HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Metropolitan Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Habib Metropolitan Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated statement of financial position of the group as at 31 December 2021 and its consolidated financial performance and its consolidated cashflows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key Audit Matter:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	**PROVISION AGAINST ADVANCES**	
	Refer notes 4.6 and 10 to the consolidated financial statements for accounting policy and particulars of provision against advances. Group's advances to the customers represent 33.34% of its total assets. These are stated net of provision against advances of Rs. 21.17 billion as at 31 December 2021. Specific provision against advances was identified as a key focus area in our audit as it involves a considerable degree of management judgment and estimation uncertainty along with compliance with the regulatory requirements.	Our audit procedures to verify provision against advances included: • Assessed the design and tested the operating effectiveness of key controls established by the Bank for provisioning required against non-performing loans. • We have performed following procedures on a sample basis: - verified repayments of loan / mark-up installments and checked that borrowers have been correctly classified and categorized based on the basis of number of overdue days;

S. No.	Key Audit Matters	How the matter was addressed in our audit
		- where the management has not identified as displaying indicators of impairment, challenged the management's assessment by comparing the historical performance, financial ratios and reports on security maintained and formed our o wn vie w whether an y impair ment indicators are present; and - where the management has identified as displa ying indicators of impair ment, assessed the number of overdue da ys and fac tors used f or calculation of provision in accordance with the Prudential Regulations. We issued instructions to the auditors of two components, highlighting 'Provision against advances' as a significant risk. The auditors of those components performed audit procedures to respond to the significant risk and reported the results thereof to us. We, as auditors of the Group, also evaluated the work performed by the component auditors through their files review and discussions with them.

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

Management is responsible for the other information. The other information comprises the information included in the Gr oup's Annual Report but does not include the unconsolidat ed financial statements, consolidated financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

Our opinion on the consolidat ed financial statements does not co ver the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in P akistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidat ed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarant ee that an audit conduc ted in accordance with ISAs as applicable in Pakistan will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: 03 March 2022

UDIN: AR202110201Ad92zKhwB

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021	2020
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	83,386,045	54,694,826
Balances with other banks	7	3,203,963	2,272,896
Lendings to financial institutions	8	3,941,284	1,000,000
Investments	9	664,937,053	582,508,836
Advances	10	411,792,976	321,655,831
Fixed assets	11	12,077,475	9,100,177
Intangible assets	12	163,187	131,331
Deferred tax assets	13	3,218,163	1,153,598
Other assets	14	52,471,202	53,100,970
		1,235,191,348	1,025,618,465
LIABILITIES			
Bills payable	15	17,944,644	15,421,002
Borrowings	16	322,779,155	205,811,905
Deposits and other accounts	17	771,649,729	680,390,688
Liabilities against assets subject to finance lease		–	–
Sub-ordinated debts		–	–
Deferred tax liabilities		–	–
Other liabilities	18	55,928,557	62,657,119
		1,168,302,085	964,280,714
NET ASSETS		66,889,263	61,337,751
REPRESENTED BY			
Share capital	19	10,478,315	10,478,315
Reserves		22,898,760	20,129,515
Surplus / (deficit) on revaluation of assets - net of tax	20	(357,063)	3,183,141
Unappropriated profit		30,370,219	24,207,141
		63,390,231	57,998,112
Non-controlling interest	19.4	3,499,032	3,339,639
		66,889,263	61,337,751
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

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

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		Rupees in '000	
Mark-up / return / interest earned	23	74,358,956	77,121,348
Mark-up / return / interest expensed	24	(44,200,365)	(47,697,536)
Net mark-up / interest income		30,158,591	29,423,812
Non mark-up / interest income			
Fee and commission income	25	6,966,942	5,440,486
Dividend income		161,287	191,828
Foreign exchange income		3,706,963	4,086,904
Income / (loss) from derivatives		–	–
Gain / (loss) on securities	26	102,026	(44,339)
Other income	27	296,361	42,392
Total non mark-up / interest income		11,233,579	9,717,271
Total income		41,392,170	39,141,083
Non mark-up / interest expenses			
Operating expenses	28	16,857,711	14,573,245
Workers' welfare fund		323,463	463,452
Other charges	29	170,918	97,092
Total non mark-up / interest expenses		(17,352,092)	(15,133,789)
Profit before provisions		24,040,078	24,007,294
(Provisions) / reversal and write offs - net	30	(2,052,083)	(3,621,049)
Extra ordinary / unusual items		–	–
Profit before taxation		21,987,995	20,386,245
Taxation	31	(8,125,724)	(8,050,797)
Profit after taxation		13,862,271	12,335,448
Profit attributable to:			
Equity shareholders of the holding company		13,517,714	12,053,072
Non-controlling interest	19.4	344,557	282,376
		13,862,271	12,335,448
		Rupees	
Basic and diluted earnings per share	32	12.90	11.50

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
		Rupees in '000	
Profit after taxation		13,862,271	12,335,448
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 - net of tax		1,648	85
Movement in surplus / (deficit) on revaluation of investments - net of tax		(4,617,094)	6,083,554
		(4,615,446)	6,083,639
Items that will not be reclassified to profit and loss in subsequent periods:			
Remeasurement (loss) / gain on defined benefit obligations - net of tax		(23,069)	64,618
Movement in surplus on revaluation of non-banking assets - net of tax		1,314,275	–
Movement in surplus on revaluation of non-banking assets due to change in tax rate		(13,661)	–
		1,277,545	64,618
Total comprehensive income		10,524,370	18,483,705
Equity shareholders of the holding company		10,107,361	18,177,328
Non-controlling interest	19.4	417,009	306,377
		10,524,370	18,483,705

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		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	Sub total	Non-controlling interest	Total
	Rupees in '000											
Opening balance as at 1 January 2020	10,478,315	28	2,550,985	13,414,980	240,361	1,500,000	(3,098,565)	225,431	19,224,491	44,536,026	3,293,578	47,829,604
Profit after taxation	–	–	–	–	–	–	–	–	12,053,072	12,053,072	282,376	12,335,448
Other comprehensive income – net of tax	–	85	–	–	–	–	6,059,736	–	64,435	6,124,256	24,001	6,148,257
Total comprehensive income	–	85	–	–	–	–	6,059,736	–	12,117,507	18,177,328	306,377	18,483,705
Transfer to statutory reserve	–	–	–	2,423,076	–	–	–	–	(2,423,076)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit – net of tax	–	–	–	–	–	–	–	(3,461)	3,461	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend by Habib Metropolitan Bank (Rs.2.50 per share) for the year ended 31 December 2019	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Interim dividend by Habib Metropolitan Bank (Rs. 2.00 per share) for the year ended 31 December 2020	–	–	–	–	–	–	–	–	(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 2020	–	–	–	–	–	–	–	–	–	–	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.70 per certificate) for the period ended 30 June 2020	–	–	–	–	–	–	–	–	–	–	(6,300)	(6,300)
Balance as at 31 December 2020	10,478,315	113	2,550,985	15,838,056	240,361	1,500,000	2,961,171	221,970	24,207,141	57,998,112	3,339,639	61,337,751
Profit after taxation	–	–	–	–	–	–	–	–	13,517,714	13,517,714	344,557	13,862,271
Other comprehensive income – net of tax	–	1,648	–	–	–	–	(4,690,323)	1,300,614	(22,292)	(3,410,353)	72,452	(3,337,901)
Total comprehensive income	–	1,648	–	–	–	–	(4,690,323)	1,300,614	13,495,422	10,107,361	417,009	10,524,370
Transfer to statutory reserve	–	–	–	2,767,597	–	–	–	–	(2,767,597)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit – net of tax	–	–	–	–	–	–	–	(150,495)	150,495	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend by Habib Metropolitan Bank (Rs. 2.50 per share) for the year ended 31 December 2020	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Interim dividend by Habib Metropolitan Bank (Rs. 2.00 per share) for the year ended 31 December 2021	–	–	–	–	–	–	–	–	(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 2021	–	–	–	–	–	–	–	–	–	–	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.40 per certificate) for the period ended 30 June 2021	–	–	–	–	–	–	–	–	–	–	(3,600)	(3,600)
Balance as at 31 December 2021	10,478,315	1,761	2,550,985	18,605,653	240,361	1,500,000	(1,729,152)	1,372,089	30,370,219	63,390,231	3,499,032	66,889,263

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		21,987,995	20,386,245
Less: Dividend income		(161,287)	(191,828)
		21,826,708	20,194,417
Adjustments			
Depreciation on fixed assets	11.2	1,232,390	1,084,952
Depreciation on right-of-use assets	11.2	1,040,456	813,001
Depreciation on non-banking assets	14.1.1	33,870	18,428
Amortization	12	71,253	59,632
Mark-up / return / interest expensed on lease liability against right-of-use assets	24	634,841	583,756
Provisions and write-offs excluding recovery of written off bad debts	30	2,084,225	3,637,614
Gain on sale of fixed asset - net	27	(25,405)	(23,011)
Gain on sale of non-banking assets	27	(227,988)	–
Provision against workers welfare fund		323,463	463,452
Provision against compensated absences	28.1	84,629	107,929
Provision against defined benefit plan	35.8	171,987	172,219
		5,423,721	6,917,972
		27,250,429	27,112,389
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,941,284)	21,197,303
Advances		(92,388,235)	(53,512,587)
Other assets (excluding current taxation, dividend and non-banking assets)		(3,489,136)	2,167,441
		(98,818,655)	(30,147,843)
Increase / (decrease) in operating liabilities			
Bills payable		2,523,642	3,681,620
Borrowings from financial institutions		121,255,447	59,788,798
Deposits and other accounts		91,259,041	69,130,720
Other liabilities (excluding current taxation)		(3,028,480)	(3,146,661)
		212,009,650	129,454,477
		140,441,424	126,419,023
Payment against workers' welfare fund		(3,262)	(16,853)
Payment against compensated absences		(67,513)	(86,747)
Contribution paid to defined benefit plan		(171,245)	(171,722)
Income tax paid		(8,163,947)	(5,925,957)
Net cash flow from operating activities		132,035,457	120,217,744
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(101,345,612)	(129,543,833)
Net investments in held-to-maturity securities		11,615,586	(268,522)
Dividend received		155,397	189,222
Investments in fixed assets		(2,907,433)	(1,447,176)
Investments in intangible assets		(103,109)	(82,593)
Proceeds from sale of fixed assets		35,390	31,322
Proceeds from sale of non-banking assets		784,404	–
Effect of translation of net investment in an offshore branch		2,701	85
Net cash flow used in investing activities		(91,762,676)	(131,121,495)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,947,082)	(4,949,435)
Payment of lease against right-of-use assets		(1,415,216)	(993,031)
Net cash used in financing activities		(6,362,298)	(5,942,466)
Increase / (decrease) in cash and cash equivalents		33,910,483	(16,846,217)
Cash and cash equivalents at the beginning of the year		52,649,776	69,495,993
Cash and cash equivalents at the end of the year	33	86,560,259	52,649,776

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 holding company) 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 459 (2020: 406) branches, including 49 (2020: 32) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (2020: 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 HabibMetro Head Office, 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, Khekashan 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 (FHM) 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, I.I. Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharkah 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 financial statements represent separate financial statements of the Group. The financial statements of the holding company and its subsidiary companies are being separately issued.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate

mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the holding company are disclosed in Annexure II to these consolidated financial statements.

2.2 Statement of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

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

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the holding company. 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 02 of 2018, as amended from time to time.

2.3 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are effective in current year

2.3.1 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 2021 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 financial statements.

2.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – As per State Bank of Pakistan (SBP) BPRD Circular Letter No. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective

1 January 2022. The standard replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard 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 aforementioned SBP circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, together with further clarifications required in certain areas. Due to the fact that final instructions have not yet been issued and the reservations shared by the industry over the draft instructions are still to be addressed, the impact of application of IFRS 9 on Bank's financial statements is presently being assessed. Banks are collectively of the opinion that impact on initial application of IFRS 9 will only be reasonably estimated subsequent to issuance of final application guidelines by SBP.

Furthermore, following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 percent' test for de-recognition of financial liabilities	01 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	01 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01 January 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	01 January 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	01 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	01 January 2014
IFRS 17 – Insurance Contracts	01 January 2023

2.5 Critical Accounting Estimates and Judgments

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

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

i) Classification , valuations and impairment of investments (note 4.5.1)
ii) Provision against non-performing loans and advances (note 4.6.1)
iii) Depreciation (note 4.7.2) and amortisation (note 4.8)
iv) Valuation of Non-banking assets acquired in satisfaction of claims (note 4.9)
v) Taxation (note 4.12)
vi) Defined benefit plan (note 4.14.1)
vii) Compensated absences (note 4.14.2)
viii) Right-of-use assets and related lease liability (4.7.3)
ix) Impairment of non-financial assets (excluding deferred tax asset) (note 4.21)

3. BASIS OF MEASUREMENT

Accounting convention

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all the years presented.

4.2 Basis of consolidation

These consolidated financial statements include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the holding company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter-company balances and transactions have been eliminated.

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

4.3 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks less overdrawn nostro balances.

4.4 Lendings to / borrowings from financial institutions

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

Purchase under resale agreement (reverse repo)

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

Sale under repurchase agreement (repo)

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is accrued as markup expense on a pro-rata basis over the term of the repo agreement.

Bai Muajjal

In Bai Muajjal, the holding company sells sukuk on credit to other financial institutions. The sale/purchase price is agreed at the time of sale and such proceeds are received at the end of the credit agreed period. The sukuk sold under bai muajjal transaction are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

Musharaka / Mudaraba

In Musharaka / Mudaraba, the Group invests in the Shariah compliant business pools of the financial institutions at the agreed profit sharing ratio. Loss, if any, will be shared between the parties as per the investment.

Musharaka from the SBP under Islamic Export Refinance Scheme (IERS)

Under IERS, the holding company accepts funds from the SBP under Shir kat-ul-aqd to constitute a pool for investment in export refinance portfolio of the holding company under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Mudaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the holding company accepts funds from the SBP which are received on mudaraba basis for investment in the pool of the holding company. The profit of the pool is shared as per the agreed profit sharing ratio of the pool and the weightages assigned to these investments.

4.4.2 Certificates of Investment (Musharakah)

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

4.5 Investments

4.5.1 Investments are classified as follows:

Held-for-trading

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

Held-to-maturity

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

Bai Muajal transactions undertaken with the Government of Pakistan are disclosed as investments.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

4.5.2 Initial measurement

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

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

Subsequent measurement

Held-for-trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on the revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account.

Held-to-maturity

Investments classified as held-to-maturity are carried at amortised cost.

Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in equity. Surplus / deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of these securities is calculated as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Impairment

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

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

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

4.6.1 Loans and advances

Loans and advances and net investments in finance lease are stated net of provision for loan losses against non-performing advances. Provision for loan losses is made in accordance with the Prudential Regulations issued by the SBP and the SECP is charged to profit and loss account. The Group also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's assessment of credit risk characteristics and general banking risk such as nature of credit, collateral type, industry sector and other relevant factors. Advances are written-off in line with the Group's policy when there are no realistic prospects of recovery.

4.6.2 Finance lease receivables

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

4.6.3 Islamic finance and related assets

Ijarah

Ijarah assets are stated at cost less depreciation and are disclosed as part of Islamic financing and related assets. Rental received / receivable on Ijarah are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Lessee (mustajir). Ijarah assets are depreciated over the period of Ijarah using the straight line method. Ijarah rentals outstanding are disclosed in 'other assets' on the Statement of Financial Position at amortized cost

Diminishing musharaka

Under diminishing musharaka based financing, the Group enters into a musharaka based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into rental payment agreement for the utilization of the Group's musharaka share by the customer. The Group receives periodic payments from its customers partly for renting its portion of the assets and partly for gradual transfer / sale of its ownership. The rental payments are recognized in profit and loss account whereas transfer / sale payments are applied towards reducing the outstanding principal.

Running musharaka

Under running musharaka, the Group enters into financing with the customer based on Shirkatul Aqd in the customer's operating business. Under this mechanism the customer can withdraw and return funds to the Group subject to customer's running musharaka financing limit during the Musharaka period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Istisna

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

Al-Bai

The product is based on the islamic mode "musawamah". Under this financing, the holding company purchases the goods from its customers on cash payment basis and after taking the possession by the holding company, the customer on behalf of the holding company sells them. Upon subsequent sale by the customer, the financed amount along with the profit is paid by the customer to the holding company.

