985	11,976,447	240,361	1,500,000	(5,753,117)	179,461	15,829,504	37,001,956
Profit after taxation (restated)	–	–	–	–	–	–	–	–	1,465,925	1,465,925
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	534,337	–	18,878	553,215
Total comprehensive income (restated)	–	–	–	–	–	–	534,337	–	1,484,803	2,019,140
Transfer to statutory reserve (restated)	–	–	–	293,185	–	–	–	–	(293,185)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(708)	708	–
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)
Balance as at 31 March 2019 (restated)	10,478,315	–	2,550,985	12,269,632	240,361	1,500,000	(5,218,780)	178,753	14,926,167	36,925,433
Profit after taxation	–	–	–	–	–	–	–	–	5,117,556	5,117,556
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	28	–	–	–	–	2,108,289	48,840	37,384	2,194,541
Total comprehensive income	–	28	–	–	–	–	2,108,289	48,840	5,154,940	7,312,097
Transfer to statutory reserve	–	–	–	1,023,511	–	–	–	–	(1,023,511)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(2,162)	2,162	–
Balance as at 31 December 2019	10,478,315	28	2,550,985	13,293,143	240,361	1,500,000	(3,110,491)	225,431	19,059,758	44,237,530
Profit after taxation	–	–	–	–	–	–	–	–	1,526,507	1,526,507
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	(203)	–	–	–	–	6,880,176	–	(25,617)	6,854,356
Total comprehensive income	–	(203)	–	–	–	–	6,880,176	–	1,500,890	8,380,863
Transfer to statutory reserve	–	–	–	305,301	–	–	–	–	(305,301)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(861)	861	–
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2019	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)
Balance as at 31 March 2020	10,478,315	(175)	2,550,985	13,598,444	240,361	1,500,000	3,769,685	224,570	17,636,629	49,998,814

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2020

	Note	31 March 2020	31 March 2019 (Restated)
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,533,548	2,909,743
Less: Dividend income		(32,747)	(20,488)
		2,500,801	2,889,255
Adjustments			
Depreciation on operating fixed assets		260,154	222,817
Depreciation on right-of-use assets		193,003	176,092
Depreciation on non-banking assets		2,865	2,773
Amortization		17,822	32,790
Mark-up / return / interest earned on lease liability against right-of-use assets		113,420	113,751
Provisions and write offs excluding recovery of written off bad debts	29	484,634	135,295
Unrealized gain on securities - held-for-trading		(41,594)	-
Net gain on sale of fixed assets		(4,029)	(3,616)
Provision against workers' welfare fund		66,000	60,000
Provision against compensated absences		12,329	14,150
Provision against defined benefit plan		43,432	42,540
		1,148,036	796,592
		3,648,837	3,685,847
(Increase) / decrease in operating assets			
Lendings to financial institutions		11,197,303	(36,052,870)
Advances		(16,167,815)	(10,114,752)
Other assets (excluding current taxation and including non-banking assets)		(6,718,392)	624,688
		(11,688,904)	(45,542,934)
Increase / (decrease) in operating liabilities			
Bills payable		1,804,323	(1,362,520)
Borrowings from financial institutions		25,501,578	18,735,653
Deposits and other accounts		(33,309,601)	15,489,821
Other liabilities (excluding current taxation)		4,626,275	918,798
		(1,377,425)	33,781,752
		(9,417,492)	(8,075,335)
Payment against compensated absences		(754)	(6,375)
Income tax paid		(911,824)	(859,692)
		(10,330,070)	(8,941,402)
Net cash flow used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in held-for-trading securities		(3,428,877)	-
Net investments in available-for-sale securities		7,839,458	13,225,371
Net investments in held-to-maturity securities		2,840,199	(5,066)
Dividend received		32,747	12,457
Investments in fixed assets		(509,611)	(532,052)
Investments in intangibles assets		(28,395)	(1,211)
Proceeds from sale of fixed assets		6,526	4,603
Effect of translation of net investment in an offshore branch		(203)	-
Net cash flow generated from investing activities		6,751,844	12,704,102
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(723)	(2,654)
Payment of lease liability against right-of-use assets		(194,597)	(151,633)
Net cash used in financing activities		(195,320)	(154,287)
Increase in cash and cash equivalents		(3,773,546)	3,608,413
Cash and cash equivalents at beginning of the year		68,472,282	46,103,870
Cash and cash equivalents at end of the year		64,698,736	49,712,283

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

FUZAIL ABBAS Chief Financial Officer	MOHSIN A. NATHANI President & Chief Executive Officer	FIIRASAT ALI Director	MOHOMED BASHIR Director	MOHAMEDALI R. HABIB Chairman
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NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 31 MARCH 2020

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 368 (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 Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

2. BASIS OF PRESENTATION

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

2.2 Statement of Compliance

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

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 unconsolidated 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.

The disclosures made in these unconsolidated 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 unconsolidated condensed interim financial statements should be read in conjunction with the audited unconsolidated financial statements of the Bank for the year ended 31 December 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

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

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year. These are not likely to have a material effect on the Bank'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 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. RISK MANAGEMENT

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

The COVID-19 will have a serious impact on 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. The management reviewed the risk management policies and is of the view that the Bank - with its robust compliance and control functions - has adequate capital and liquidity.