Murabaha

In Murabaha transactions, the Group purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

Salam

In Salam, the seller undertakes to supply specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. The payment is at spot but the supply of purchased goods is deferred. The purchased goods by the holding company are then sold by the customer on behalf of the holding company and the financed amount along with profit is paid to the holding company.

4.7 Fixed assets

4.7.1 Capital work-in-progress

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

4.7.2 Property and equipment (Owned)

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

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

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

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

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

4.7.3 Right-of-use assets and their related lease liability

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at amount equal to present value of lease liability, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Group's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

4.8 Intangible assets

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

4.9 Non-banking assets

Non-banking assets acquired in satisfaction of claims are initially recognized at cost and subsequently carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued by professionally qualified valuators with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Group's owned fixed assets.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in provisions held against non-performing loans are disclosed separately.

If such an asset is subsequently used by the holding company for its own operations, the asset is transferred to fixed assets.

4.10 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.11 Provisions

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

Other provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.12 Taxation

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

4.12.1 Current

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

4.12.2 Deferred

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

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

4.13 Deposits / Borrowings

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

4.14 Employees' benefits

4.14.1 Retirement benefits

Defined benefit plan

The Group operates approved funded gratuity schemes for all its permanent employees. Retirement benefits are payable to the members of the schemes on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using the "Projected Unit Credit Actuarial Cost Method".

All actuarial gains and losses are recognised in other comprehensive income as they occur and are not reclassified to profit and loss account in subsequent periods.

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

Defined contribution plan

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

4.14.2 Compensated absences

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

The actuarial valuation under the "Projected Unit Credit Actuarial Cost Method" has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Group.

4.15 Revenue recognition

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

4.15.1 Advances and investments

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

4.15.2 Lease financing / Ijarah contracts

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognised on receipt basis.

Rental income on these ijarah is recognised in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of ijarah.

Gains / losses on termination of lease contracts and other lease income are recognised when realised.

4.15.3 Fees, commission and brokerage

Fees, commission and brokerage income is recognized on an accrual basis.

4.16 Off setting

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

4.17 Foreign currencies

4.17.1 Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates

prevailing at the statement of financial position date. Forward foreign exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Gains or losses on above translation are included in profit and loss account.

4.17.2 Offshore branch operations

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

4.17.3 Contingencies and commitments

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

4.18 Segment reporting

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

4.18.1 Business segments

a) Trading and sales

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

b) Retail banking

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

c) Commercial banking

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

4.18.2 Geographical segments

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

4.19 Dividend distribution and appropriations

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

4.20 Earnings per share

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

shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Diluted earnings per share is not calculated separately, as the Group does not have any convertible instruments in issue.

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

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

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

4.22 Acceptances

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

4.23 Financial instruments

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

5. FUNCTIONAL AND PRESENTATION CURRENCY

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

	Note	2021	2020
		Rupees in '000	

6. CASH AND BALANCES WITH TREASURY BANKS

In hand			
Local currency		6,711,228	7,695,676
Foreign currencies		580,139	1,039,893
		7,291,367	8,735,569
With State Bank of Pakistan in			
Local currency current accounts	6.1	54,589,511	27,378,599
Foreign currencies			
– current accounts	6.2	1,347,685	83,730
– cash reserve account	6.3	5,475,902	5,306,457
Foreign currency deposit account			
– special cash reserve account	6.4	10,110,791	10,176,561
		71,523,889	42,945,347
With National Bank of Pakistan in			
Local currency current accounts		4,446,115	2,613,310
National Prize Bonds		124,674	400,600
		83,386,045	54,694,826

6.1 These accounts are maintained to comply with the statutory cash reserve requirements of the SBP.

6.2 These represent foreign currencies collection / settlement accounts maintained with the SBP.

6.3 This represents account maintained with the SBP to comply with the cash reserve requirement against foreign currency deposits.

6.4 This represents account maintained with the SBP to comply with the special cash reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2021, carries mark-up at the rate of 0% (2020: 0%) per annum.

7. BALANCES WITH OTHER BANKS

	Note	2021	2020
		Rupees in'000	
In Pakistan			
In current accounts		213,855	172,279
In deposit accounts	7.1	207,887	285,559
		421,742	457,838
Outside Pakistan			
In current accounts	7.2	2,782,221	1,815,058
		3,203,963	2,272,896

7.1 These carry mark-up rates of ranging from 5.50% to 9.75% (2020: 5.50%) per annum.

7.2 These include balances in current accounts amounting to Rs. 184,060 thousand (2020: Rs. 98,181 thousand) with branches of the ultimate parent company.

	Note	2021	2020
		Rupees in'000	

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	441,284	–
Mudaraba placements	8.3	3,500,000	–
Musharakah placements		–	1,000,000
		3,941,284	1,000,000

8.1 Particulars of lendings

In local currency - unsecured	3,500,000	1,000,000
In foreign currency - unsecured	441,284	–
	3,941,284	1,000,000

8.2 These carry mark-up rate of 1.10% (2020: Nil) per annum with maturity upto 12 January 2022 (2020: Nil).

8.3 These carry profit rate of 10.70% (2020: Nil) per annum with maturity upto 24 January 2022 (2020: Nil).

9. INVESTMENTS

9.1 Investments by types

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Available-for-sale securities								
Federal government securities	629,531,699	–	(2,848,287)	626,683,412	529,624,204	–	4,726,542	534,350,746
Shares	1,678,034	(380,494)	419,113	1,716,653	1,259,061	(377,389)	340,234	1,221,906
Non-government debt securities	11,468,952	(115,554)	(323,605)	11,029,793	10,734,678	(120,551)	(438,347)	10,175,780
Mutual funds	30,140	(10,426)	3,963	23,677	30,140	(9,647)	6,086	26,579
Real estate investment trust	672,739	–	67,969	740,708	387,869	–	(12,440)	375,429
	643,381,564	(506,474)	(2,680,847)	640,194,243	542,035,952	(507,587)	4,622,075	546,150,440
Held-to-maturity securities								
Federal government securities	22,742,810	–	–	22,742,810	34,358,396	–	–	34,358,396
Non-government debt securities	2,000,000	–	–	2,000,000	2,000,000	–	–	2,000,000
	24,742,810	–	–	24,742,810	36,358,396	–	–	36,358,396
Total Investments	668,124,374	(506,474)	(2,680,847)	664,937,053	578,394,348	(507,587)	4,622,075	582,508,836

9.2 Investments by segments

	2021				2020			
	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								
Market treasury bills	409,462,957	–	(747,144)	408,715,813	344,439,657	–	627,033	345,066,690
Pakistan investment bonds	217,583,004	–	(1,539,806)	216,043,198	200,184,041	–	4,775,398	204,959,439
Ijarah sukuk	24,497,837	–	(561,337)	23,936,500	15,750,214	–	(675,889)	15,074,325
Bai muajjal	–	–	–	–	3,608,688	–	–	3,608,688
Islamic naya Pakistan certificate mudaraba investment pool - US Dollar	671,987	–	–	671,987	–	–	–	–
Islamic naya Pakistan certificate mudaraba investment pool - Pak Rupee	58,724	–	–	58,724	–	–	–	–
	652,274,509	–	(2,848,287)	649,426,222	563,982,600	–	4,726,542	568,709,142
Shares								
Listed companies	1,546,305	(301,423)	419,113	1,663,995	1,124,546	(298,318)	340,234	1,166,462
Unlisted companies	131,729	(79,071)	–	52,658	134,515	(79,071)	–	55,444
	1,678,034	(380,494)	419,113	1,716,653	1,259,061	(377,389)	340,234	1,221,906
Non government debt securities								
Listed								
Term finance certificates	1,161,101	(68,866)	5,337	1,097,572	2,430,652	(70,403)	(28,542)	2,331,707
Sukuk certificates / bonds	7,156,163	–	(336,553)	6,819,610	7,287,674	–	(409,835)	6,877,839
Unlisted								
Term finance certificates	2,446,138	(21,138)	–	2,425,000	516,138	(21,138)	–	495,000
Sukuk certificates / bonds	705,550	(25,550)	7,611	687,611	500,214	(29,010)	30	471,234
Certificates of investment	2,000,000	–	–	2,000,000	2,000,000	–	–	2,000,000
	13,468,952	(115,554)	(323,605)	13,029,793	12,734,678	(120,551)	(438,347)	12,175,780
Mutual funds								
Open end	13,191	–	3,963	17,154	13,191	–	5,113	18,304
Close end	16,949	(10,426)	–	6,523	16,949	(9,647)	973	8,275
	30,140	(10,426)	3,963	23,677	30,140	(9,647)	6,086	26,579
Real estate investment trust	672,739	–	67,969	740,708	387,869	–	(12,440)	375,429
Total investments	668,124,374	(506,474)	(2,680,847)	664,937,053	578,394,348	(507,587)	4,622,075	582,508,836

	2021	2020
	Rupees in '000	

9.2.1 Investments given as collateral against repo borrowing

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

Federal government securities		
Market treasury bills	99,178,412	9,217,825
Pakistan investment bonds	83,891,118	82,695,225
	183,069,530	91,913,050

9.2.2 Investments include securities which are held by the hoding company to comply with the statutory liquidity requirements as set out under section 29 of the Banking Companies Ordinance, 1962.

9.2.3 Investments include Rs. 132,000 thousand (2020: Rs. 132,000 thousand) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.

9.3 Provision for diminution in value of investments

9.3.1	Opening balance	507,587	473,990
	Charge for the year	3,884	183,314
	Reversal for the year	(4,997)	(10,008)
	Net (reversal) / charge	(1,113)	173,306
	Reversal on disposal	–	(139,709)
	Closing balance	506,474	507,587

9.3.2 Particulars of provision against debt securities

Category of classification	2021		2020	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Loss	115,554	115,554	120,551	120,551

9.4 Quality of available for sale securities

Details regarding quality of available-for-sale securities are as follows:

	2021	2020
	Cost / amortised cost	
	Rupees in '000	
Federal Government Securities - Government guaranteed		
Market treasury bills	409,462,957	344,439,657
Pakistan investment bonds	195,113,869	169,434,333
Ijarah sukuk	24,224,162	15,750,214
Islamic naya Pakistan certificate mudaraba investment pool - US Dollar	671,987	–
Islamic naya Pakistan certificate mudaraba investment pool - Pak Rupee	58,724	–
	629,531,699	529,624,204
Shares		
Listed companies		
Automobile parts and accessories	15,167	15,167
Cement	219,904	136,689
Commercial banks	629,013	490,910
Fertilizer	328,114	214,685
Investment banks / investment companies / securities companies	108,259	108,274
Oil and gas exploration, power generation and distribution	82,079	70,144
Sugar and allied	70,515	58,423
Transport	30,254	30,254
	1,546,305	1,124,546

	2021		2020	
	Cost	Break-up value	Cost	Break-up value
	Rupees in '000			
Unlisted companies				
Pakistan Export Finance Guarantee Limited	11,361	–	11,361	–
DHA Cogen Limited	50,000	–	50,000	–
Dawood Family Takaful Limited	35,000	22,925	35,000	19,320
Society for World Wide Inter Bank Fund Transfer (Swift)	7,844	43,517	10,630	48,240
Pakistan Corporate Restructuring Company Limited	27,524	25,817	27,524	27,524
	131,729	92,259	134,515	95,084

	Note	2021	2020
		Cost / amortised cost	
		Rupees in '000	
Non-government debt securities			
Listed			
AAA		400,000	1,398,400
AA+		142,835	142,835
AA		–	269,514
A+		749,400	249,500
AA-		200,000	200,000
A		100,000	600,000
A-		–	35,713
Unrated		6,725,029	6,822,364
		8,317,264	9,718,326
Unlisted			
AAA		1,750,000	60,714
AA+		760,000	–
AA		495,000	330,000
AA-		–	495,000
A		100,000	100,000
Unrated		46,688	30,638
		3,151,688	1,016,352
Mutual funds			
Unrated		30,140	30,140
Real estate investment trust - listed			
AAA (rr)		672,739	387,869

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

Federal government securities - Government guaranteed			
Pakistan investment bonds		22,469,135	30,749,708
Bai muajjal		–	3,608,688
Ijarah sukuk		273,675	–
		22,742,810	34,358,396
Non-government debt securities - unlisted			
Certificates of investment - unrated	9.5.1	2,000,000	2,000,000

9.5.1 This represents certificates of investment (musharaka) carrying expected profit rate of 11.75% (2020: 7.60%) per annum with maturity upto 24 January 2022 (2020: 04 January 2021).

9.5.2 The market value of securities classified as held-to-maturity is Rs. 23,025,207 thousand (2020: 36,305,796 thousand).

10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2021	2020	2021	2020	2021	2020
		Rupees in '000					
Loans, cash credits, running finances, etc.	10.1	269,326,315	215,387,833	11,128,658	13,444,761	280,454,973	228,832,594
Islamic financing and related assets	10.2	92,143,804	66,280,436	808,210	822,665	92,952,014	67,103,101
Bills discounted and purchased		54,518,910	40,130,792	5,036,656	5,034,630	59,555,566	45,165,422
Advances - gross		415,989,029	321,799,061	16,973,524	19,302,056	432,962,553	341,101,117
Provision against advances							
- specific		–	–	(15,986,650)	(16,417,607)	(15,986,650)	(16,417,607)
- general		(5,182,927)	(3,027,679)	–	–	(5,182,927)	(3,027,679)
		(5,182,927)	(3,027,679)	(15,986,650)	(16,417,607)	(21,169,577)	(19,445,286)
Advances - net of provision		410,806,102	318,771,382	986,874	2,884,449	411,792,976	321,655,831

10.1 Includes net investment in finance lease as disclosed below:

	2021			2020		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	56,873	91,219	148,092	69,424	142,617	212,041
Residual value	86,669	39,777	126,446	91,255	33,780	125,035
Minimum lease payments	143,542	130,996	274,538	160,679	176,397	337,076
Financial charges for future periods	(14,239)	(9,967)	(24,206)	(18,118)	(22,926)	(41,044)
Present value of minimum lease payments	129,303	121,029	250,332	142,561	153,471	296,032

10.2 It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 13,280,411 thousand (2020: Rs. 9,384,166 thousand) and Rs. 303,572 thousand (2020: Rs. 234,371 thousand) respectively. Furthermore, it also includes the Islamic bank ing operations of the holding compan y amounting t o Rs. 79,368,031 thousand (2020: Rs. 57,484,564 thousand) as disclosed in Annexure II to these consolidated financial statements.

10.3 Particulars of advances - gross

	2021	2020
	Rupees in '000	
In local currency	382,751,832	305,931,738
In foreign currencies	50,210,721	35,169,379
	432,962,553	341,101,117

10.4 Advances include Rs. 16,973,524 thousand (2020 : Rs. 19,302,056 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2021		2020	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	28,740	1,098	14,200	–
Doubtful	1,462,928	529,294	5,386,811	2,539,062
Loss	15,481,856	15,456,258	13,901,045	13,878,545
	16,973,524	15,986,650	19,302,056	16,417,607

10.5 Particulars of provision against advances

	Note	2021			2020		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		16,417,607	3,027,679	19,445,286	15,294,415	1,634,410	16,928,825
Charge for the year		2,444,120	2,155,248	4,599,368	4,413,921	1,393,269	5,807,190
Reversals for the year		(2,348,278)	–	(2,348,278)	(2,594,580)	–	(2,594,580)
Net charge for the year		95,842	2,155,248	2,251,090	1,819,341	1,393,269	3,212,610
Amount written off	10.6	(526,799)	–	(526,799)	(696,149)	–	(696,149)
Closing balance		15,986,650	5,182,927	21,169,577	16,417,607	3,027,679	19,445,286

10.5.1 General provision includes provision of Rs. 25,248 thousand (2020: Rs. 2,915 thousand) made against consumer portfolio and Rs. 5 thousand (2020: Rs. 17 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

10.5.2 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	15,492,074	5,182,927	20,675,001	15,968,899	3,027,679	18,996,578
In foreign currencies	494,576	–	494,576	448,708	–	448,708
	15,986,650	5,182,927	21,169,577	16,417,607	3,027,679	19,445,286

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

In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the holding company has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing loans and advances. Had this benefit of FSV not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 208,257 thousand (2020: Rs. 156,904 thousand) and profit after tax would have been lower by Rs. 127,036 thousand (2020: Rs. 101,988 thousand). This amount of Rs. 127,036 thousand (2020: Rs. 101,988 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	2021	2020
		Rupees in '000	
10.6 Particulars of write offs			
10.6.1 Against provisions	10.5	526,799	696,149
Directly charged to profit and loss account		–	–
		526,799	696,149
10.6.2 Write offs of Rs. 500,000/- and above		526,799	696,149
Write offs of below Rs. 500,000/-		–	–
		526,799	696,149

10.7 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2021 is enclosed as Annexure I. However, this write off does not affect the holding company's right to recover the debts from these customers.

11. FIXED ASSETS

Capital work-in-progress	11.1	185,038	684,852
Property and equipment	11.2	11,892,437	8,415,325
		12,077,475	9,100,177

11.1 Capital work-in-progress

Civil works	11.1.1	90,388	481,194
Advance to suppliers		94,650	203,658
		185,038	684,852

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

11.2 Property and equipment

	2021									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
At 1 January 2021										
Cost	59,871	99,340	356,349	2,711,067	639,229	3,992,594	206,754	3,459,777	5,803,803	17,328,784
Accumulated depreciation	–	(3,609)	(204,522)	(1,078,644)	(370,905)	(2,915,713)	(78,100)	(2,674,357)	(1,587,609)	(8,913,459)
Net book value	59,871	95,731	151,827	1,632,423	268,324	1,076,881	128,654	785,420	4,216,194	8,415,325
Year ended 31 December 2021										
Opening net book value	59,871	95,731	151,827	1,632,423	268,324	1,076,881	128,654	785,420	4,216,194	8,415,325
Additions	1,326,987	–	–	–	226,414	776,779	74,138	1,000,954	–	3,405,272
Additions to right-of-use assets	–	–	–	–	–	–	–	–	2,352,696	2,352,696
Exchange rate adjustments	–	–	–	1,718 *	136 *	118 *	3 *	–	–	1,975
Disposals	–	–	–	–	(1,109)	(1,536)	(7,340)	–	–	(9,985)
Depreciation charge	–	(1,110)	(12,304)	(101,203)	(88,349)	(581,893)	(48,861)	(398,670)	(1,040,456)	(2,272,846)
Closing net book value	1,386,858	94,621	139,523	1,532,938	405,416	1,270,349	146,594	1,387,704	5,528,434	11,892,437
At 31 December 2021										
Cost	1,386,858	99,340	356,349	2,712,785	865,779	4,769,491	280,895	4,460,731	8,156,499	23,088,727
Accumulated depreciation	–	(4,719)	(216,826)	(1,179,847)	(460,363)	(3,499,142)	(134,301)	(3,073,027)	(2,628,065)	(11,196,290)
Net book value	1,386,858	94,621	139,523	1,532,938	405,416	1,270,349	146,594	1,387,704	5,528,434	11,892,437
Rate of depreciation (percentage)	–	1.49	4	4	15	25	20	20		

* This represents exchange rate adjustments of fixed assets in offshore branch operations of the holding company.

	2020									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
At 1 January 2020										
Cost	59,871	99,340	356,349	2,708,026	540,997	3,481,712	158,656	3,092,953	4,625,929	15,123,833
Accumulated depreciation	–	(2,300)	(192,361)	(973,263)	(311,750)	(2,420,513)	(49,526)	(2,361,855)	(774,608)	(7,086,176)
Net book value	59,871	97,040	163,988	1,734,763	229,247	1,061,199	109,130	731,098	3,851,321	8,037,657
Year ended 31 December 2020										
Opening net book value	59,871	97,040	163,988	1,734,763	229,247	1,061,199	109,130	731,098	3,851,321	8,037,657
Additions	–	–	–	2,573	106,414	567,751	61,914	366,824	–	1,105,476
Additions to right-of-use assets	–	–	–	–	–	–	–	–	1,177,874	1,177,874
Exchange rate adjustment	–	–	–	468 *	113 *	–	1*	–	–	582
Disposals	–	–	–	–	(437)	(1,121)	(6,753)	–	–	(8,311)
Depreciation charge	–	(1,309)	(12,161)	(105,381)	(67,013)	(550,948)	(35,638)	(312,502)	(813,001)	(1,897,953)
Closing net book value	59,871	95,731	151,827	1,632,423	268,324	1,076,881	128,654	785,420	4,216,194	8,415,325
At 31 December 2020										
Cost	59,871	99,340	356,349	2,711,067	639,229	3,992,594	206,754	3,459,777	5,803,803	17,328,784
Accumulated depreciation	–	(3,609)	(204,522)	(1,078,644)	(370,905)	(2,915,713)	(78,100)	(2,674,357)	(1,587,609)	(8,913,459)
Net book value	59,871	95,731	151,827	1,632,423	268,324	1,076,881	128,654	785,420	4,216,194	8,415,325
Rate of depreciation (percentage)	–	1.49	4	4	15	25	20	20		

* This represents exchange rate adjustments of fixed assets in offshore branch operations of the holding company.

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

	2021	2020
	Rupees in '000	
Furniture and fixtures	193,906	168,287
Electrical, office and computer equipments	2,203,141	1,826,532
Vehicles	8,902	7,639
Lease hold improvements	2,064,707	1,974,581

11.2.2 Details of fixed assets disposed-off to related parties during the year ended 31 December 2021

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	17	8	910	As per HR policy	Mr. Gohar Shakeel (Employee)
Vehicle	19	14	14	As per HR policy	Mr. Awais Maqsood (Ex-employee)
Vehicle	23	13	1,485	As per HR policy	Mr. Wahid Yunus Dada (Employee)
Vehicle	17	11	969	As per HR policy	Mr. Iqbal Shah (Ex-employee)
Computer equipment	81	9	9	As per HR policy	Mr. Abbas Muhammad (Ex-employee)
Vehicle	16	6	7	As per HR policy	Mr. Abbas Muhammad (Ex-employee)
Vehicle	2,515	2,300	2,300	As per HR policy	Mr. Ehtisham Ali (Ex-employee)
Vehicle	2,525	1,722	2,500	As per HR policy	Mr. Moazzam Ahmed Akhtar (Ex-employee)
Vehicle	2,129	577	577	As per HR policy	Mr. Fasial Saleem Rathor (Ex-employee)

12. INTANGIBLE ASSETS

	2021			2020		
	Computer software	Management rights	Total	Computer software	Management rights	Total
	Rupees in '000					
At 1 January						
Cost	552,855	41,600	594,455	470,262	41,600	511,862
Accumulated amortisation and impairment	(463,124)	–	(463,124)	(403,492)	–	(403,492)
Net book value	89,731	41,600	131,331	66,770	41,600	108,370
Year ended 31 December						
Opening net book value	89,731	41,600	131,331	66,770	41,600	108,370
Additions - directly purchased	103,109	–	103,109	82,593	–	82,593
Amortisation charge	(71,253)	–	(71,253)	(59,632)	–	(59,632)
Closing net book value	121,587	41,600	163,187	89,731	41,600	131,331
At 31 December						
Cost	655,964	41,600	697,564	552,855	41,600	594,455
Accumulated amortisation and impairment	(534,377)	–	(534,377)	(463,124)	–	(463,124)
Net book value	121,587	41,600	163,187	89,731	41,600	131,331
Rate of amortisation (percentage)	33.3			33.3		
Useful life in years	3			3		

12.1 The cost of fully amortised intangible assets (computer software) still in use is Rs. 428,129 thousand (2020: Rs. 402,116 thousand).

13. DEFERRED TAX ASSETS

	2021			
	Balance as at January 01, 2021	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2021
	Rupees in '000			
Deductible temporary differences on				
Provision for diminution in value of investments	177,655	19,869	–	197,524
Provision against advances and off - balance sheet	2,555,455	12,838	–	2,568,293
Provision against other assets	87,150	(87,150)	–	–
Accelerated tax depreciation	30,341	170,496	–	200,837
Deferred liability on defined benefit plan	6,054	–	14,963	21,017
Deferred liability on compensated absences	–	440	–	440
Deficit on revaluation of investments	(1,584,606)	–	2,685,829	1,101,223
Others	1,070	6,050	–	7,120
	1,273,119	122,543	2,700,792	4,096,454
Taxable temporary differences on				
Surplus on revaluation of non-banking assets	(119,521)	96,218	(853,935)	(877,238)
Exchange translation reserve	–	–	(1,053)	(1,053)
	(119,521)	96,218	(854,988)	(878,291)
	1,153,598	218,761	1,845,804	3,218,163

	2020			
	Balance as at January 01, 2020	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2020
	Rupees in '000			
Deductible temporary differences on				
Provision for diminution in value of investments	165,897	11,758	–	177,655
Provision against advances and off - balance sheet	2,024,464	530,991	–	2,555,455
Provision against other assets	–	87,150	–	87,150
Accelerated tax depreciation	(76,194)	106,535	–	30,341
Deferred liability on defined benefit plan	40,979	(277)	(34,648)	6,054
Others	1,494	(424)	–	1,070
	2,156,640	735,733	(34,648)	2,857,725
Taxable temporary differences on				
Surplus on revaluation of non-banking assets	(121,385)	1,864	–	(119,521)
Surplus / (deficit) on revaluation of investments	1,674,879	–	(3,259,485)	(1,584,606)
	1,553,494	1,864	(3,259,485)	(1,704,127)
	3,710,134	737,597	(3,294,133)	1,153,598

14. OTHER ASSETS

	Note	2021	2020
		Rupees in '000	
Income / mark-up / profit accrued in local currency - net of provision		11,260,644	10,036,321
Income / mark-up / profit accrued in foreign currencies - net of provision		92,100	11,630
Advances, deposits and other prepayments		283,056	406,169
Non-banking assets acquired in satisfaction of claims	14.1	2,297,568	2,641,141
Branch adjustment account		–	41
Mark-to-market gain on forward foreign exchange contracts		6,217,789	4,718,094
Acceptances		29,225,097	34,998,772
Receivable from the SBP against encashment of government securities		20,657	11,990
Stationery and stamps on hand		110,374	101,857
Others		1,091,666	296,344
		50,598,951	53,222,359
Provision against other assets	14.2	(377,076)	(462,880)
Other assets (net of provision)		50,221,875	52,759,479
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	20.1	2,249,327	341,491
		52,471,202	53,100,970

	2021	2020
	Rupees in '000	
14.1 Market value of non-banking assets acquired in satisfaction of claims	4,546,895	3,249,798

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuator as at 31 December 2021. The revaluation was carried out by M/s Akbani & Javed Associates on the basis of an assessment of present market values.

	2021	2020
	Rupees in '000	
14.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	2,982,632	764,060
Additions	–	2,237,000
Revaluation	2,154,549	–
Disposals	(313,155)	–
Reversal of surplus on disposal of non-banking assets	(243,261)	–
Depreciation	(33,870)	(18,428)
Closing balance	4,546,895	2,982,632

14.1.2 This includes non-banking assets amounting to Rs. 247,056 thousand held by the holding company, which it intends to transfer to fixed assets for its own use when available in the next financial year.

14.2 Movement in provision held against other assets

Opening balance	462,880	211,182
Charge for the year	165,000	251,698
Reversal for the year	(249,619)	–
	(84,619)	251,698
Amount written off	(1,185)	–
Closing balance	377,076	462,880

15. BILLS PAYABLE

In Pakistan	17,856,030	15,337,849
Outside Pakistan	88,614	83,153
	17,944,644	15,421,002

	Note	2021	2020
		Rupees in '000	
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.2	68,897,225	64,704,959
Under long term financing facility - renewable energy scheme	16.3	1,592,554	982,960
Under long term financing facility - locally manufactured plant and machinery scheme	16.4	18,184,877	14,832,149
Under refinance for payment of wages and salaries	16.5	12,662,380	20,810,171
Under temporary economic refinance facility	16.6	28,219,857	4,173,416
Under long term financing facility - for storage of agricultural produce scheme	16.7	639,685	256,481
Under refinance facility for modernization of SME	16.8	21,228	–
Under refinance facility for combating COVID-19	16.9	67,754	–
	16.10	130,285,560	105,760,136
Repurchase agreement borrowings (Repo)	16.11	182,851,203	91,644,767
		313,136,763	197,404,903
Unsecured			
Certificates of investment	16.12	5,863,977	4,089,056
Call borrowing	16.13	3,000,000	–
Musharika borrowing	16.14	748,666	–
Overdrawn nostro accounts		29,749	4,317,946
		9,642,392	8,407,002
		322,779,155	205,811,905

16.1 Particulars of borrowings in respect of currencies

In local currency	322,749,406	201,493,959
In foreign currencies	29,749	4,317,946
	322,779,155	205,811,905

16.2 These borrowings have been obtained from the SBP for extending export finance to customers. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2020: 1.00% to 3.00% per annum) and are due to mature latest by 29 June 2022.

16.3 These borrowings have been obtained from the SBP under a scheme for providing financing facilities to customers against renewable energy plants. These carry mark-up at rate of 2.00% per annum (2020: 2.00% per annum) and are due to mature latest by 27 December 2033.

16.4 These borrowings have been obtained from the SBP under a scheme for providing concessionary financing facilities to the industry for purchase of new locally manufactured plant and machinery. These carry mark-up at rates ranging from 2.00% to 3.50% per annum (2020: 2.00% to 3.50% per annum) and are due to mature latest by 27 January 2032.

16.5 These borrowings have been obtained from the SBP under a scheme for providing financing facilities to help businesses in payment of wages and salaries to their employees during the pandemic and thereby support continued employment. These carry mark-up at rate of 0% per annum (2020: 0% per annum) and are due to mature latest by 31 December 2022.

16.6 These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries during the pandemic. These carry mark-up at rate of 1.00% per annum (2020: 1.00% per annum) and are due to mature latest by 31 December 2032.

16.7 These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of 2.00% per annum (2020: 2.00% per annum) and are due to mature latest by 30 September 2031.

16.8 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises (SME). These carry mark-up at rate of 1.00% per annum (2020: 1.00% per annum) and are due to mature latest by 1 June 2026.

16.9 These borrowings have been obtained from the SBP under a scheme to provide combat the emergency refinance facility to hospitals & medical centre. These carry mark-up at rate of 0% per annum (2020: 0% per annum) and are due to mature latest by 30 June 2026.

16.10 As per the terms of the agreement, the holding company has granted the SBP the right to recover the outstanding amounts from the holding company at the date of maturity of the finances by directly debiting the holding company's current account maintained with the SBP.

16.11 These carry mark-up rates ranging between 9.87% to 10.70% (2020: 6.15% to 7.05%) per annum having maturity upto 25 February 2022 (2020: 4 January 2021) and are secured against investments mentioned in note 9.2.1.

16.12 These carry mark-up rates ranging between 5.50% to 9.30% (2020: 5.50% to 7.10%) per annum having maturity upto 28 December 2022 (2020: 30 December 2021).