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		12,844,319	7,400,310
Foreign currencies		1,323,700	1,289,049
		14,168,019	8,689,359
With State Bank of Pakistan in			
Local currency current accounts		24,953,051	37,267,692
Foreign currency current account		70,682	64,248
Foreign currency deposit accounts			
- cash reserve account		5,813,791	5,663,551
- special cash reserve account		16,162,255	16,348,050
		46,999,779	59,343,541
With National Bank of Pakistan in			
Local currency current accounts		1,078,245	2,558,634
National Prize Bonds		49,460	122,069
		62,295,503	70,713,603
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		53,787	146,324
In deposit accounts		321,435	310,468
		375,222	456,792
Outside Pakistan			
In current accounts		4,127,668	1,408,736
		4,502,890	1,865,528
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Bai-muajjal receivable with the State Bank of Pakistan		-	7,507,303
Letters of placement	8.1	2,000,000	7,500,000
Musharakah placements	8.2	9,000,000	7,190,000
		11,000,000	22,197,303

8.1 These carry profit / return of 13% (2019: 10.00% to 12.25%) per annum with maturity upto 20 April 2020 (2019: 3 March 2020).

8.2 These carry profit / return rate from 4% to 11.90% (2019: 8% to 12.15%) per annum with maturity upto 24 April 2020 (2019: 3 February 2020).

9. INVESTMENTS

9.1 Investments by types

	31 March 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								
Held-for-trading securities								
Federal government securities	3,428,877	–	41,594	3,470,471	–	–	–	–
Available-for-sale securities								
Federal government securities	392,891,028	–	5,833,401	398,724,429	401,765,140	–	(4,916,665)	396,848,475
Shares	1,404,986	(507,064)	10,423	908,345	682,760	(333,784)	106,775	455,751
Non-government debt securities	9,696,171	(127,319)	(19,364)	9,549,488	9,383,743	(130,559)	(39,636)	9,213,548
Mutual funds	29,702	(9,647)	954	21,009	29,702	(9,647)	9,656	29,711
Real estate investment trust	387,869	–	(25,899)	361,970	387,869	–	54,499	442,368
	404,409,756	(644,030)	5,799,515	409,565,241	412,249,214	(473,990)	(4,785,371)	406,989,853
Held-to-maturity securities								
Federal government securities	36,099,675	–	–	36,099,675	36,089,874	–	–	36,089,874
Non-government debt securities	2,150,000	–	–	2,150,000	5,000,000	–	–	5,000,000
	38,249,675	–	–	38,249,675	41,089,874	–	–	41,089,874
Subsidiaries	830,000	–	–	830,000	830,000	–	–	830,000
Total Investments	<u>446,918,308</u>	<u>(644,030)</u>	<u>5,841,109</u>	<u>452,115,387</u>	<u>454,169,088</u>	<u>(473,990)</u>	<u>(4,785,371)</u>	<u>448,909,727</u>

31 March 2020 31 December 2019
 (Un-Audited) (Audited)
 ————— Rupees in '000 —————

9.1.1 Investments given as collateral

Federal government securities

Market treasury bills	48,038,610	81,790,898
Pakistan investment bonds	56,044,057	7,415,475
	<u>104,082,667</u>	<u>89,206,373</u>

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	473,990	417,991
Charge for the period / year	173,280	63,868
Reversal for the period / year	(3,240)	(7,869)
Net charge for the period / year	170,040	55,999
Closing balance	<u>644,030</u>	<u>473,990</u>

9.2.2 Particulars of provision against debt securities

Category of classification	31 March 2020 (Un-Audited)		31 December 2019 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	127,319	127,319	130,559	130,559
	127,319	127,319	130,559	130,559

9.3 The market value of securities classified as held-to-maturity is Rs. 38,112,154 thousand (31 December 2019: Rs. 39,168,228 thousand).

10. ADVANCES

	Performing		Non-Performing		Total	
	31 March 2020 (Un-Audited)	31 December 2019 (Audited)	31 March 2020 (Un-Audited)	31 December 2019 (Audited)	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.						
In Pakistan	213,309,324	199,539,259	14,176,317	14,554,885	227,485,641	214,094,144
Islamic financing and related assets	24,192,674	22,193,648	842,679	853,946	25,035,353	23,047,594
Bills discounted and purchased	42,281,550	41,598,380	1,778,146	2,124,307	44,059,696	43,722,687
Advances - gross	279,783,548	263,331,287	16,797,142	17,533,138	296,580,690	280,864,425
Provision against non-performing advances						
- specific	-	-	(14,943,255)	(15,294,415)	(14,943,255)	(15,294,415)
- general	(1,835,741)	(1,621,537)	-	-	(1,835,741)	(1,621,537)
	(1,835,741)	(1,621,537)	(14,943,255)	(15,294,415)	(16,778,996)	(16,915,952)
Advances - net of provisions	277,947,807	261,709,750	1,853,887	2,238,723	279,801,694	263,948,473

10.1 Particulars of advances - gross

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
In local currency	253,094,618	239,106,297
In foreign currencies	43,486,072	41,758,128
	296,580,690	280,864,425

10.2 Advances include Rs. 16,797,142 thousand (31 December 2019: Rs. 17,533,138 thousand) which have been placed under non-performing status as detailed below:

Category of classification	31 March 2020 (Un-Audited)		31 December 2019 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	120,691	1,814	433,980	76,611
Doubtful	503,799	183,431	628,533	273,742
Loss	16,172,652	14,758,010	16,470,625	14,944,062
	<u>16,797,142</u>	<u>14,943,255</u>	<u>17,533,138</u>	<u>15,294,415</u>

10.3 Particulars of provision against advances

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,294,415	1,621,537	16,915,952	15,324,500	1,236,190	16,560,690
Charge for the period / year	431,025	214,204	645,229	1,179,540	385,347	1,564,887
Reversals	(330,635)	–	(330,635)	(1,197,378)	–	(1,197,378)
Net charge / (reversal) for the period / year	100,390	214,204	314,594	(17,838)	385,347	367,509
Amount written off	(451,550)	–	(451,550)	(12,247)	–	(12,247)
Closing balance	<u>14,943,255</u>	<u>1,835,741</u>	<u>16,778,996</u>	<u>15,294,415</u>	<u>1,621,537</u>	<u>16,915,952</u>

10.3.1 General provision includes provision of Rs. 3,763 thousand (31 December 2019: Rs. 3,410 thousand) made against consumer portfolio and Rs. 18 thousand (31 December 2019: Rs. 55 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

10.3.2 Particulars of provision against advances

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	448,004	1,835,741	2,283,745	14,877,139	1,621,537	16,498,676
In foreign currencies	14,495,251	–	14,495,251	417,276	–	417,276
	<u>14,943,255</u>	<u>1,835,741</u>	<u>16,778,996</u>	<u>15,294,415</u>	<u>1,621,537</u>	<u>16,915,952</u>

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

During the current year, the Bank 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. 28,359 thousand (31 December 2019: Rs. 315,348 thousand). Further, as of 31 March 2020, had the benefit of FSVs (including those availed into previous year) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 1,511,469 thousand (31 December 2019: Rs. 1,598,972 thousand) and accumulated profit would have been lower by Rs. 982,455 thousand (31 December 2019: Rs. 1,039,332 thousand). This amount of Rs. 982,455 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	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
11. FIXED ASSETS			
Capital work-in-progress	11.1	404,559	343,734
Property and equipment		4,323,042	4,136,907
Right-of-use assets		3,764,465	3,826,142
		8,492,066	8,306,783
11.1 Capital work-in-progress			
Civil works		286,861	243,323
Advance to suppliers		117,698	100,411
		404,559	343,734
		31 March 2020 (Un-Audited)	31 March 2019
		Rupees in '000	
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress - additions / (transfer to fixed assets) - net		60,825	(66,315)
Property and equipment			
Building on leasehold land		-	149,101
Furniture and fixture		43,219	22,640
Electrical office and computer equipment		241,680	389,667
Vehicles		17,555	1,088
Lease hold improvement		146,332	35,871
		448,786	598,367
Right-of-use assets		131,326	56,700
		640,937	588,752
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		21	37
Electrical office and computer equipment		258	333
Vehicles		2,218	617
		2,497	987

12. INTANGIBLE ASSETS

Computer Software

31 March 2020 31 December 2019
(Un-Audited) (Audited)
———— Rupees in '000 ————

77,035 66,462

31 March 2020 31 March 2019
(Un-Audited)
———— Rupees in '000 ————

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

- directly purchased

28,395 1,211

13. DEFERRED TAX ASSETS

Deductible temporary differences

Provision for diminution in value of investments

225,410 165,897

Provision for non-performing and off - balance sheet

1,916,937 2,024,464

Deficit on revaluation of investments

— 1,674,880

Deferred liability on defined benefit plan

54,205 40,412
2,196,552 3,905,653

Taxable temporary differences

Surplus on revaluation of investments

(2,029,830) —

Surplus on revaluation of non-banking assets

(120,922) (121,385)

Accelerated depreciation

(43,142) (71,833)

(2,193,894) (193,218)

Net deferred tax asset

2,658 3,712,435

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		10,129,151	12,529,140
Income / mark-up / profit accrued in foreign currencies - net of provision		54,794	43,085
Advances, deposits, advance rent and other prepayments		280,440	225,452
Advance taxation (payments less provision)		571,450	647,808
Non-banking assets acquired in satisfaction of claims		415,703	417,244
Branch adjustment account		51	58
Mark-to-market gain on forward foreign exchange contracts		13,459,439	4,458,787
Acceptances		30,203,548	20,971,205
Receivable from the SBP against encashment of government securities		65,985	55,080
Stationery and stamps on hand		82,535	88,551
Others		327,133	280,982
		55,590,229	39,717,392
Provision against other assets		(210,000)	(210,000)
Other assets (net of provision)		55,380,229	39,507,392
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	345,492	346,816
		55,725,721	39,854,208

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
15. BILLS PAYABLE		
In Pakistan	13,345,797	11,541,474
16. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	49,948,014	36,842,480
Under long term financing facility - renewable energy	884,970	884,970
Under long term financing facility - locally manufactured plant and machinery	10,957,079	10,466,484
	61,790,063	48,193,934
Repurchase agreement borrowings (Repo)	103,928,038	89,397,739
Due against bills rediscounting	140,691	2,765,541
	165,858,792	140,357,214
Unsecured		
Overdrawn nostro accounts	2,099,657	4,106,849
	167,958,449	144,464,063

17. DEPOSITS AND OTHER ACCOUNTS

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits (non-remunerative)	150,993,535	28,055,611	179,049,146	146,378,657	26,743,116	173,121,773
Savings deposits	144,084,616	19,420,442	163,505,058	135,390,427	19,016,742	154,407,169
Term deposits	157,494,092	55,982,287	213,476,379	165,375,671	55,096,182	220,471,853
Others	12,549,217	1,054	12,550,271	10,525,924	979	10,526,903
	465,121,460	103,459,394	568,580,854	457,670,679	100,857,019	558,527,698
Financial institutions						
Current deposits (non-remunerative)	1,454,096	1,415,070	2,869,166	1,354,816	1,019,552	2,374,368
Savings deposits	6,075,193	—	6,075,193	46,908,562	—	46,908,562
Term deposits	1,029,320	5,114	1,034,434	4,058,620	—	4,058,620
	8,558,609	1,420,184	9,978,793	52,321,998	1,019,552	53,341,550
	473,680,069	104,879,578	578,559,647	509,992,677	101,876,571	611,869,248