16.13 These carry mark-up at rate of 10.70% (2020: Nil) per annum having maturity upto 04 January 2022 (2020: Nil).

16.14 These carry mark-up at rate of 10.77% (2020: Nil) per annum having maturity upto 04 January 2022 (2020: Nil).

17. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	228,774,493	36,061,897	264,836,390	185,076,754	32,854,065	217,930,819
Savings deposits	171,147,729	22,694,898	193,842,627	158,741,477	23,866,671	182,608,148
Term deposits	208,829,163	50,892,644	259,721,807	211,496,123	41,495,660	252,991,783
Others	19,579,290	13,692	19,592,982	13,702,059	1,791	13,703,850
	628,330,675	109,663,131	737,993,806	569,016,413	98,218,187	667,234,600
Financial institutions						
Current deposits	1,240,863	1,922,927	3,163,790	1,527,105	1,058,671	2,585,776
Savings deposits	26,524,236	–	26,524,236	6,988,102	–	6,988,102
Term deposits	3,961,404	5,415	3,966,819	3,577,307	4,903	3,582,210
Others	1,078	–	1,078	–	–	–
	31,727,581	1,928,342	33,655,923	12,092,514	1,063,574	13,156,088
	660,058,256	111,591,473	771,649,729	581,108,927	99,281,761	680,390,688

17.1 Composition of deposits

	2021	2020
	Rupees in '000	
Individuals	321,412,477	288,049,370
Government (Federal and Provincial)	38,405,501	36,953,109
Public Sector Entities	52,559,203	45,775,408
Banking Companies	5,025,795	3,251,614
Non-Banking Financial Institutions	28,630,128	9,904,474
Private Sector	325,616,625	296,456,713
	771,649,729	680,390,688

17.2 This includes eligible deposits of Rs. 397,450,267 thousand (2020: Rs. 314,714,312 thousand) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

	Note	2021	2020
		Rupees in '000	

18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		6,807,583	7,863,001
Mark-up / return / interest payable in foreign currencies		429,878	348,217
Unearned commission and income on bills discounted		532,943	307,572
Accrued expenses		1,507,731	1,348,381
Current taxation (provision less payments)		2,114,976	2,025,424
Acceptances		29,225,097	34,998,772
Unclaimed dividend		163,681	137,905
Branch adjustment account		558	–
Mark-to-market loss on forward foreign exchange contracts		2,939,889	5,949,494
Provision for compensated absences		264,715	247,599
Deferred Liability on defined benefit plan	35.4	56,626	17,852
Provision against off-balance sheet obligations	18.1	32,583	113,716
Workers' welfare fund	18.3	2,055,242	1,644,055
Charity fund balance		4	5,227
Excise duty payable		2,629	1,575
Locker deposits		923,249	875,074
Advance against diminishing musharakah		201,567	55,542
Advance rental for ijarah		1,362	4,759
Security deposits against leases / ijarah		385,938	462,414
Sundry creditors		1,694,627	1,251,623
Lease liability against right-of-use assets	18.2	6,187,428	4,615,107
Withholding tax / duties		365,630	294,799
Others		34,621	89,011
		55,928,557	62,657,119

18.1 Provision against off-balance sheet obligations

Opening balance	113,716	113,716
Charge for the year	(81,133)	–
Closing balance	32,583	113,716

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

18.2 Lease liability against right-of-use assets

Not later than one year	693,495	527,731
Later than one and less than five years	3,630,976	2,351,438
Over five years	1,862,957	1,735,938
	6,187,428	4,615,107

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

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

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

19. SHARE CAPITAL

19.1 Authorised capital

2021	2020		2021	2020
(Number of shares)			Rupees in '000	
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	12,000,000	12,000,000

19.2 Issued, subscribed and paid-up capital

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

19.3 As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2020: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

19.4 Non-Controlling Interest (NCI)

	2021			2020		
	First Habib Modaraba	Habib Metro Modaraba	Total	First Habib Modaraba	Habib Metro Modaraba	Total
NCI Percentage	90%	30%		90%	30%	
	Rupees in '000					
Assets	14,428,814	351,399	14,780,213	10,110,275	334,383	10,444,658
Liabilities	(10,648,525)	(28,827)	(10,677,352)	(6,505,750)	(15,829)	(6,521,579)
Net assets	3,780,289	322,572	4,102,861	3,604,525	318,554	3,923,079
Net assets attributable to NCI	3,402,260	96,772	3,499,032	3,244,073	95,566	3,339,639
Profit	377,495	16,038	393,533	307,304	19,339	326,643
Other comprehensive income	80,503	–	80,503	26,667	–	26,667
Total comprehensive income	457,998	16,038	474,036	333,971	19,339	353,310
Total comprehensive income allocated to NCI	412,198	4,811	417,009	300,574	5,803	306,377
Dividend paid to NCI	(254,016)	(3,600)	(257,616)	(254,016)	(6,300)	(260,316)

	Note	2021	2020
		Rupees in '000	

20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of			
– Non-banking assets	20.1	2,249,327	341,491
– Available-for-sale securities	9.1	(2,680,847)	4,622,075
		(431,520)	4,963,566
Less: Deferred tax on surplus / (deficit) on revaluation of			
– Non-banking assets	20.1	877,238	119,521
– Available-for-sale securities		(1,101,223)	1,584,605
		223,985	(1,704,126)
		(207,535)	3,259,440
Less: (surplus) / deficit pertaining to non-controlling interest		(149,528)	(76,299)
Deficit pertaining to equity holder's share		(357,063)	3,183,141

20.1 Non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at 01 January	341,491	346,816
Revaluation of non-banking assets during the year - net of deferred tax	1,314,275	–
Reversal of surplus on disposal - net of deferred tax	(148,389)	–
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the year - net of deferred tax	(2,106)	(3,461)
Related deferred tax liability on reversal of surplus on disposal	(94,872)	–
Related deferred tax liability on revaluation of non-banking assets	840,274	–
Related deferred tax liability on incremental depreciation	(1,346)	(1,864)
	1,907,836	(5,325)
Surplus on revaluation as at 31 December	2,249,327	341,491
Less: Related deferred tax liability on:		
Revaluation as at 01 January	119,521	121,385
Revaluation of non-banking assets during the year	840,274	–
Revaluation of surplus on disposal	(94,872)	–
Impact of change in tax rate	13,661	–
Incremental depreciation during the year	(1,346)	(1,864)
	757,717	(1,864)
Related deferred tax liability	877,238	119,521
	1,372,089	221,970

	Note	2021	2020
		Rupees in '000	
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	112,912,689	89,902,458
Commitments	21.2	604,750,338	598,642,184
Other contingent liabilities	21.3	3,078,218	2,733,563
		720,741,245	691,278,205
21.1 Guarantees			
Financial Guarantees		44,818,267	42,197,620
Performance Guarantees		41,897,915	27,904,956
Other guarantees		26,196,507	19,799,882
		112,912,689	89,902,458
21.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		198,716,273	160,321,521
Commitments in respect of:			
Forward foreign exchange contracts	21.2.1	402,981,660	435,798,001
Forward lendings	21.2.2	2,916,949	2,230,149
Acquisition of operating fixed assets		135,456	292,513
		406,034,065	438,320,663
		604,750,338	598,642,184
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		216,511,732	245,157,873
Sale		186,469,928	190,640,128
		402,981,660	435,798,001

21.2.2 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	2021	2020
		Rupees in '000	
Commitments in respect of syndicate financing		1,902,213	1,681,802
Commitments in respect of other financing		1,014,736	548,347
		2,916,949	2,230,149

21.3 Other contingent liabilities

Claims against holding company not acknowledged as debt	21.3.1	2,972,162	2,627,507
Foreign exchange repatriation case	21.3.2	106,056	106,056
		3,078,218	2,733,563

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

21.3.2 Foreign exchange repatriation case

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "Foreign exchange income". 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).

	2021	2020
	Rupees in '000	
23. MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	21,733,922	22,902,086
Investments	51,415,894	52,416,879
Lending with financial institutions	1,187,007	1,698,197
Balances with banks	22,133	104,186
	74,358,956	77,121,348
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	27,757,160	31,688,145
Borrowings	12,347,986	11,374,707
Cost of foreign currency swaps against foreign currency deposits	3,460,378	4,050,928
Lease liability against right-of-use assets	634,841	583,756
	44,200,365	47,697,536

	2021	2020
	Rupees in '000	

25. FEE & COMMISSION INCOME

Branch banking customer fees	610,329	538,793
Credit related fees	56,846	56,945
Card related fees	591,838	255,715
Commission on trade	4,716,946	3,736,723
Commission on guarantees	580,756	526,817
Commission on remittances including home remittance	51,793	43,441
Commission on bancassurance	185,780	149,178
Commission on cash management	87,512	67,051
Others	85,142	65,823
	6,966,942	5,440,486

26. GAIN / (LOSS) ON SECURITIES

Realised		
Federal government securities - net	(3,985)	(411,874)
Shares - net	3,849	124,765
Non-government debt securities - net	–	4,952
Mutual funds - net	102,162	237,818
	102,026	(44,339)

27. OTHER INCOME

Rent on properties	17,364	6,456
Gain on sale of fixed assets - net	25,405	23,011
Gain on sale of non-banking assets	227,988	–
Gain on sale of ijarah assets - net	24,791	11,703
Staff notice period and other recoveries	813	1,222
	296,361	42,392

	Note	2021	2020
		Rupees in '000	
28. OPERATING EXPENSES			
Total compensation expense	28.1	7,682,267	6,713,210
Property expense			
Rent & taxes		203,726	339,732
Insurance		4,120	5,683
Utilities cost		572,048	437,517
Security (including guards)		507,782	457,091
Repair & maintenance (including janitorial charges)		560,709	372,175
Depreciation on owned fixed assets		513,288	431,141
Depreciation on right-of-use assets		1,040,456	813,001
		3,402,129	2,856,340
Information technology expenses			
Software maintenance		224,635	204,904
Hardware maintenance		177,153	165,035
Depreciation		220,152	191,696
Amortisation		71,253	59,632
Network charges		268,571	217,584
		961,764	838,851
Other operating expenses			
Directors' fees and allowances		13,427	11,380
Fees and allowances to Shariah Board		14,344	9,936
Legal & professional charges		188,521	145,325
Outsourced services costs	34.1	290,503	289,850
Travelling & conveyance		274,218	210,967
NIFT clearing charges		71,067	68,750
Depreciation		498,950	462,115
Depreciation - non-banking assets		33,870	18,428
Training & development		35,568	13,908
Postage & courier charges		115,038	89,987
Communication		125,695	110,052
Subscription		258,623	195,634
Repair & maintenance		135,024	128,192
Brokerage & commission		200,350	231,645
Stationery & printing		267,236	250,162
Marketing, advertisement & publicity		197,070	182,850
Management fee		540,306	491,460
Insurance		760,312	594,133
Donations	28.3	160,319	119,272
Covid-19 expenses	28.4	29,800	40,534
Auditors' remuneration	28.5	13,808	10,153
Others		587,502	490,111
		4,811,551	4,164,844
		16,857,711	14,573,245
28.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		6,189,052	5,224,516
ii) Variable - Cash Bonus / Awards etc.		623,430	671,175
Charge for defined benefit plan		171,987	172,219
Contribution to defined contribution plan		248,122	222,186
Charge for compensated absences		84,629	107,929
Rent & house maintenance		32,203	26,989
Conveyance		302,826	265,964
EOBI		30,018	22,232
		7,682,267	6,713,210

28.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 76,348 thousand (2020: Rs. 62,008 thousand) pertaining to payments made to companies incorporated in Pakistan. These include payments other than outsourced services activities which are disclosed above.

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

DONEE	2021	2020
	Rupees in '000	
The Indus Hospital	33,258	8,750
Khoja (Pirhai) Shia Isna Asheri Jamat (KPSIAJ)	26,152	2,300
Habib University Foundation	25,000	22,000
The Citizens Foundation	20,900	19,100
Patients' Aid Foundation	12,000	–
SIUT Trust	3,073	2,500
Habib Public School	2,500	–
Institute of Business Administration	2,370	1,720
Fatimiyah Education Network	2,000	1,000
Al-Sayyeda Benevolent Trust	1,560	960
The Kidney Centre Post Graduate Training Institute	1,208	–
Abbas-e-Alamdar Hostel	1,100	1,100
Alleviate Addiction Suffering Trust	1,000	1,000
Mohamedali Habib Welfare Trust	1,000	1,000
The Patients Behbud Society for AKUH	1,000	1,000
Abdul Sattar Edhi Foundation	1,000	–
Al-Umeed Rehabilitation Association	1,000	–
Anjuman Behbood-e-Samat-e-Atfal	1,000	–
Bait-ul-Sukoon	1,000	–
Habib Girls School Trust	1,000	–
Zehra Homes	1,000	–
Habib Medical Trust	960	960
Habib Poor Fund	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
The Hunar Foundation	900	900
Jafaria Disaster Cell Welfare Organization	812	2,560
Rehnuma Public School (Path Education Society)	650	–
Pakistan Memon Educational & Welfare Society	600	600
Safaid Posh Dastarkhwan	600	–
The Layton Rehmatulla Benevolent Trust	500	1,000
Karwan-e-Hayat Institute For Mental Health	500	–
The National Institute of Child Health	500	–
Family Educational Services Foundation	500	–
Memon Educational Board	500	–
Pak Medical and Welfare Trust	500	–
Pakistan Hindu Council	500	–
Pakistan Memon Women Educational Society	500	–
Panah Trust	500	–
Poor Patients Aid Society Civil Hospital Karachi	500	–
Memon Health and Education Foundation (Memon Medical Institute)	–	12,500
Prime Minister's COVID-19 Relief Fund -2020	–	10,000
Karachi Relief Trust	–	6,950
Akhuwat Foundation	–	2,250
Al-Khidmat Foundation Pakistan	–	2,250

	2021	2020
	Rupees in '000	
Lady Dufferin Hospital	–	1,200
Coach Emad Foundation	–	1,000
MBJ Health Association	–	1,000
People's Primary Healthcare Initiative (PPHI) Balochistan	–	1,000
All Pakistan Women's Association	–	716
All Pakistan Women's Association Raana Liaquat Craftsmen Welfare Project	–	600
Network of Organizations Working with Persons with Disabilities Pakistan	–	550
AL- Mustafa Welfare Society Trust	–	540

None of the directors, executives and their spouses had interest in the donations disbursed during the year 2021, except for donations paid to:

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

28.4 Covid-19 expenses

This represents expenses relating to testing and other precautionary measures taken due to Covid-19.

28.5 Auditors' remuneration

	Note	2021	2020
		Rupees in '000	
Audit fee		4,601	3,225
Review of half yearly financial statements		1,664	1,150
Fee for other statutory reportings / certifications		2,949	2,882
Special certifications		2,324	1,350
Fee for audit of employee funds		–	150
Sales tax and out-of-pocket expenses on above services		2,270	1,396
		13,808	10,153

29. OTHER CHARGES

Penalties imposed by the SBP	170,918	97,092

30. PROVISIONS & WRITE OFFS - NET

(Reversal) / provision for diminution in value of investments - net	9.3.1	(1,113)	173,306
Provision against loan & advances - net	10.5	2,251,090	3,212,610
(Reversal) / provision against other assets / off-balance sheet obligations	14.2 & 18.1	(165,752)	251,698
Recovery of written-off bad debts		(32,142)	(16,565)
		2,052,083	3,621,049

	Note	2021	2020
		Rupees in '000	

31. TAXATION

Current		8,345,863	8,788,394
Prior		(1,378)	–
Deferred	13	(218,761)	(737,597)
		8,125,724	8,050,797

31.1 Income tax assessments of the Group have been finalised up to the tax year 2021 (corresponding to the accounting year ended 31 December 2020). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal), Appellate Tribunal Inland Revenue (ATIR) and Sindh High Court. However, adequate provisions are being held by the Group.