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		9,027,384	9,633,242
Mark-up / return / interest payable in foreign currencies		587,092	396,052
Unearned commission and income on bills discounted		159,792	200,295
Accrued expenses		1,195,980	819,184
Acceptances		30,203,548	20,971,205
Unclaimed dividend		67,534	68,257
Dividend payable		2,619,579	—
Mark to market loss on forward foreign exchange contracts		11,892,177	7,716,740
Provision for compensated absences		237,992	226,417
Deferred liability on defined benefit plan		195,356	112,513
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund	18.2	1,226,189	1,160,189
Charity fund balance		2,137	2,137
Excise duty payable		941	907
Locker deposits		830,817	817,043
Advance against diminishing musharakah		168,576	90,548
Advance rental for ijarah		5,420	1,859
Security deposits against leases / ijarah		204,071	205,188
Sundry creditors		862,026	425,001
Lease liability against right-of-use assets		3,877,098	3,826,950
Withholding tax / duties		257,525	400,373
Others		415,297	274,391
		64,150,247	47,462,207
18.1 Provision against off-balance sheet obligations			
Opening balance		113,716	113,716
Charge for the period / year		—	—
Closing balance		113,716	113,716

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

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

The Supreme Court of Pakistan vide its order dated 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 Bank maintains its provision in respect of WWF.

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Non-banking assets		345,492	346,816
- Available for sale securities	9.1	5,799,515	(4,785,371)
		6,145,007	(4,438,555)
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Non-banking assets		120,922	121,385
- Available for sale securities		2,029,830	(1,674,880)
		(2,150,752)	1,553,495
		3,994,255	(2,885,060)
20. CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	81,832,102	81,881,337
Commitments	20.2	632,847,769	661,159,612
Other contingent liabilities	20.3	25,646,157	25,646,157
		740,326,028	768,687,106
20.1 Guarantees			
Financial guarantees		26,552,308	27,956,898
Performance guarantees		41,432,730	40,518,388
Other guarantees		13,847,064	13,406,051
		81,832,102	81,881,337
20.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		112,715,722	119,552,974
Commitments in respect of:			
Forward exchange contracts	20.2.1	517,471,636	538,997,600
Forward lendings	20.2.2	2,107,889	2,168,630
Acquisition of operating fixed assets		552,522	440,408
		632,847,769	661,159,612
20.2.1 Commitments in respect of forward exchange contracts			
Purchase		273,909,264	290,279,554
Sale		243,562,372	248,718,046
		517,471,636	538,997,600

20.2.2 Commitments in respect of forward lendings

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

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		———— Rupees in '000 ————	———— Rupees in '000 ————
Commitments in respect of syndicate financing		<u>2,107,889</u>	<u>2,168,630</u>

20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		25,540,101	25,540,101
Foreign Exchange repatriation case	20.3.1	<u>106,056</u>	<u>106,056</u>
		<u>25,646,157</u>	<u>25,646,157</u>

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 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair 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 Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

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

22. MARK-UP / RETURN / INTEREST EARNED

	31 March 2020	31 March 2019
	(Un-Audited)	
	Rupees in '000	
Loans and advances	7,347,477	5,430,325
Investments	12,313,330	7,121,002
Lending with financial institutions	909,006	1,399,056
Balance with other banks	37,945	52,950
	<u>20,607,758</u>	<u>14,003,333</u>

23. MARK-UP / RETURN / INTEREST EXPENSED

	31 March 2020	31 March 2019
	(Un-Audited)	
	(Restated)	
	Rupees in '000	
Deposits	11,232,177	8,127,368
Borrowings	3,296,890	799,379
Foreign currency swap cost	1,641,690	582,698
Lease liability against right-of-use assets	113,420	113,751
	<u>16,284,177</u>	<u>9,623,196</u>

24. FEE & COMMISSION INCOME

	31 March 2020	31 March 2019
	(Un-Audited)	
	Rupees in '000	
Branch banking customer fees	140,075	127,562
Credit related fees	12,577	15,904
Card related fees	103,860	82,369
Commission on trade	930,694	874,453
Commission on guarantees	91,570	122,444
Commission on remittances including home remittances	6,578	7,525
Commission on bancassurance	36,280	27,800
Others	21,130	18,764
	<u>1,342,764</u>	<u>1,276,821</u>

25. GAIN/(LOSS) ON SECURITIES

Realised		
Federal government securities	(51,388)	6,633
Shares	3,331	(76,398)
Mutual funds	111,168	80,343
Unrealised - held-for-trading		
Federal government securities	41,594	-
	<u>104,705</u>	<u>10,578</u>

26. OTHER INCOME

Rent on properties	4,087	12,222
Gain on sale of fixed assets - net	4,029	3,616
Gain on sale of ijarah assets - net	185	50
Staff notice period and other recoveries	586	926
	<u>8,887</u>	<u>16,814</u>

31 March 2020
(Un-Audited)
31 March 2019
(Restated)
Rupees in '000

27. OPERATING EXPENSES

Total compensation expense	1,588,585	1,472,128
Property expense		
Rent & taxes	107,671	86,267
Insurance	1,320	1,245
Utilities cost	104,550	70,946
Security	109,815	90,021
Repair & maintenance	80,327	66,112
Depreciation	294,021	270,750
	697,704	585,341
Information technology expenses		
Software maintenance	31,522	29,426
Hardware maintenance	36,129	36,442
Depreciation	45,790	27,371
Amortisation	17,822	32,790
Network charges	56,580	45,212
	187,843	171,241
Other operating expenses		
Directors' fees and allowances	3,780	3,888
Fees and allowances to Shariah Board	2,784	2,416
Legal & professional charges	21,718	35,725
Outsourced services costs	73,374	61,052
Travelling & conveyance	63,723	57,162
Operating lease rental	—	4,487
NIFT clearing charges	20,408	18,112
Depreciation	113,346	100,788
Depreciation - non-banking assets	2,865	2,773
Training & development	1,571	6,746
Postage & courier charges	27,018	22,532
Communication	28,481	25,682
Subscription	57,141	35,539
Repair & maintenance	26,220	21,684
Brokerage & commission	49,818	24,853
Stationery & printing	67,770	58,434
Marketing, advertisement & publicity	28,040	17,628
Management fee	128,681	85,477
Insurance	152,240	120,544
Donations	28,080	25,200
Auditor's Remuneration	6,470	3,883
Others	126,947	95,066
	1,030,475	829,671
	3,504,607	3,058,381

	Note	31 March 2020 (Un-Audited) Rupees in '000	31 March 2019 (Un-Audited) Rupees in '000
28. OTHER CHARGES			
Penalties imposed by the SBP		<u>6,404</u>	<u>714</u>
29. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments - net	9.2.1	170,040	5,465
Provision / (reversal) of provision against loan & advances - net	10.3	314,594	129,830
Reversal of provision against other assets		-	-
Recovery of written off bad debts		(508)	(1,667)
		<u>484,126</u>	<u>133,628</u>
30. TAXATION			
Current		988,182	1,158,210
Prior year		-	300,546
Deferred		18,859	(14,938)
		<u>1,007,041</u>	<u>1,443,818</u>
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>1,526,507</u>	<u>1,465,925</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>1.46</u>	<u>1.40</u>

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the 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

31 March 2020 (Un-Audited)					
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
Rupees in '000					
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	3,470,471	-	3,470,471	-	3,470,471
- Available-for-sale securities					
Federal government securities	398,724,429	-	398,724,429	-	398,724,429
Sukuk certificates and bonds	6,420,187	-	6,420,187	-	6,420,187
Ordinary shares of listed companies	852,901	852,901	-	-	852,901
Mutual funds - open end	12,743	-	12,743	-	12,743
- close end	8,266	8,266	-	-	8,266
Real estate investment trust	361,970	361,970	-	-	361,970
Listed term finance certificates	3,120,742	-	3,120,742	-	3,120,742
Unlisted term finance certificates	8,559	-	8,559	-	8,559
Financial assets - disclosed but not measured at fair value					
- Cash and balances with treasury banks	62,295,503	-	-	-	-
- Balances with other banks	4,502,890	-	-	-	-
- Lendings to financial institutions	11,000,000	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,099,675	-	-	-	-
Certificates of investments	2,150,000	-	-	-	-
- Subsidiaries					
Ordinary shares of unlisted companies	830,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	279,801,694	-	-	-	-
- Other assets	54,240,050	-	-	-	-
	863,955,524	1,223,137	411,757,131	-	412,980,268
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	761,195	-	761,195	-	761,195
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	273,909,264	-	284,446,328	-	284,446,328
- Forward sale of foreign exchange contracts	243,562,372	-	252,532,174	-	252,532,174

On balance sheet financial instruments

31 December 2019 (Audited)

	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	-	-	-	-	-
- Available-for-sale securities					
Federal government securities	396,848,475	-	396,848,475	-	396,848,475
Sukuk certificates and bonds	6,109,534	-	6,109,534	-	6,109,534
Ordinary shares of listed companies	400,307	400,307	-	-	400,307
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 - disclosed not measured at fair value

- Cash and balances with treasury banks	70,713,603	-	-	-	-
- Balances with other banks	1,865,528	-	-	-	-
- Lendings to financial institutions	22,197,303	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,089,874	-	-	-	-
Certificates of investments	5,000,000	-	-	-	-
- Subsidiaries					
Ordinary shares of unlisted companies	830,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	263,948,473	-	-	-	-
- Other assets	38,338,279	-	-	-	-
	<u>845,972,913</u>	<u>853,813</u>	<u>406,080,596</u>	<u>-</u>	<u>406,934,409</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>
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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

	31 March 2020 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	10,289,542	(5,864,329)	(101,632)	4,323,581
Inter segment revenue - net	(9,011,008)	7,099,666	1,911,342	-
Non mark-up / return / interest income	(279,891)	100,378	2,450,617	2,271,104
Total income	998,643	1,335,715	4,260,327	6,594,685
Segment direct expenses	(95,285)	-	-	(95,285)
Inter segment expense allocation	-	(1,069,587)	(2,412,139)	(3,481,726)
Total expenses	(95,285)	(1,069,587)	(2,412,139)	(3,577,011)
Provisions	(170,040)	(353)	(313,733)	(484,126)
Profit before tax	733,318	265,775	1,534,455	2,533,548
Balance Sheet				
Cash and bank balances	4,127,668	28,902,943	33,767,782	66,798,393
Investments	452,115,387	-	-	452,115,387
Net inter segment lending	-	256,942,819	80,719,431	337,662,250
Lendings to financial institutions	11,000,000	-	-	11,000,000
Advances - performing	-	3,552,547	276,231,001	279,783,548
Advances - non-performing	-	14,728	16,782,414	16,797,142
Provision against advances	-	(18,491)	(16,760,505)	(16,778,996)
Others	19,158,616	2,699,450	42,439,414	64,297,480
Total assets	486,401,671	292,093,996	433,179,537	1,211,675,204
Borrowings	106,168,386	-	61,790,063	167,958,449
Subordinated debt	-	-	-	-
Deposits & other accounts	-	264,181,176	314,378,471	578,559,647
Net inter segment borrowing	337,662,250	-	-	337,662,250
Others	12,112,829	10,238,713	55,144,502	77,496,044
Total liabilities	455,943,465	274,419,889	431,313,036	1,161,676,390
Equity	30,458,206	17,674,107	1,866,501	49,998,814
Total equity & liabilities	486,401,671	292,093,996	433,179,537	1,211,675,204
Contingencies & commitments	517,471,636	-	222,854,392	740,326,028