31.2 Relationship between tax expense and accounting profit

	2021	2020
	Rupees in '000	
Profit before tax	21,987,995	20,386,245
Tax at the applicable tax rate	7,695,798	7,135,186
Super tax at applicable rate of 4% (the holding company)	879,520	801,471
Permanent differences - super tax	(326,269)	–
Income exempt from tax	–	(114,325)
Income taxed at lower rate	(125,776)	(3,945)
Others	2,451	232,410
Tax charge for the year	8,125,724	8,050,797

32. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2021	2020
		Rupees in '000	
Profit attributable to equity shareholders of the holding company		13,517,714	12,053,072
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		12.90	11.50

33. CASH AND CASH EQUIVALENTS

		Rupees in '000	
Cash and balances with treasury banks	6	83,386,045	54,694,826
Balances with other banks	7	3,203,963	2,272,896
Overdrawn nostro accounts	16	(29,749)	(4,317,946)
		86,560,259	52,649,776

33.1 Reconciliation of movement of liabilities to cash flow arising from financing activities

	2021			
		Equity		
	Other liabilities	Reserves	Unappropr-iated profit	Non-Controlling interest
	Rupees in '000			
Balance as at 1 January	62,657,119	20,129,515	24,207,141	3,339,639
Changes from financing cash flow				
Dividend paid	–	–	(4,689,466)	(257,616)
Liability-related other changes				
Changes in other liabilities				
- Cash based	(3,028,480)	–	–	–
- Non-cash based	(3,725,858)	–	–	–
- Dividend payable	25,776	–	(25,776)	–
Transfer of profit to statutory reserve	–	2,767,597	(2,767,597)	–
Total liability related other charges	(6,728,562)	2,767,597	(2,793,373)	–
Equity related other changes	–	1,648	13,645,917	417,009
Balance as at 31 December	55,928,557	22,898,760	30,370,219	3,499,032

	2020			
		Equity		
	Other liabilities	Reserves	Unappropr-iated profit	Non-Controlling interest
	Rupees in '000			
Balance as at 1 January	48,587,058	17,706,354	19,224,491	3,293,578
Changes from financing cash flow				
Dividend paid	–	–	(4,689,119)	(260,316)
Liability-related other changes				
Changes in other liabilities				
- Cash based	(3,146,661)	–	–	–
- Non-cash based	17,190,599	–	–	–
- Dividend payable	26,123	–	(26,123)	–
Transfer of profit to statutory reserve	–	2,423,076	(2,423,076)	–
Total liability related other charges	14,070,061	2,423,076	(2,449,199)	–
Equity related other changes	–	85	12,120,968	306,377
Balance as at 31 December	62,657,119	20,129,515	24,207,141	3,339,639

34. STAFF STRENGTH

	2021	2020
	Number	
Permanent	5,130	4,530
Temporary / on contractual basis	540	383
	5,670	4,913

34.1 In addition to the above, 848 (2020: 789) employees of outsourcing services companies were assigned to the holding company as at 31 December 2021 to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 General description

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

	2021	2020
	Number	
35.2 Number of employees under the scheme		
Gratuity funds	5,057	4,477

35.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2021 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2021	2020
Discount rate - percent per annum	11.75 to 12.50	9.75 to 10.25
Expected rate of return on plan assets - percent per annum	10.25 to 13.45	12.25
Long term rate of salary increase - percent per annum	11.75 to 12.25	9.75 to 10.25
Mortality rates (for death in service)	Adjusted SLIC	Adjusted SLIC

	Note	2021	2020
		Rupees in '000	
35.4 Reconciliation of payable to defined benefit plan			
Fair value of plan assets	35.6	1,741,386	1,627,457
Present value of defined benefit obligation	35.5	(1,798,012)	(1,645,309)
Payable		(56,626)	(17,852)

35.5 Movement in payable to defined benefit plan

Obligations at the beginning of the year	1,645,309	1,516,851
Current service cost	170,515	158,192
Interest cost	160,850	178,470
Benefits due but not paid (payables)	(6,734)	(4,362)
Benefits paid by the Group	(149,455)	(120,557)
Re-measurement gain	(22,473)	(83,285)
Obligations at the end of the year	1,798,012	1,645,309

	Note	2021	2020
		Rupees in '000	
35.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,627,457	1,400,227
Interest income on plan assets		159,378	164,443
Contribution by the Group - net		171,245	171,722
Benefits paid		(149,455)	(120,557)
Benefits due but not paid		(6,734)	(4,362)
Re-measurements: Net return on plan assets over interest income loss	35.8.2	(60,505)	15,984
Fair value at the end of the year		1,741,386	1,627,457
35.7 Movement in payable under defined benefit schemes			
Opening balance		17,852	116,624
Charge / (reversal) for the year		171,987	172,219
Contribution by the Group - net		(171,245)	(171,722)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	38,032	(99,269)
Closing balance		56,626	17,852
35.8 Charge for defined benefit plans			
35.8.1 Cost recognised in profit and loss			
Current service cost		170,515	158,192
Net interest on defined benefit asset		1,472	14,027
		171,987	172,219
35.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Financial assumptions		6,985	(4,379)
- Experience adjustment		(29,458)	(78,906)
		(22,473)	(83,285)
Return on plan assets over interest income		60,505	(15,984)
Total re-measurements recognised in OCI		38,032	(99,269)
35.9 Components of plan assets			
Cash and cash equivalents	35.9.1	144,251	179,956
Term deposit certificate		252,191	150,000
Federal Government securities			
Defence Saving Certificates		1,022,300	960,159
Pakistan Investment Bonds		253,784	272,984
Special saving Certificates		47,519	43,038
Non government debt securities		21,341	21,320
		1,741,386	1,627,457

35.9.1 The amount include balance which is deposited or placed with the branches of the holding company. Further, the fund primarily invest in Government securities which do not carry any credit risk. These are subject to interest rate risk based on market movements. These risks are regularly monitored by the Trustees of the employee funds.

35.10 Sensitivity analysis

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

	2021 Rupees in '000
1 % increase in discount rate	(133,918)
1 % decrease in discount rate	238,018
1% increase in expected future increment in salary	239,067
1% decrease in expected future increment in salary	(137,805)
10% increase in expected withdrawal rate	829
10% decrease in expected withdrawal rate	(826)
1% increase in expected mortality rate	1,119
1% decrease in expected mortality rate	(998)

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

35.11 Expected contributions to be paid to the funds in the next financial year	197,508
35.12 Expected charge for the next financial year	197,508

35.13 Maturity profile

The weighted average duration of the obligation is 10.4 years.

35.14 Funding Policy

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

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

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

36. DEFINED CONTRIBUTION PLAN

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

Number of the members participating in the funds at the end of the year 30 June 2021 as per audited accounts are 4,196 (2020: 3,813).

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total compensation expense

	2021						
	Directors			Members Shari'ah Board	President & Chief Executive Officer	Key management personnel	Other material risk taker / controller
	Chairman	Executives	Non-executives				
	Rupees in '000						
Fees	–	–	7,600	–	–	–	–
Managerial remuneration fixed	–	–	–	14,344	134,048	358,344	623,346
Charge for defined benefit plan	–	–	–	164	3,446	10,391	15,273
Contribution to defined contribution plan	–	–	–	103	5,529	15,177	22,246
Utilities	259	–	–	–	1,509	–	–
Travelling	–	–	–	–	–	–	–
Others	5,568	–	–	–	–	4,301	–
	5,827	–	7,600	14,611	144,532	388,213	660,865
Number of persons	1	–	4	6	1	26	119

	2020						
	Directors			Members Shari'ah Board	President & Chief Executive Officer	Key management personnel	Other material risk taker / controller
	Chairman	Executives	Non-executives				
	Rupees in '000						
Fees	–	–	4,450	–	–	–	–
Managerial remuneration fixed	–	–	–	9,936	115,929	312,893	478,747
Charge for defined benefit plan	–	–	–	135	3,162	9,910	13,672
Contribution to defined contribution plan	–	–	–	192	4,500	13,951	17,359
Utilities	189	–	–	–	1,360	–	–
Travelling	728	–	–	–	–	–	–
Others	6,013	–	–	–	–	–	–
	6,930	–	4,450	10,263	124,951	336,754	509,778
Number of persons	1	–	7	3	1	24	92

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

37.1.2 In addition to above bonus paid to the chief executive and executives of the holding company amounted to Rs. 51,250 thousand (2020: Rs. 25,000 thousand) and Rs. 144,774 thousand (2020: Rs. 78,602 thousand) respectively.

37.2 Remuneration paid to the Directors for participation in the Board and Committee Meetings

		2021					
		Meeting fees and allowances paid					
			For Board committees				
Sr. no.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Total amount paid
		Rupees in '000					
1	Mohamedali R. Habib	–	–	–	–	–	–
2	Anjum Z. Iqbal	–	–	–	–	–	–
3	Firasat Ali	1,200	–	300	300	600	2,400
4	Hamza Habib	–	–	–	–	–	–
5	Mohomed Bashir	1,000	–	–	–	–	1,000
6	Muhammed H. Habib	–	–	–	–	–	–
7	Rashid Ahmad Jaffer	1,200	800	–	–	–	2,000
8	Tahira Raza	1,200	–	–	400	600	2,200
		4,600	800	300	700	1,200	7,600

		2020					
		Meeting fees and allowances paid					
			For Board committees				
Sr. no.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Total amount paid
		Rupees in '000					
1	Mohamedali R. Habib	–	–	–	–	–	–
2	Ali S. Habib	–	300	–	–	–	300
3	Anjum Z. Iqbal	–	–	–	–	–	–
4	Firasat Ali	400	–	250	200	550	1,400
5	Hamza Habib	–	–	–	–	–	–
6	Mohomed Bashir	600	–	–	–	–	600
7	Muhammed H. Habib	–	–	–	–	–	–
8	Rashid Ahmad Jaffer	300	350	–	–	–	650
9	Sohail Hasan	100	450	–	–	–	550
10	Tariq Ikram	100	–	–	150	–	250
11	Tahira Raza	300	–	–	150	250	700
		1,800	1,100	250	500	800	4,450

37.3 Remuneration paid to Shari'ah Board Members

	2021			2020		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
	Rupees in '000					
Managerial remuneration						
Fixed	3,853	6,686	3,805	3,000	5,136	1,800
Charge for defined benefit plan	–	164	–	–	135	–
Contribution to defined contribution plan	–	103	–	–	192	–
	3,853	6,953	3,805	3,000	5,463	1,800
Total number of person	2	2	2	1	1	1

In addition to above, bonus paid to resident member amounted to Rs. 350 thousand (2020: Rs. 300 thousand).

38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment 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 equity securities is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

38.1 Fair value of financial assets

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

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

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

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments	2021				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
			Rupees in '000		
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	626,683,412	–	626,683,412	–	626,683,412
Sukuk certificates and bonds	7,507,221	–	7,507,221	–	7,507,221
Ordinary shares of listed companies	1,663,995	1,663,995	–	–	1,663,995
Mutual funds - open end	17,154	–	17,154	–	17,154
- close end	6,523	6,523	–	–	6,523
Real estate investment trust	740,708	740,708	–	–	740,708
Listed term finance certificates	1,097,572	–	1,097,572	–	1,097,572
Unlisted term finance certificates	2,425,000	–	2,425,000	–	2,425,000
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	22,742,810	–	–	–	–
Certificates of investment	2,000,000	–	–	–	–
Ordinary shares of unlisted companies	52,658	–	–	–	–
	664,937,053	2,411,226	637,730,359	–	640,141,585
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	216,511,732	–	221,433,072	–	221,433,072
- Forward sale of foreign exchange contracts	186,469,928	–	184,826,488	–	184,826,488

On balance sheet financial instruments	2020				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
			Rupees in '000		
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	534,350,746	–	534,350,746	–	534,350,746
Sukuk certificates and bonds	7,349,073	–	7,349,073	–	7,349,073
Ordinary shares of listed companies	1,166,462	1,166,462	–	–	1,166,462
Mutual funds - open end	18,304	–	18,304	–	18,304
- close end	8,275	8,275	–	–	8,275
Real estate investment trust	375,429	375,429	–	–	375,429
Listed term finance certificates	2,331,707	–	2,331,707	–	2,331,707
Unlisted term finance certificates	495,000	–	495,000	–	495,000
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	34,358,396	–	–	–	–
Certificates of investments	2,000,000	–	–	–	–
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	–	–	–	–
	582,508,836	1,550,166	544,544,830	–	546,094,996
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	245,157,873	–	241,170,544	–	241,170,544
- Forward sale of foreign exchange contracts	190,640,128	–	187,884,199	–	187,884,199

38.2 Fair value of non-financial assets

	2021				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rupees in '000				
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	4,546,895	–	–	4,546,895	4,546,895

	2020				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rupees in '000				
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	2,982,632	–	–	3,249,798	3,249,798

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

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

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

Non-banking assets acquired in satisfaction of claim	Non-banking assets are valued by professionally qualified valuators. The valuation is based on their assessment of the mar ket value of the assets . The effect of changes in the unobservable inputs used in the valuations cannot be det ermined with cer tainty. Accordingly, a qualitative disclosure of sensitivity has not been provided.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	31 December 2021			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest	42,484,775	(12,537,083)	210,899	30,158,591
Inter segment revenue - net	(34,257,977)	21,083,020	13,174,957	–
Non mark-up / return / interest income	513,420	575,042	10,145,117	11,233,579
Total Income	8,740,218	9,120,979	23,530,973	41,392,170
Segment direct expenses	(339,639)	–	(260,597)	(600,236)
Inter segment expense allocation	–	(4,666,110)	(12,085,746)	(16,751,856)
Total expenses	(339,639)	(4,666,110)	(12,346,343)	(17,352,092)
Provisions	1,730	(23,024)	(2,030,789)	(2,052,083)
Profit before tax	8,402,309	4,431,845	9,153,841	21,987,995
Balance Sheet				
Cash and bank balances	2,654,519	34,684,524	49,250,965	86,590,008
Investments - net	664,937,053	–	–	664,937,053
Net inter segment lending	–	305,348,808	160,736,933	466,085,741
Lendings to financial institutions	3,941,284	–	–	3,941,284
Advances - performing	–	7,405,032	408,583,997	415,989,029
Advances - non-performing	–	46,465	16,927,059	16,973,524
Provision against advances	–	(67,479)	(21,102,098)	(21,169,577)
Others	14,284,585	3,400,723	50,244,719	67,930,027
Total Assets	685,817,441	350,818,073	664,641,575	1,701,277,089
Borrowings	185,880,952	–	136,898,203	322,779,155
Subordinated debt	–	–	–	–
Deposits and other accounts	–	321,412,476	450,237,253	771,649,729
Net inter segment borrowing	466,085,741	–	–	466,085,741
Others	3,302,064	10,164,454	60,406,683	73,873,201
Total liabilities	655,268,757	331,576,930	647,542,139	1,634,387,826
Net Assets	30,548,684	19,241,143	17,099,436	66,889,263
Equity				66,889,263
Contingencies and Commitments	402,981,660	10,555,599	307,203,986	720,741,245

	31 December 2020			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest	40,864,796	(13,433,229)	1,992,245	29,423,812
Inter segment revenue - net	(34,665,155)	24,106,346	10,558,809	–
Non mark-up / return / interest income	72,465	19,290	9,625,516	9,717,271
Total Income	6,272,106	10,692,407	22,176,570	39,141,083
Segment direct expenses	(371,682)	–	(244,169)	(615,851)
Inter segment expense allocation	1,417	(4,211,129)	(10,308,226)	(14,517,938)
Total expenses	(370,265)	(4,211,129)	(10,552,395)	(15,133,789)
Provisions	(176,004)	(9,581)	(3,435,464)	(3,621,049)
Profit before tax	5,725,837	6,471,697	8,188,711	20,386,245
Balance Sheet				
Cash and bank balances	1,816,675	23,136,227	32,014,820	56,967,722
Investments - net	582,508,836	–	–	582,508,836
Net inter segment lending	–	284,961,421	177,548,535	462,509,956
Lendings to financial institutions	1,000,000	–	–	1,000,000
Advances - performing	–	3,625,775	318,173,286	321,799,061
Advances - non-performing	–	27,203	19,274,853	19,302,056
Provision against advances	–	(16,089)	(19,429,197)	(19,445,286)
Others	9,937,076	2,650,754	50,898,246	63,486,076
Total Assets	595,262,587	314,385,291	578,480,543	1,488,128,421
Borrowings	95,962,713	–	109,849,192	205,811,905
Subordinated debt	–	–	–	–
Deposits and other accounts	–	288,049,370	392,341,318	680,390,688
Net inter segment borrowing	462,509,956	–	–	462,509,956
Others	6,286,606	9,742,895	62,048,620	78,078,121
Total liabilities	564,759,275	297,792,265	564,239,130	1,426,790,670
Net Assets	30,503,312	16,593,026	14,241,413	61,337,751
Equity				61,337,751
Contingencies and Commitments	435,798,001	–	255,480,204	691,278,205

40. TRUST ACTIVITIES

The Group undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and, therefore, are not included as such in these consolidated financial statements.