31 March 2019 (Un-Audited)

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	7,951,964	(3,495,393)	(76,434)	4,380,137
Inter segment revenue - net	(6,715,439)	4,802,367	1,913,072	–
Non mark-up / return / interest income	(262,669)	95,913	1,949,085	1,782,329
Total income	973,856	1,402,887	3,785,723	6,162,466
Segment direct expenses	(56,905)	–	–	(56,905)
Inter segment expense allocation	–	(906,283)	(2,155,907)	(3,062,190)
Total expenses	(56,905)	(906,283)	(2,155,907)	(3,119,095)
Provisions	(5,465)	389	(128,552)	(133,628)
Profit before tax	911,486	496,993	1,501,264	2,909,743

31 December 2019 (Audited)

Balance Sheet				
Cash and bank balances	1,408,736	29,210,677	41,959,718	72,579,131
Investments	448,909,727	–	–	448,909,727
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	259,915,040	263,331,287
Advances - non-performing	–	14,728	17,518,410	17,533,138
Provision against advances	–	(18,138)	(16,897,814)	(16,915,952)
Others	13,083,500	2,467,871	36,388,517	51,939,888
Total assets	485,599,266	275,416,863	456,469,624	1,217,485,753
Borrowings	96,270,129	–	48,193,934	144,464,063
Subordinated debt	–	–	–	–
Deposits and other accounts	–	252,753,562	359,115,686	611,869,248
Net inter segment borrowing	357,911,231	–	–	357,911,231
Others	7,937,392	8,725,655	42,340,634	59,003,681
Total liabilities	462,118,752	261,479,217	449,650,254	1,173,248,223
Equity	23,480,514	13,937,646	6,819,370	44,237,530
Total equity & liabilities	485,599,266	275,416,863	456,469,624	1,217,485,753
Contingencies & commitments	538,997,600	–	229,689,506	768,687,106

34. TRANSACTIONS WITH RELATED PARTIES

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

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.

Details of transactions with related parties during the period are as follows:

	31 March 2020 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Balances with other banks							
In current accounts	171,474	-	191,428	-	-	-	362,902
Investments							
Opening balance	-	5,830,000	-	-	-	-	5,830,000
Investment made during the period	-	2,150,000	-	-	-	-	2,150,000
Investment redeemed / disposed off during the period	-	(5,000,000)	-	-	-	-	(5,000,000)
Closing balance	-	2,980,000	-	-	-	-	2,980,000
Advances							
Opening balance	-	-	4,097,808	222,737	-	-	4,320,545
Addition during the period	-	-	7,687,336	3,884	-	-	7,691,220
Repaid during the period	-	-	(7,959,208)	(25,647)	-	-	(7,984,855)
Closing balance	-	-	3,825,936	200,974	-	-	4,026,910
Other assets							
Mark-up / return / interest accrued	-	31,279	6,674	-	-	-	37,953
Prepayments / advance deposits / other receivables	-	-	14,905	-	-	-	14,905
	-	31,279	21,579	-	-	-	52,858
Borrowings							
Opening balance	-	-	-	-	-	-	-
Borrowings during the period	-	-	-	-	-	-	-
Repaid during the period	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
Deposits							
Opening balance	529,172	577,491	11,263,025	262,708	785,494	911,553	14,329,443
Received during the period	4,657,474	40,459,625	384,583,041	200,570	248,599	155,440	430,304,749
Withdrawn during the period	(4,702,927)	(40,052,927)	(388,201,340)	(186,442)	(209,425)	(249,648)	(433,602,709)
Closing balance	483,719	984,189	7,644,726	276,836	824,668	817,345	11,031,483
Other liabilities							
Mark-up / return / interest payable	-	4,374	374,268	1,093	6,080	597,427	983,242
Management fee payable for technical and consultancy services*	282,018	-	-	-	-	-	282,018
Other payables	-	-	11,881	-	-	195,356	207,237
	282,018	4,374	386,149	1,093	6,080	792,783	1,472,497
Contingencies & commitments							
Transaction-related contingent liabilities	-	-	8,193,940	-	-	-	8,193,940
Trade-related contingent liabilities	-	-	2,777,111	-	-	-	2,777,111
	-	-	10,971,051	-	-	-	10,971,051

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

31 December 2019 (Audited)

	Holding company	Subsidiaries	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
Investments							
Opening balance	–	5,830,000	–	–	–	–	5,830,000
Investment made during the year	–	19,700,000	–	–	–	–	19,700,000
Investment redeemed / disposed off during the year	–	(19,700,000)	–	–	–	–	(19,700,000)
Closing balance	–	5,830,000	–	–	–	–	5,830,000
Advances							
Opening balance	–	31,606	2,787,011	115,507	–	–	2,934,124
Addition during the year	–	–	35,108,556	133,279	–	–	35,241,835
Repaid during the year	–	(31,606)	(33,797,759)	(26,049)	–	–	(33,855,414)
Closing balance	–	–	4,097,808	222,737	–	–	4,320,545
Other assets							
Mark-up / return / interest accrued	–	97,528	14,298	–	–	–	111,826
Dividend receivable	–	–	–	–	–	–	–
Prepayments / advance deposits / other receivables	–	–	5,604	–	–	–	5,604
	–	97,528	19,902	–	–	–	117,430
Borrowings							
Opening balance	8,823	–	–	–	–	–	8,823
Borrowings during the year	–	–	–	–	–	–	–
Repaid during the period	(8,823)	–	–	–	–	–	(8,823)
Closing balance	–	–	–	–	–	–	–
Deposits							
Opening balance	396,056	972,640	16,332,024	163,874	731,175	3,661,606	22,257,375
Received during the year	12,533,574	132,621,300	1,567,384,846	1,869,293	2,171,678	8,245,283	1,724,825,974
Withdrawn during the year	(12,400,458)	(133,016,449)	(1,572,453,845)	(1,770,459)	(2,117,359)	(10,995,336)	(1,732,753,906)
Closing balance	529,172	577,491	11,263,025	262,708	785,494	911,553	14,329,443
Other liabilities							
Mark-up / return / interest payable	–	4,558	369,452	2,960	6,541	568,494	952,005
Management fee payable for technical and consultancy services*	188,163	–	–	–	–	–	188,163
Other payables	–	–	6,332	–	–	112,513	118,845
	188,163	4,558	375,784	2,960	6,541	681,007	1,259,013
Contingencies & commitments							
Transaction-related contingent liabilities	–	–	8,166,062	–	–	–	8,166,062
Trade-related contingent liabilities	–	–	1,387,860	–	–	–	1,387,860
	–	–	9,553,922	–	–	–	9,553,922

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

Transactions during the period

	For the period ended 31 March 2020 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	123,430	38,950	3,384	–	–
Fee and commission income	1,062	486	75,473	–	12	–
Rent income	1,404	1,060	–	–	–	–
Expense						
Mark-up / return / interest expensed	–	18,238	296,727	7,010	20,055	34,000
Commission / brokerage / bank charges paid	250	161	282	–	–	–
Salaries and allowances	–	–	–	141,609	–	–
Directors' fees and allowances	–	–	–	–	3,780	–
Charge to defined benefit plan	–	–	–	–	–	43,432
Contribution to defined contribution plan	–	–	–	–	–	52,372
Rent expenses	–	–	3,665	–	–	–
Insurance premium expenses	–	–	8,709	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	–	18,437	–	–	–
Management fee expense for technical and consultancy services*	128,681	–	–	–	–	–
Donation	–	–	1,480	–	–	–
Professional / other charges	–	–	196	–	–	–

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

Transactions during the period

For the period ended 31 March 2019 (Un-Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Income							
Mark-up / return / interest earned	–	113,912	29,443	3,597	–	–	146,952
Fee and commission income	1,392	458	17,241	–	12	–	19,103
Rent income	1,404	1,060	–	–	–	–	2,464
Expense							
Mark-up / return / interest expensed	–	13,704	405,364	9,672	14,338	107,245	550,323
Commission / brokerage / bank charges paid	204	–	370	–	–	–	574
Salaries and allowances	–	–	–	120,971	–	–	120,971
Directors' fees and allowances	–	–	–	–	3,888	–	3,888
Charge to defined benefit plan	–	–	–	–	–	42,540	42,540
Contribution to defined contribution plan	–	–	–	–	–	48,204	48,204
Operating lease rentals / rent expenses	–	4,487	3,482	–	–	–	7,969
Insurance premium expenses	–	–	7,053	–	–	–	7,053
Maintenance, electricity, stationery & entertainment expenses	–	–	26,307	–	–	–	26,307
Management fee expense for technical and consultancy services *	85,477	–	–	–	–	–	85,477
Donation	–	–	1,480	–	–	–	1,480
Professional / other charges	–	–	684	–	–	–	684

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

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	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	45,790,827	43,786,789
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total eligible tier 1 capital	45,790,827	43,786,789
Eligible tier 2 capital	5,605,426	1,621,537
Total eligible capital (tier 1 + tier 2)	51,396,253	45,408,326
Risk Weighted Assets (RWAs):		
Credit risk	275,069,877	267,526,564
Market risk	2,665,384	1,694,641
Operational risk	42,106,000	42,106,000
Total	319,841,261	311,327,205
Common equity tier 1 capital adequacy ratio	14.32%	14.06%
Tier 1 capital adequacy ratio	14.32%	14.06%
Total capital adequacy ratio	16.07%	14.59%
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	11.50%	12.50%
Banks use 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	45,790,827	43,786,789
Total exposures	1,104,750,097	1,093,901,591
Leverage ratio	4.14%	4.00%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	369,745,247	343,412,746
Total net cash outflow	182,185,723	174,022,506
Liquidity coverage ratio	203%	197%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	512,446,116	494,729,185
Total required stable funding	293,875,406	290,546,266
Net stable funding ratio	174%	170%

36. ISLAMIC BANKING BUSINESS

The bank is operating 31 (31 December 2019: 31) Islamic banking branches and 224 (2019: 222) Islamic banking windows at the end of the period.

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		7,720,893	5,696,506
Balances with other banks		—	—
Due from financial institutions	36.1	9,000,000	22,197,303
Investments	36.2	12,182,269	14,718,222
Islamic financing and related assets - net	36.3	24,210,223	22,425,248
Fixed assets	36.4	495,020	522,276
Intangible assets		—	—
Due from Head Office		16,018,948	3,950,351
Other assets		2,387,922	2,825,100
Total Assets		72,015,275	72,335,006
LIABILITIES			
Bills payable		538,407	718,549
Due to financial institutions		6,306,637	4,275,353
Deposits and other accounts	36.5	59,681,305	61,261,923
Due to Head Office		—	—
Subordinated debt		—	—
Other liabilities		2,544,363	1,980,357
		69,070,712	68,236,182
NET ASSETS		2,944,563	4,098,824
REPRESENTED BY			
Islamic Banking Fund		3,004,168	3,003,871
Reserves		—	—
Surplus on revaluation of assets		4,889	6,920
Unappropriated profit		(64,494)	1,088,033
		2,944,563	4,098,824