41. TRANSACTIONS WITH RELATED PARTIES

The Group has related party transaction 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 in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties are as follows:

	2021					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	184,060	217,741	–	–	–	401,801
Advances						
Opening balance	–	4,639,385	195,938	–	–	4,835,323
Addition during the year	–	50,576,167	72,882	–	–	50,649,049
Repaid during the year	–	(49,927,242)	(73,024)	–	–	(50,000,266)
Closing balance	–	5,288,310	195,796	–	–	5,484,106
Other Assets						
Mark-up / return / interest receivable	–	12,176	–	–	–	12,176
Dividend receivable	–	–	–	–	–	–
Prepayments / advance deposits / other receivable	468	53,123	–	–	–	53,591
	468	65,299	–	–	–	65,767
Deposits and other accounts						
Opening balance	213,306	8,573,734	282,595	661,230	1,626,592	11,357,457
Received during the year	16,783,470	2,471,954,097	2,073,559	4,685,345	6,995,634	2,502,492,105
Withdrawn during the year	(16,822,769)	(2,455,373,544)	(2,042,578)	(4,533,273)	(6,811,238)	(2,485,583,402)
Closing balance	174,007	25,154,287	313,576	813,302	1,810,988	28,266,160
Other Liabilities						
Mark-up / return / interest payable	–	140,001	1,977	3,248	10,626	155,852
Management fee payable for technical and consultancy services *	76,826	–	–	–	–	76,826
Other payables	–	470	–	670	50,273	51,413
	76,826	140,471	1,977	3,918	60,899	284,091
Contingencies and commitments						
Transaction related contingent liabilities	–	7,353,818	–	–	–	7,353,818
Trade-related contingent liabilities	–	3,929,204	–	–	–	3,929,204
	–	11,283,022	–	–	–	11,283,022

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

	2020					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	98,181	112,889	–	–	–	211,070
Advances						
Opening balance	366	4,144,390	222,737	–	–	4,367,493
Addition during the year	–	32,642,997	14,326	–	–	32,657,323
Repaid during the year	(366)	(32,148,002)	(41,125)	–	–	(32,189,493)
Closing balance	–	4,639,385	195,938	–	–	4,835,323
Other Assets						
Mark-up / return / interest accrued	–	5,830	–	–	–	5,830
Prepayments / advance deposits / other receivable	523	2,872	–	–	–	3,395
	523	8,702	–	–	–	9,225
Deposits and other accounts						
Opening balance	529,172	11,234,003	262,708	785,494	940,576	13,751,953
Received during the year	18,649,846	1,580,123,667	1,339,687	2,195,407	3,530,113	1,605,838,720
Withdrawn during the year	(18,965,712)	(1,582,783,936)	(1,319,800)	(2,319,671)	(2,844,097)	(1,608,233,216)
Closing balance	213,306	8,573,734	282,595	661,230	1,626,592	11,357,457
Other Liabilities						
Mark-up / return / interest payable	–	81,109	3,294	3,844	19,435	107,682
Management fee payable for technical and consultancy services *	204,497	–	–	–	–	204,497
Insurance & Other Payables	–	345	–	730	13,568	14,643
	204,497	81,454	3,294	4,574	33,003	326,822
Contingencies and commitments						
Transaction related contingent liabilities	–	7,965,087	–	–	–	7,965,087
Trade-related contingent liabilities	–	1,529,049	–	–	–	1,529,049
	–	9,494,136	–	–	–	9,494,136

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

Transactions during the year

	2021					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up/return/interest earned	–	62,357	10,647	–	–	73,004
Fee and commission income	1,943	227,832	–	97	–	229,872
Rent income	5,616	7,677	–	–	–	13,293
Expense						
Mark-up/return/interest expensed	–	795,835	14,882	38,125	179,637	1,028,479
Commission / brokerage / bank charges paid	1,067	1,707	–	–	–	2,774
Salaries and allowances	–	–	588,160	–	–	588,160
Directors' fees and allowances	–	–	–	13,427	–	13,427
Charge to defined benefit plan	–	–	–	–	171,987	171,987
Contribution to defined contribution plan	–	–	–	–	248,122	248,122
Insurance premium expenses	–	14,518	–	–	–	14,518
Software maintenance	9,163	–	–	–	–	9,163
Management fee expense for technical and consultancy services *	534,114	–	–	–	–	534,114
Donation	–	26,920	–	–	–	26,920

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

Transactions during the year

	2020					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up/return/interest earned	86	110,553	12,551	–	–	123,190
Fee and commission income	10,004	299,048	–	100	–	309,152
Rent income	5,616	–	–	–	–	5,616
Expenses						
Mark-up/return/interest expensed	–	858,422	18,568	62,855	112,714	1,052,559
Commission / brokerage / bank charges paid	668	1,210	–	–	–	1,878
Salaries and allowances	–	–	527,681	–	–	527,681
Directors' fees and allowances	–	–	–	11,380	–	11,380
Charge to defined benefit plan	–	–	–	–	172,219	172,219
Contribution to defined contribution plan	–	–	–	–	222,186	222,186
Rent expenses	–	396	–	–	–	396
Insurance premium expenses	–	10,642	–	–	–	10,642
Software maintenance	6,970	–	–	–	–	6,970
Management fee expense for technical and consultancy services *	491,460	–	–	–	–	491,460
Donation	–	23,920	–	–	–	23,920

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

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	2020
	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	62,494,114	55,152,774
Eligible additional tier 1 (ADT 1) capital	150,253	111,643
Total eligible tier 1 capital	62,644,367	55,264,417
Eligible tier 2 capital	5,332,119	6,174,922
Total eligible capital (Tier 1 + Tier 2)	67,976,486	61,439,339
Risk Weighted Assets (RWAs):		
Credit risk	406,395,001	309,393,711
Market risk	7,211,352	1,202,170
Operational risk	66,887,787	55,249,734
Total	480,494,140	365,845,615
CET 1 capital adequacy ratio	13.01%	15.08%
Tier 1 capital adequacy ratio	13.04%	15.11%
Total capital adequacy ratio	14.15%	16.79%
Minimum capital requirements prescribed by SBP		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Tier capital adequacy ratio	11.50%	11.50%

The Group uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

Leverage Ratio (LR):		
Eligible tier-1 capital	62,644,367	55,264,417
Total exposures	1,586,376,608	1,308,557,849
Leverage ratio	3.95%	4.22%

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

43. RISK MANAGEMENT

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

43.1 Credit Risk

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

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 406,395,001 thousand (2020: Rs. 309,393,711 thousand) as depicted in note 42.

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

With the expansion of the consumer lending portfolio, the credit review & administration efforts have been accordingly enhanced by inducting specialized consumer credit risk analysts and processing specialists.

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

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

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

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

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

Types of exposures and ECAI's used

	2021				
Exposures	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–

Credit exposures subject to Standardised Approach

Exposures	Rating category	2021			2020		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	95,683,078	3,142,469	92,540,609	73,736,571	10,548,924	63,187,647
	2	118,383,785	2,309,210	116,074,575	67,828,596	2,828,384	65,000,212
	3,4	21,987,779	–	21,987,779	23,092,798	–	23,092,798
	5,6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less		10,367,693	–	10,367,693	4,335,289	–	4,335,289
Retail		35,332,331	7,477,143	27,855,188	25,416,119	6,107,997	19,308,122
Public sector entities	1	13,707,900	2,359	13,705,541	4,775,386	76,669	4,698,717
	2,3	2,721,727	39	2,721,688	3,143,087	30,269	3,112,818
Others		804,855,866	10,000,000	794,855,866	704,843,544	33,999,791	670,843,753
Unrated		256,947,012	42,104,293	214,842,719	216,192,088	37,775,007	178,417,081

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

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

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

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

43.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Public / Government	–	–	–	–	–	–
Private	3,941,284	1,000,000	–	–	–	–
	3,941,284	1,000,000	–	–	–	–

43.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Chemical and Pharmaceuticals	16,050	19,510	16,050	19,510	16,050	19,510
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Financial	6,290,183	5,372,075	–	–	–	–
Power (electricity), gas, water, sanitary	6,244,875	6,319,908	–	–	–	–
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, Storage and Communication	68,866	70,403	68,866	70,403	68,866	70,403
Others	649,920,957	569,192,939	–	–	–	–
	662,571,569	581,005,473	115,554	120,551	115,554	120,551
Credit risk by public / private sector						
Public/ Government	655,671,097	575,422,000	–	–	–	–
Private	6,900,472	5,583,473	115,554	120,551	115,554	120,551
	662,571,569	581,005,473	115,554	120,551	115,554	120,551

43.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Agriculture, forestry, hunting and fishing	4,517,000	2,775,037	–	–	–	–
Automobile and transportation equipment	4,819,333	4,156,403	1,426,895	1,652,549	1,426,895	1,541,763
Basic metals & metal products	14,741,737	6,856,840	54,178	41,654	54,178	41,654
Cement	6,914,004	7,607,242	–	–	–	–
Chemicals and pharmaceuticals	27,488,727	25,012,978	376,403	381,169	372,013	375,685
Commercial trade	18,722,586	13,276,673	731,043	669,160	637,550	545,084
Commodity finance	15,000,000	33,999,791	–	–	–	–
Construction and real estate	8,564,887	3,744,223	97,206	54,958	89,215	46,430
Edibles	38,329,926	27,772,845	1,104,136	989,019	866,019	989,019
Electronics and electrical appliances	12,042,941	8,858,240	293,243	293,307	293,243	293,307
Financial	2,166,154	958,281	–	–	–	–
Footwear and leather garments	1,934,300	1,399,583	11,907	11,907	11,907	11,907
Individuals	8,560,993	4,211,210	43,959	27,174	43,959	24,115
Mining and quarrying	60,014	113,051	–	–	–	–
Power (electricity), gas, water, sanitary	45,074,044	29,957,370	4,896,047	4,827,644	4,385,123	2,451,427
Services	14,302,071	6,991,582	142,105	172,490	142,105	96,521
Sugar	3,512,256	4,121,048	116,337	136,880	116,337	136,880
Textile	184,682,431	137,981,528	6,713,497	8,941,521	6,662,045	8,838,999
Transport, storage and communication	2,888,607	1,726,902	56,221	26,483	56,221	26,483
Others	18,640,542	19,580,290	910,347	1,076,141	829,840	998,333
	432,962,553	341,101,117	16,973,524	19,302,056	15,986,650	16,417,607

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Public / Government	35,976,271	45,540,908	–	–	–	–
Private	396,986,282	295,560,209	16,973,524	19,302,056	15,986,650	16,417,607
	432,962,553	341,101,117	16,973,524	19,302,056	15,986,650	16,417,607

	2021	2020
	Rupees in '000	

43.1.4 Contingencies and Commitments

Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	5,173,786	4,115,347
Automobile and transportation equipment	21,348,201	17,211,428
Basic metals & metal products	10,585,294	11,616,516
Cement	9,662,030	4,170,698
Chemicals and pharmaceuticals	30,711,674	24,321,530
Commercial trade	33,785,779	31,661,987
Construction & real estate	6,790,317	3,886,987
Edibles	29,607,968	33,044,185
Electronics and electrical appliances	7,664,647	6,148,099
Financial	347,199,743	373,427,035
Footwear and leather garments	650,922	745,812
Individual	10,954,174	929,566
Mining and quarrying	87,512	59,966
Power (electricity), gas, water, sanitary	33,065,827	27,014,948
Services	17,731,959	11,142,701
Sugar	2,280,725	409,520
Textile	133,195,515	124,156,739
Transport, storage and communication	2,279,054	1,829,011
Others	17,966,118	15,386,130
	720,741,245	691,278,205

Credit risk by public / private sector		
Public / Government	63,471,079	117,924,237
Private	657,270,166	573,353,968
	720,741,245	691,278,205

43.1.5 Concentration of advances

The Group's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 105,365,342 thousand (2020: 103,000,262 thousand) are as following:

Funded	63,897,290	76,560,921
Non-Funded	41,467,051	26,439,341
Total Exposure	105,364,341	103,000,262

The sanctioned limits against these top 10 exposures aggregated to Rs 124,439,374 thousand (2020: 144,497,273 thousand).

43.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2021						
		Utilization					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gligit-Baltistan
	Rupees in '000						
Punjab	415,803,001	398,500,992	16,010,383	–	–	1,291,626	–
Sindh	648,660,350	19,065,697	592,712,496	2,349,992	34,532,165	–	–
KPK including FATA	5,361,443	–	–	5,361,443	–	–	–
Balochistan	46,598	–	–	–	46,598	–	–
Islamabad	12,182,947	16,000	–	–	–	12,166,947	–
AJK including Gilgit-Baltistan	1,041,484	–	–	–	–	–	1,041,484
Total	1,083,095,823	417,582,689	608,722,879	7,711,435	34,578,763	13,458,573	1,041,484

Province / region	2020						
		Utilization					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gligit-Baltistan
	Rupees in '000						
Punjab	395,380,412	375,607,672	16,813,232	–	–	2,959,508	–
Sindh	646,255,857	62,444,636	545,809,454	2,520,516	35,481,251	–	–
KPK including FATA	2,655,545	–	–	2,655,545	–	–	–
Balochistan	7,441	–	–	–	7,441	–	–
Islamabad	6,949,924	33,314	–	–	–	6,916,610	–
AJK including Gilgit-Baltistan	816,702	–	–	–	–	–	816,702
Total	1,052,065,881	438,085,622	562,622,686	5,176,061	35,488,692	9,876,118	816,702

43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. After COVID-19 pandemic; ease in lockdown & reopening in global economies resulted in increase in global commodity & energy price with surge in domestic demand which have put additional pressure on Pakistan's Economy. The Government and the State Bank of Pakistan have also taken various fiscal and regulatory measures and reforms. Major step taken by SBP was to increase the policy rate by 275bps to counter inflationary pressures and ensure that growth remains sustainable.

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

Market risk can be categorised into interest rate risk, foreign exchange risk and equity position risk.

43.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	83,386,045	–	83,386,045	54,694,826	–	54,694,826
Balances with other banks	3,203,963	–	3,203,963	2,272,896	–	2,272,896
Lendings to financial institutions	3,941,284	–	3,941,284	1,000,000	–	1,000,000
Investments	664,937,053	–	664,937,053	582,508,836	–	582,508,836
Advances	411,792,976	–	411,792,976	321,655,831	–	321,655,831
Fixed assets	12,077,475	–	12,077,475	9,100,177	–	9,100,177
Intangible assets	163,187	–	163,187	131,331	–	131,331
Deferred tax assets	3,218,163	–	3,218,163	1,153,598	–	1,153,598
Other assets	52,471,202	–	52,471,202	53,100,970	–	53,100,970
	1,235,191,348	–	1,235,191,348	1,025,618,465	–	1,025,618,465

43.2.2 Foreign exchange risk

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

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

	2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	65,087,355	(102,045,199)	32,189,090	(4,768,754)
Euro	5,095,244	(2,531,509)	(2,550,195)	13,540
Great Britain Pound	1,162,688	(6,263,728)	5,110,128	9,088
Asian Currency unit	562,044	(1,841,290)	–	(1,279,246)
Japanese Yen	23,680	(29,859)	8,930	2,751
Arab Emirates Dirham	260,000	(14,819)	(245,546)	(365)
Canadian Dollar	91,103	–	(86,642)	4,461
Australian Dollar	5,697	–	(4,483)	1,214
Saudi Riyal	12,839	–	(11,754)	1,085
Chinese Yuan	384,808	–	(384,715)	93
Other Currencies	88,597	–	(84,507)	4,090
	72,774,055	(112,726,404)	33,940,306	(6,012,043)

	2020			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	47,714,184	(92,864,697)	45,324,956	174,443
Euro	3,533,052	(3,828,412)	340,020	44,660
Great Britain Pound	1,120,241	(5,976,637)	4,867,204	10,808
Asian Currency unit	629,113	(1,011,354)	–	(382,241)
Japanese Yen	84,600	(112)	(61,992)	22,496
Arab Emirates Dirham	195,539	(16)	(195,814)	(291)
Canadian Dollar	39,485	–	(18,824)	20,661
Australian Dollar	20,206	–	(12,329)	7,877
Saudi Riyal	8,301	–	–	8,301
Chinese Yuan	287,302	–	(300,121)	(12,819)
Other Currencies	45,037	–	(16,763)	28,274
	53,677,060	(103,681,228)	49,926,337	(77,831)

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(36,673)	–	(506)	–
- Other comprehensive income	–	–	–	–

43.2.3 Equity position risk

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	(24,844)	–	(22,970)	–
- Other comprehensive income	(50,530)	–	(31,539)	–

43.2.4 Yield / Interest Rate Risk in the Banking book (IRRBB)-Basel II Specific

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	(2,018,652)	–	(3,047,413)	–

43.2.5 Mismatch of interest rate sensitive assets and liabilities

		2021										
		Exposed to yield / interest risk										
	Effective yield / interest rate	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	83,386,045	10,110,791	–	–	–	–	–	–	–	–	73,275,254
Balances with other banks	5.50% to 9.75%	3,203,963	207,887	–	–	–	–	–	–	–	–	2,996,076
Lendings to financial institutions	1.1% to 10.7%	3,941,284	3,941,284	–	–	–	–	–	–	–	–	–
Investments	2.99% to 13.50%	664,937,053	49,950,961	172,504,808	242,779,049	126,447,897	649,371	53,682,729	16,441,200	–	–	2,481,038
Advances	0% to 19.71%	411,792,976	19,813,440	309,175,180	9,788,338	14,145,891	5,902,574	4,372,835	8,413,671	38,200,379	1,980,668	–
Other assets		47,907,953	–	–	–	–	–	–	–	–	–	47,907,953
		1,215,169,274	84,024,363	481,679,988	252,567,387	140,593,788	6,551,945	58,055,564	24,854,871	38,200,379	1,980,668	126,660,321
Liabilities												
Bills payable		17,944,644	–	–	–	–	–	–	–	–	–	17,944,644
Borrowings	0% to 10.70%	322,779,155	144,609,527	109,933,827	9,350,391	11,905,014	1,408,554	1,178,142	6,241,951	37,636,706	485,294	29,749
Deposits and other accounts	0.05% to 13.50%	771,649,729	217,155,471	57,761,217	152,772,803	46,724,644	4,256,739	4,417,693	1,090,482	–	–	287,470,680
Other liabilities		50,800,474	–	–	–	–	–	–	–	–	–	50,800,474
		1,163,174,002	361,764,998	167,695,044	162,123,194	58,629,658	5,665,293	5,595,835	7,332,433	37,636,706	485,294	356,245,547
On-balance sheet gap		51,995,272	(277,740,635)	313,984,944	90,444,193	81,964,130	886,652	52,459,729	17,522,438	563,673	1,495,374	(229,585,226)
Off-balance sheet financial instruments												
Commitments in respect of:												
Forward foreign exchange contracts		402,981,660	–	–	–	–	–	–	–	–	–	402,981,660
Commitments against forward lendings		2,916,949	–	–	–	–	–	–	–	–	–	2,916,949
Commitments in respect of letter of credits		198,716,273	–	–	–	–	–	–	–	–	–	198,716,273
Commitments against acquisition of fixed assets		135,456	–	–	–	–	–	–	–	–	–	135,456
Off-balance sheet gap		604,750,338	–	–	–	–	–	–	–	–	–	604,750,338
Total Yield/Interest Risk Sensitivity Gap		656,745,610	(277,740,635)	313,984,944	90,444,193	81,964,130	886,652	52,459,729	17,522,438	563,673	1,495,374	375,165,112
Cumulative Yield/Interest Risk Sensitivity Gap		656,745,610	(277,740,635)	36,244,309	126,688,502	208,652,632	209,539,284	261,999,013	279,521,451	280,085,124	281,580,498	375,165,112

2020	Effective yield / interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	54,694,826	10,176,561	–	–	–	–	–	–	–	–	44,518,265
Balances with other banks	2.75%-12.75%	2,272,896	4,696	–	280,862	–	–	–	–	–	–	1,987,338
Lendings to financial institutions	7.5%	1,000,000	1,000,000	–	–	–	–	–	–	–	–	–
Investments	5.95% to 13.39%	582,508,836	90,428,689	181,755,989	117,265,728	38,442,954	69,388,688	–	63,462,925	19,752,914	–	2,010,949
Advances	0.5% to 19%	321,655,831	14,190,474	245,022,057	17,192,274	3,203,185	22,558,809	3,849,913	4,884,194	9,162,209	1,592,716	–
Other assets		50,073,151	–	–	–	–	–	–	–	–	–	50,073,151
		1,012,205,540	115,800,420	426,778,046	134,738,864	41,646,139	91,947,497	3,849,913	68,347,119	28,915,123	1,592,716	98,589,703
Liabilities												
Bills payable		15,421,002	–	–	–	–	–	–	–	–	–	15,421,002
Borrowings	0% to 7.10%	205,811,905	107,458,069	43,525,028	16,050,412	997,052	19,549,526	1,600,497	3,358,008	8,800,575	153,618	4,319,120
Deposits and other accounts	0.25% to 16.67%	680,390,688	181,700,158	66,060,410	159,982,402	28,465,497	2,262,186	2,546,948	5,132,638	20,000	–	234,220,449
Other liabilities		58,501,216	–	–	–	–	–	–	–	–	–	58,501,216
		960,124,811	289,158,227	109,585,438	176,032,814	29,462,549	21,811,712	4,147,445	8,490,646	8,820,575	153,618	312,461,787
On-balance sheet gap		52,080,729	(173,357,807)	317,192,608	(41,293,950)	12,183,590	70,135,785	(297,532)	59,856,473	20,094,548	1,439,098	(213,872,084)
Off-balance sheet financial instruments												
Commitments in respect of:												
Forward foreign exchange contracts		435,798,001	–	–	–	–	–	–	–	–	–	435,798,001
Commitments against forward lendings		2,230,149	–	–	–	–	–	–	–	–	–	2,230,149
Commitments in respect of letter of credits		160,321,521	–	–	–	–	–	–	–	–	–	160,321,521
Commitments against acquisition of fixed assets		292,513	–	–	–	–	–	–	–	–	–	292,513
Off-balance sheet gap		598,642,184	–	–	–	–	–	–	–	–	–	598,642,184
Total yield / interest risk sensitivity gap		650,722,913	(173,357,807)	317,192,608	(41,293,950)	12,183,590	70,135,785	(297,532)	59,856,473	20,094,548	1,439,098	384,770,100
Cumulative yield / interest risk sensitivity gap		650,722,913	(173,357,807)	143,834,801	102,540,851	114,724,441	184,860,226	184,562,694	244,419,167	264,513,715	265,952,813	384,770,100

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

Reconciliation to total assets	2021	2020
	Rupees in '000	
Total financial assets	1,215,169,274	1,012,205,540
Add: Non financial assets		
Operating fixed assets	12,077,475	9,100,177
Intangible assets	163,187	131,331
Deferred tax asset	3,218,163	1,153,598
Other assets	4,563,249	3,027,819
	20,022,074	13,412,925
Balance as per statement of financial position	1,235,191,348	1,025,618,465

Reconciliation to total liabilities	2021	2020
	Rupees in '000	
Total financial liabilities	1,163,174,002	960,124,811
Add: Non financial liabilities		
Other liabilities	5,128,083	4,155,903
Balance as per statement of financial position	1,168,302,085	964,280,714

43.3 Operational Risk

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

The Group's ORM strategy takes guidance from Basel - II, the SBP guidelines and best industry practices.

The Group's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, Change Risk Assessment and Risk Assessment of Outsourcing arrangement. The ORM unit engages with the Group's business / support units and regularly collaborates in determining and reviewing the inherent operational risks, and assessment of residual risk leading to improved quality of control infrastructure and further strengthening of the processes & management information. Moreover, group wide policies, procedures, frameworks and product programs are also being evaluated from operational risk perspective aiming to beef up control environment.

The Group's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The business continuity management function with the support of the senior management remained extremely active during the pandemic to ensure that stakeholders remained safe, all critical services and processes of the Group remain operational and any contingency arising is dealt appropriately. The Group's operational risk management governance has been further strengthened through the establishment of a separate operational risk and control committee.

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Group over the past three years. Figures of capital charge of operation risk for the year is Rs. 5,351,023 thousand (2020: Rs. 4,419,979 thousand).

43.4 Liquidity Risk

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

Governance of Liquidity risk management

The ALCO continuously monitors the liquidity position and the Group is confident that the current liquidity buffer is sufficient to cater to any adverse movement in the maturity profile.

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

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

Funding Strategy

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

Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and evaluate the possible liquidity risk. These include regular monitoring of different liquidity ratios against approved triggers and communication to senior management and the ALCO. Further, the Group also prepares the maturity profile of assets and liabilities to keep track of liquidity gaps over different time buckets. The holding company also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity Stress Testing

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

Contingency Funding Plan

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

43.4.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities

	2021													
	Total	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years
	Rupees in '000													
Assets														
Cash and balances with treasury banks	83,386,045	83,386,045	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	3,203,963	3,203,963	–	–	–	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	3,941,284	–	–	441,284	3,500,000	–	–	–	–	–	–	–	–	–
Investments	664,937,053	2,381,748	–	15,279,472	32,818,472	59,709,553	104,112,819	165,947,399	92,946,072	33,796,875	54,157,833	54,427,909	41,604,025	7,754,876
Advances	411,792,976	49,975,867	7,800,485	25,481,687	29,978,926	87,910,081	55,186,936	38,422,691	33,939,509	16,374,680	8,999,026	6,942,158	9,379,456	41,401,474
Fixed assets	12,077,475	13,363	80,176	93,539	227,167	229,207	229,207	687,621	687,621	687,621	1,306,259	500,810	898,176	6,436,708
Intangible assets	163,187	581	3,486	4,067	9,876	18,010	18,010	54,030	27,564	27,563	–	–	–	–
Deferred tax assets	3,218,163	32,841	197,048	229,889	558,302	599,181	599,181	529,505	(165,384)	(165,384)	146,541	127,035	134,163	395,245
Other assets	52,471,202	1,424,954	8,549,723	9,974,677	24,224,216	1,068,220	1,068,219	1,206,417	2,473,528	2,473,528	1,614	940	1,828	3,338
	1,235,191,348	140,419,362	16,630,918	51,504,615	91,316,959	149,534,252	161,214,372	206,847,663	129,908,910	53,194,883	64,611,273	61,998,852	52,017,648	55,991,641
Liabilities														
Bills payable	17,944,644	17,944,644	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	322,779,155	13,145,619	127,846,626	611,570	3,035,460	101,110,335	8,823,492	9,350,391	315,411	11,589,603	1,408,554	1,178,142	6,241,952	38,122,000
Deposits and other accounts	771,649,729	510,224,681	29,091,613	17,788,219	81,023,509	18,716,032	39,044,588	19,271,531	19,478,049	27,246,596	4,256,739	4,417,693	1,090,479	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sub-ordinated debts	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities	55,928,557	1,375,158	8,250,946	9,626,104	23,377,681	618,310	618,310	334,951	2,142,766	2,142,765	2,594	6,194,106	923,525	321,341
	1,168,302,085	542,690,102	165,189,185	28,025,893	107,436,650	120,444,677	48,486,390	28,956,873	21,936,226	40,978,964	5,667,887	11,789,941	8,255,956	38,443,341
Net assets	66,889,263	(402,270,740)	(148,558,267)	23,478,722	(16,119,691)	29,089,575	112,727,982	177,890,790	107,972,684	12,215,919	58,943,386	50,208,911	43,761,692	17,548,300

Share capital	10,478,315
Reserves	22,898,760
Deficit on revaluation of assets	(357,063)
Unappropriated profit	30,370,219
Non-controlling interest	3,499,032
	66,889,263

	2020													
	Total	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years
	Rupees in '000													
Assets														
Cash and balances with treasury banks	54,694,826	54,694,826	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	2,272,896	2,238,896	34,000	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	1,000,000	–	1,000,000	–	–	–	–	–	–	–	–	–	–	–
Investments	582,508,836	1,987,194	2,100,000	41,654,853	46,250,485	91,338,997	82,380,662	65,403,816	34,890,274	3,608,688	69,389,296	52,062,743	64,190,237	27,251,591
Advances	321,655,831	43,070,463	1,833,170	3,293,714	10,891,219	86,664,164	47,432,223	53,751,136	15,952,238	5,144,368	26,557,835	7,455,734	10,560,492	9,049,075
Fixed assets	9,100,177	27,095	162,580	189,677	460,785	160,167	160,225	485,021	474,081	474,155	1,796,546	899,971	1,052,901	2,756,973
Intangible assets	131,331	174	1,053	1,228	2,828	5,198	5,243	15,652	15,633	15,690	54,777	13,855	–	–
Deferred tax assets	1,153,598	16,962	101,763	118,743	288,374	250,716	250,706	162,858	108,070	108,070	(14,257)	(105,651)	(131,416)	(1,340)
Other assets	53,100,970	1,453,494	8,720,967	10,174,483	24,709,459	450,453	456,993	254,451	1,985,766	1,985,767	1,511,029	717,517	678,634	1,957
	1,025,618,465	103,489,104	13,953,533	55,432,698	82,603,150	178,869,695	130,686,052	120,072,934	53,426,062	11,336,738	99,295,226	61,044,169	76,350,848	39,058,256
Liabilities														
Bills payable	15,421,002	15,421,002	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	205,811,905	13,747,803	82,705,336	572,195	14,751,855	783,058	42,741,970	16,050,412	148,099	848,953	19,549,526	1,600,497	3,358,008	8,954,193
Deposits and other accounts	680,390,688	426,115,013	29,087,082	16,274,968	56,390,818	34,251,337	31,802,954	48,041,248	12,311,496	16,360,602	2,056,161	2,549,278	5,129,731	20,000
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sub-ordinated debts	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities	62,657,119	1,522,382	9,118,411	10,634,812	25,836,194	304,042	314,908	487,323	2,609,709	2,609,227	2,081,074	2,337,079	2,784,446	2,017,512
	964,280,714	456,806,200	120,910,829	27,481,975	96,978,867	35,338,437	74,859,832	64,578,983	15,069,304	19,818,782	23,686,761	6,486,854	11,272,185	10,991,705
Net assets	61,337,751	(353,317,096)	(106,957,296)	27,950,723	(14,375,717)	143,531,258	55,826,220	55,493,951	38,356,758	(8,482,044)	75,608,465	54,557,315	65,078,663	28,066,551
Share capital	10,478,315													
Reserves	20,129,515													
Surplus on revaluation of assets	3,183,141													
Unappropriated profit	24,207,141													
Non-controlling interest	3,339,639													
	61,337,751													

43.4.2 Maturities of Assets and Liabilities - based on expected maturity of the assets and liabilities

	2021									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	83,386,045	83,386,045	–	–	–	–	–	–	–	–
Balances with other banks	3,203,963	3,203,963	–	–	–	–	–	–	–	–
Lendings to financial institutions	3,941,284	3,941,284	–	–	–	–	–	–	–	–
Investments	664,937,053	51,309,693	163,822,372	165,947,399	126,742,947	54,157,833	54,427,909	41,604,025	6,924,875	–
Advances	411,792,976	113,238,269	143,097,017	38,422,691	50,314,189	8,997,722	6,942,158	9,379,456	38,555,213	2,846,261
Fixed assets	12,077,475	414,245	458,414	687,621	1,375,242	1,306,259	500,810	898,176	3,545,508	2,891,200
Intangible assets	163,187	18,010	36,020	54,030	55,127	–	–	–	–	–
Deferred tax assets	3,218,163	1,018,080	1,198,362	529,505	(330,768)	146,541	127,035	134,163	347,697	47,548
Other assets	52,471,202	44,173,570	2,136,439	1,206,417	4,947,056	1,614	940	1,828	132	3,206
	1,235,191,348	300,703,159	310,748,624	206,847,663	183,103,793	64,609,969	61,998,852	52,017,648	49,373,425	5,788,215
Liabilities										
Bills payable	17,944,644	17,944,644	–	–	–	–	–	–	–	–
Borrowings	322,779,155	144,639,276	109,933,827	9,350,391	11,905,014	1,408,554	1,178,142	6,241,951	37,636,706	485,294
Deposits and other accounts	771,649,729	180,586,167	108,599,199	273,460,860	122,981,618	80,513,713	4,417,693	1,090,479	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Sub-ordinated debts	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	55,928,557	42,629,889	1,236,620	334,951	4,285,531	2,594	6,194,106	923,525	321,341	–
	1,168,302,085	385,799,976	219,769,646	283,146,202	139,172,163	81,924,861	11,789,941	8,255,955	37,958,047	485,294
Net assets	66,889,263	(85,096,817)	90,978,978	(76,298,539)	43,931,630	(17,314,892)	50,208,911	43,761,693	11,415,378	5,302,921
Share capital	10,478,315									
Reserves	22,898,760									
Deficit on revaluation of assets	(357,063)									
Unappropriated profit	30,370,219									
Non-controlling interest	3,499,032									
	66,889,263									

	2020									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	54,694,826	54,694,826	–	–	–	–	–	–	–	–
Balances with other banks	2,272,896	1,708,508	–	564,388	–	–	–	–	–	–
Lendings to financial institutions	1,000,000	1,000,000	–	–	–	–	–	–	–	–
Investments	582,508,836	91,968,777	173,719,659	65,323,816	38,498,962	69,389,296	52,137,743	64,195,237	27,251,591	23,755
Advances	321,655,831	59,112,024	134,096,387	53,751,938	21,096,606	26,557,329	7,455,734	10,560,493	9,025,320	–
Fixed assets	9,100,177	840,108	320,392	485,034	948,236	1,796,561	899,972	1,052,899	1,422,579	1,334,396
Intangible assets	131,331	5,261	10,441	15,662	31,323	54,777	13,867	–	–	–
Deferred tax assets	1,153,598	525,842	501,422	162,858	216,140	(14,257)	(105,651)	(131,416)	(4,574)	3,234
Other assets	53,100,970	45,058,405	907,446	254,451	3,971,533	1,511,029	717,516	678,634	1,956	–
	1,025,618,465	254,913,751	309,555,747	120,558,147	64,762,800	99,294,735	61,119,181	76,355,847	37,696,872	1,361,385
Liabilities										
Bills payable	15,421,002	15,421,002	–	–	–	–	–	–	–	–
Borrowings	205,811,905	111,777,189	43,525,028	16,050,412	997,052	19,549,526	1,600,497	3,358,008	8,800,575	153,618
Deposits and other accounts	680,390,688	146,374,541	108,442,089	260,001,740	92,038,020	65,834,712	2,546,948	5,132,638	20,000	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Sub-ordinated debts	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	62,657,119	47,111,798	618,950	487,323	5,218,936	2,081,074	2,337,080	2,784,443	1,999,553	17,962
	964,280,714	320,684,530	152,586,067	276,539,475	98,254,008	87,465,312	6,484,525	11,275,089	10,820,128	171,580
Net assets	61,337,751	(65,770,779)	156,969,680	(155,981,328)	(33,491,208)	11,829,423	54,634,656	65,080,758	26,876,744	1,189,805
Share capital	10,478,315									
Reserves	20,129,515									
Surplus on revaluation of assets	3,183,141									
Unappropriated profit	24,207,141									
Non-controlling interest	3,339,639									
	61,337,751									

44. GENERAL

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

44.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 22 February 2022 has proposed a final cash dividend of Rs. 3.00 per share amounting to Rs. 3,143,493 thousand (2020: final cash dividend of Rs. 2.50 per share amounting to Rs. 2,619,579 thousand) in addition to interim dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2020: Rs. 2,095,663 thousand) for approval by the members of the holding company in the forthcoming Annual General Meeting.

44.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation however no major reclassifications have been made.

45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 22 February 2022 by the Board of Directors of the holding company.

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

ANNEXURE "I" AS REFERRED TO IN NOTE 10.7 OF THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2021

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up wavied	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
1	Alam Cotton Mills (Private) Limited A-201/B, 2nd Floor, City Tower Main Boulevard, Gulberg-2, Lahore.	Muhammad Shafiq Alam 42201-0547606-5 Adeel Shafiq Alam 42000-0503449-9 Faraz Shafiq Alam 42000-0503055-9 Hammad Shafiq Alam 42201-7410183-7	Muhammad Rafiq Alam Muhammad Shafiq Alam Muhammad Shafiq Alam Muhammad Shafiq Alam	656,630	36,148	102,259	795,037	-	-	78,407	78,407
2	Amsons Textile Mills (Private) Limited D-14/B, SITE, Mangopir Road, Karachi.	Abdul Majeed Mukati 42000-0482231-5 Ilyas Mukati 42000-3386962-7	Muhammad Hashim Abdul Majeed Mukati	566,318	203,053	-	769,371	59,000	203,052	-	262,052
3	Mustafa Industries Plot No. 70, Sector 28, Korangi Industrial Area, Karachi.	Nisar Ali Bhagat 42201-0655748-5 Mohsin Ahmed Bhagat 42301-0800818-1 Muhammad Ahmed Bhagat 42201-0302913-1	Ahmed Bhagat Ahmed Bhagat Ahmed Bhagat	14,739	7,688	-	22,427	12,718	7,688	-	20,406

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up wavied	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
4	Graf Knits & Woven (Nisar Group) Nisar Garments Industries Nisar Textiles Corporation Plot No. 12/2, Sector 15, Korangi Industrial Area, Karachi.	Ejaz Hanif 42301-7223192-7 Rafiq Hanif 42301-6858026-1 Muhammad Nisar Hanif 42201-493338-9	Muhammad Hanif Muhammad Hanif Muhammad Hanif	44,941	217,982	68,111	331,034	-	213,365	68,111	281,476
5	Paramount Spining Mills Limited Registered Office: 2nd Floor, Finlay House, I.I. Chundrigarh Road, Karachi. Mills: S.I.T.E. Kotri, 18-Km Raiwind Road, Lahore.	Mian Tanveer Ahmed 42201-0350138-5 Mian Naseer Ahmed 42201-0632509-5	Abdul Shakoor Abdul Shakoor	95,775	43,120	-	138,895	73,870	43,011	-	116,881
6	Terry World Textiles House No.13, Block No. 7 & 8, C.P. Barar Society, Off Ameer Khusro Road, Karachi.	M. Yousuf Rangoonwala 42401-4056225-5 Abdul Nasir Rangoonwala 42401-5987443-1 Muhammad Aslam 42201-0131894-1 M. Shoaib Rangoonwala 42201-2012813-3 Mehmood Rangoonwala 42401-4046725-5 Sohail Ahmed 42201-7996040-1 Mrs.Naseema Abdul Nasir 42401-4589853-8	Ahmed Rangoonwala Ahmed Rangoonwala Ahmed Rangoonwala Ahmed Rangoonwala Ahmed Rangoonwala Ahmed Rangoonwala Abdul Nasir Rangoonwala	569,451	446,513	-	1,015,964	381,211	446,513	-	827,724
				1,947,854	954,504	170,370	3,072,728	526,799	913,629	146,518	1,586,946

Annexure - II

ISLAMIC BANKING BUSINESS

The holding company is operating 49 (2020: 32) Islamic banking branches and 218 (2020: 218) Islamic banking windows at the end of the year.

	Note	2021	2020
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		8,065,686	4,970,404
Balances with other banks		–	–
Due from financial institutions	1	3,500,000	1,000,000
Investments	2	30,384,762	27,627,085
Islamic financing and related assets - net	3	78,657,185	56,661,747
Fixed assets	4	635,471	481,094
Intangible assets		–	–
Due from Head Office	5	5,125,784	204,715
Other assets		3,017,036	3,345,634
		129,385,924	94,290,679
LIABILITIES			
Bills payable		1,445,125	786,085
Due to financial institutions		32,048,365	16,609,708
Deposits and other accounts	6	83,953,361	68,493,450
Due to Head Office		–	–
Subordinated debt		–	–
Other liabilities	7	2,731,703	2,615,582
		120,178,554	88,504,825
NET ASSETS		9,207,370	5,785,854
REPRESENTED BY			
Islamic Banking Fund		7,504,413	5,503,996
Reserves		–	–
Deficit on revaluation of assets		(725,275)	(1,085,694)
Unappropriated profit	8	2,428,232	1,367,552
		9,207,370	5,785,854
CONTINGENCIES AND COMMITMENTS	9		

The profit and loss account of the holding company's islamic banking branches for the year ended 31 December 2021 is as follows:

	Note	2021	2020
		Rupees in '000	
Profit / return earned	10	6,654,512	5,155,549
Profit / return expensed	11	(3,981,163)	(3,479,601)
Net Profit / return		2,673,349	1,675,948
Other income			
Fee and commission income		375,140	217,190
Dividend income		294	35,793
Foreign exchange income		103,780	112,680
Income / (loss) from derivatives		–	–
Gain on securities		70,693	254,201
Other income		5,210	38,948
Total other income		555,117	658,812
Total Income		3,228,466	2,334,760
Other expenses			
Operating expenses		911,598	768,786
Workers welfare fund		–	–
Other charges		609	605
Total other expenses		912,207	769,391
Profit before provisions		2,316,259	1,565,369
Reversal / (provisions) and (write offs) - net		111,973	(197,817)
Profit before taxation		2,428,232	1,367,552

1. Due from financial institutions

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
- Mudaraba placements	3,500,000	–	3,500,000	–	–	–
- Musharaka placements	–	–	–	1,000,000	–	1,000,000
	3,500,000	–	3,500,000	1,000,000	–	1,000,000

2. Investments by segments

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities								
- Ijarah Sukuk	19,523,163	–	(396,332)	19,126,831	15,750,214	–	(675,889)	15,074,325
- Bai-muajjal	–	–	–	–	3,608,688	–	–	3,608,688
- Islamic naya Pakistan certificate mudaraba investment pool	730,711	–	–	730,711	–	–	–	–
	20,253,874	–	(396,332)	19,857,542	19,358,902	–	(675,889)	18,683,013

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Non Government Debt Securities								
- Listed	7,076,163	–	(336,554)	6,739,609	7,678,877	–	(393,601)	7,285,276
- Unlisted	3,780,000	–	7,611	3,787,611	1,675,000	–	(16,204)	1,658,796
	10,856,163	–	(328,943)	10,527,220	9,353,877	–	(409,805)	8,944,072
Total Investments	31,110,037	–	(725,275)	30,384,762	28,712,779	–	(1,085,694)	27,627,085

3. Islamic financing and related assets - net

	2021				2020			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	583,298	128,997	–	712,295	189,891	4,772	–	194,663
Ijarah - islamic long term financing facility	74,207	–	–	74,207	74,207	–	–	74,207
Murabaha	6,105,881	563,205	–	6,669,086	5,111,746	207,331	–	5,319,077
Working capital musharaka	21,050,328	–	–	21,050,328	25,581,844	–	–	25,581,844
Diminishing musharaka	11,736,112	377,959	–	12,114,071	5,328,366	217,013	–	5,545,379
Salam	128,000	–	–	128,000	16,874	128,500	54,000	199,374
Istisna	2,677,387	3,040,426	–	5,717,813	1,642,581	2,152,364	8,820	3,803,765
Al-bai	536,632	–	16,961	553,593	136,797	–	25,577	162,374
Diminishing musharaka								
- Islamic long term financing facility	863,436	1,528,029	–	2,391,465	764,708	504,848	–	1,269,556
- Islamic refinance scheme for payment of wages and salaries	1,046,640	93,534	–	1,140,174	–	1,683,416	–	1,683,416
- Islamic financing facility for storage of agricultural produce	–	598,035	–	598,035	–	267,878	–	267,878
- Islamic temporary economic refinance facility	422,229	13,064,204	–	13,486,433	–	1,931,320	–	1,931,320
- Islamic financing facility for renewable energy	–	250,848	–	250,848	–	–	–	–
Islamic Export Refinance								
- Murabaha	760,819	–	–	760,819	1,137,138	43,565	–	1,180,703
- Working capital musharaka	10,257,000	–	–	10,257,000	3,191,540	-	–	3,191,540
- Salam	60,000	61,920	–	121,920	–	150,000	–	150,000
- Istisna	2,259,110	1,075,000	–	3,334,110	1,149,500	5,748,195	–	6,897,695
- Al-bai	7,832	–	–	7,832	–	–	31,773	31,773
Gross islamic financing and related assets	58,568,911	20,782,157	16,961	79,368,029	44,325,192	13,039,202	120,170	57,484,564
Less: provision against non-performing islamic financings								
- Specific	(704,654)	–	–	(704,654)	(822,665)			(822,665)
- General	(6,190)	–	–	(6,190)	(152)	–	–	(152)
	(710,844)	–	–	(710,844)	(822,817)	–	–	(822,817)
Islamic financing and related assets - net of provision	57,858,067	20,782,157	16,961	78,657,185	43,502,375	13,039,202	120,170	56,661,747

3.1 Ijarah

	2021						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2021
	As at 1 Jan 2021	Additions / (deletions)	As at 31 Dec 2021	As at 1 Jan 2021	Charge for the year / (deletions)	As at 31 Dec 2021	
	Rupees in '000						
Plant & Machinery	263,895	8,790	146,534	151,784	57,301	100,200	46,334
		(126,151)			(108,885)		
Vehicles	297,848	517,372	706,705	145,861	37,893	95,534	611,171
		(108,515)			(88,220)		
Total	561,743	291,496	853,239	297,645	(101,911)	195,734	657,505

	2020						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2020
	As at 1 Jan 2020	Additions / (deletions)	As at 31 Dec 2020	As at 1 Jan 2020	Charge for the year / (deletions)	As at 31 Dec 2020	
	Rupees in '000						
Plant & Machinery	398,702	85,908	263,895	204,879	83,695	151,784	112,111
		(220,715)			(136,790)		
Vehicles	307,547	11,845	297,848	116,050	43,355	145,861	151,987
		(21,544)			(13,544)		
Total	706,249	(144,506)	561,743	320,929	(23,284)	297,645	264,098

Future ijarah payments receivable

	2021				2020			
	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total
	Rupees in '000							
Ijarah rental receivables	175,196	349,795	30,733	555,724	146,823	134,963	26,120	307,906

	Note	2021	2020
		Rupees in '000	
3.2 Murabaha			
Murabaha financing	3.2.1	6,105,881	5,111,746
Advances for murabaha		563,205	207,331
		6,669,086	5,319,077
3.2.1 Murabaha receivable - gross	3.2.2	6,359,206	5,295,597
Less: Deferred murabaha income	3.2.4	(137,450)	(114,184)
Profit receivable shown in other assets		(115,875)	(69,667)
Murabaha financings		6,105,881	5,111,746
3.2.2 The movement in murabaha financing during the year is as follows:			
Opening balance		5,295,597	8,146,332
Sales during the year		18,390,918	13,934,339
Adjusted during the year		(17,327,309)	(16,785,074)
Closing balance		6,359,206	5,295,597
3.2.3 Murabaha sale price		18,390,918	13,934,339
Murabaha purchase price		(17,915,777)	(13,595,026)
		475,141	339,313
3.2.4 Deferred murabaha income			
Opening balance		114,184	213,623
Arising during the year		475,141	339,313
Less: recognised during the year		(451,875)	(438,752)
Closing balance		137,450	114,184

4. Fixed assets include right-of-use assets of Rs. 545,830 thousand and other liabilities include related lease liability of Rs 615,776 thousand.

5. Due from Head Office

Inter-branch transactions are made on Qard basis.

6. Deposits

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	23,212,725	4,463,870	27,676,595	12,133,804	4,477,348	16,611,152
Savings deposits	27,563,777	3,592,221	31,155,998	20,017,418	1,380,064	21,397,482
Term deposits	16,387,078	898,644	17,285,722	25,320,737	910,889	26,231,626
Others	1,675,068	–	1,675,068	1,009,910	–	1,009,910
	68,838,648	8,954,735	77,793,383	58,481,869	6,768,301	65,250,170
Financial Institutions						
Current deposits	65,030	2,277	67,307	138,324	–	138,324
Savings deposits	5,875,671	–	5,875,671	3,104,956	–	3,104,956
Term deposits	217,000	–	217,000	–	–	–
	6,157,701	2,277	6,159,978	3,243,280	–	3,243,280
	74,996,349	8,957,012	83,953,361	61,725,149	6,768,301	68,493,450

	2021	2020
	Rupees in '000	
6.1 Composition of deposits		
- Individuals	36,498,423	28,075,432
- Government / Public Sector Entities	3,906,109	1,812,640
- Banking Companies	3,002,984	2,002,918
- Non-Banking Financial Institutions	3,156,994	1,240,362
- Private Sector	37,388,851	35,362,098
	83,953,361	68,493,450
6.2 Particulars of deposits and other accounts		
- In local currency	74,996,349	61,725,149
- In foreign currencies	8,957,012	6,768,301
	83,953,361	68,493,450

6.3 This includes eligible deposits of Rs. 33,716,328 thousand which are covered under sharia compliant deposit protection mechanism as required by the Deposit Protection Corporation Circular no. 5 of 2018.

	2021	2020
	Rupees in '000	
7. It includes charity fund, details of which are given below:		
Charity fund		
Opening balance	–	2,137
Additions during the year		
Received from customers on account of delayed payment	122	105
Dividend purification amount	–	–
Profit on charity saving account	–	–
	122	105
Payments / utilization during the year		
Education	(114)	(650)
Health	(4)	(1,592)
	(118)	(2,242)
Closing balance	4	–

Charity paid to any single entity does not exceeds Rs 500,000.

8. Islamic banking business unappropriated profit		
Opening balance	1,367,552	1,088,033
Add: Islamic banking profit for the year	2,428,232	1,367,552
Less: taxation	–	–
Less: reserves	–	–
Less: transferred to head office	(1,367,552)	(1,088,033)
Closing balance	2,428,232	1,367,552

	2021	2020
	Rupees in '000	

9. Contingencies and commitments

Guarantees	8,252,346	6,333,142
Commitments	22,215,654	18,237,313
	30,468,000	24,570,455

10. Profit / return earned of financing, investments and placement

Profit earned on:		
Financing	4,265,981	2,232,445
Investments	2,186,307	2,326,245
Placements	202,224	596,859
	6,654,512	5,155,549

11. Profit on deposits and other dues expensed

Deposits and other accounts	3,475,334	3,279,484
Due to financial institutions	448,812	187,480
Lease liability against right-of-use assets	57,017	12,637
	3,981,163	3,479,601

12. Pool management

Pools maintained by the holding company's Islamic Banking Division (IBD), their key features and risk and reward characteristics

The holding company operates general and special pools for deposits and inter-bank funds accepted / acquired under mudaraba and musharakah modes. Under the general deposits pools , the holding company accepts funds on mudaraba basis fr om depositors (Rabb-ul-Maal) where the Bank acts as manager (mudarib) and invests the funds in shariah compliant modes of financing, investments and placements. IERS and