CONTINGENCIES AND COMMITMENTS

36.6

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

	Note	31 March 2020	31 March 2019 (Un-Audited) (Restated)
		Rupees in '000	
Profit / return earned	36.7	1,379,279	1,012,743
Profit / return expensed	36.8	(1,251,087)	(621,485)
Net Profit / return		128,192	391,258
Other income			
Fee and Commission Income		51,509	41,983
Dividend Income		18,476	—
Foreign Exchange Income		12,028	8,143
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		108,626	415
Other Income		185	81
Total other income		190,824	50,622
Total Income		319,016	441,880
Other expenses			
Operating expenses		180,726	162,802
Workers' Welfare Fund		—	—
Other charges		—	85
Total other expenses		180,726	162,887
Profit / (loss) before provisions		138,290	278,993
Provisions and write offs - net		(202,784)	(3,569)
Profit / (loss) before taxation		(64,494)	275,424

36.1 Due from Financial Institutions

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Musharaka	9,000,000	—	9,000,000	14,690,000	—	14,690,000
Bai-muajjal receivable from State Bank of Pakistan	—	—	—	7,507,303	—	7,507,303
	9,000,000	—	9,000,000	22,197,303	—	22,197,303

36.2 Investments by segments:

	31 March 2020 (Unaudited)				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								
Federal Government Securities:								
Bai-muajjal	3,608,842	—	—	3,608,842	3,608,688	—	—	3,608,688
Non Government Debt Securities								
Listed	5,694,574	—	1,984	5,696,558	5,378,650	—	2,901	5,381,551
Unlisted	2,873,964	—	2,905	2,876,869	5,723,964	—	4,019	5,727,983
	8,568,538	—	4,889	8,573,427	11,102,614	—	6,920	11,109,534
Total Investments	12,117,380	—	4,889	12,182,269	14,711,302	—	6,920	14,718,222

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

36.3 Islamic financing and related assets - net

Ijarah	349,296	385,320
Murabaha	6,736,063	7,754,898
Working capital musharaka	2,710,964	2,642,396
Diminishing musharaka	3,443,760	3,631,076
Istisna	1,211,607	569,445
Diminishing musharaka - islamic long term financing facility	431,703	—
Export refinance murabaha	1,073,990	987,965
Export refinance istisna	50,000	872,438
Al-bai financing	784,072	637,706
Advances against:		
Ijarah	79,089	80,714
Murabaha	725,149	574,988
Diminishing musharaka	1,507,134	1,969,374
Istisna	401,409	993,202
Export refinance murabaha	56,267	13,165
Export refinance istisna	5,354,000	1,911,104
Inventory related to		
Al-bai goods	17,352	—
Istisna goods	103,498	23,803
Gross Islamic financing and related assets	25,035,353	23,047,594
Provision against non-performing Islamic financings	(825,130)	(622,346)
Islamic financing and related assets - net of provision	24,210,223	22,425,248

36.4 Fixed assets and other liabilities

At 31 March 2020, fixed asset included right-of-use assets of Rs. 435,586 thousand (31 December 2019: 457,832 thousand) and other liabilities included related lease liability of Rs 466,601 thousand (31 December 2019: 471,290 thousand).

36.5 Deposits

Customers

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
Current deposits	13,841,232	15,229,020
Savings deposits	25,781,443	21,852,586
Term deposits	18,315,104	19,614,334
	<u>57,937,779</u>	<u>56,695,940</u>

Financial Institutions

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Current deposits	81,093	851
Savings deposits	1,662,433	4,040,132
Term deposits	—	525,000
	<u>1,743,526</u>	<u>4,565,983</u>
	<u>59,681,305</u>	<u>61,261,923</u>

36.6 Contingencies and commitments

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Guarantees	4,461,699	4,646,271
Commitments	7,909,309	4,175,877
	<u>12,371,008</u>	<u>8,822,148</u>

36.7 Profit / return earned of financing, investments and placement

Profit earned on:

	31 March 2020 (Un-Audited)	31 March 2019 (Restated)
Financing	527,709	413,639
Investments	521,499	333,111
Placements	330,071	265,993
	<u>1,379,279</u>	<u>1,012,743</u>

36.8 Profit on deposits and other dues expensed

	31 March 2020 (Un-Audited)	31 March 2019 (Restated)
Deposits and other accounts	1,208,421	594,895
Due to financial institutions	27,959	9,522
Lease liability against right-of-use assets	14,707	17,068
	<u>1,251,087</u>	<u>621,485</u>

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
36.9 Unappropriated profit		
Opening balance	1,088,033	446,464
Islamic banking profit / (loss) for the period / year	(64,494)	1,088,033
Transferred to head office	(1,088,033)	(446,464)
Closing balance	(64,494)	1,088,033

37. GENERAL

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

37.2 The SBP vide BPRD circular letter no. 8 of 2019 deferred the implementation date of IFRS 16 till 30 June 2019 and consequently the impact of IFRS 16 was not considered in the preparation of the financial statements for the quarter ended 31 March 2019. Subsequently, in the financial statements for half year ended 30 June 2019 the Bank adopted IFRS 16 with effect from 1 January 2019. Accordingly, to facilitate comparison the following corresponding figures for the quarter ended 31 March 2019 have been restated:

	Note	Rupees in '000
Impact on Profit and Loss account		
Increase in mark-up expense - lease liability against right-of-use assets	23	(113,751)
(Increase) / decrease in administrative expenses:		
Property expense - depreciation	27	(176,092)
- rent expense	27	219,893
		43,801
Decrease in profit before tax		(69,950)
Decrease in taxation - current	30	27,280
Decrease in profit after tax		(42,670)

37.3 Certain other comparative information has been re-classified, re-arranged or additionally incorporated in these condensed financial statements wherever necessary to facilitate comparison and better presentation.

38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on 17 April 2020 by the Board of Directors of the Bank.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman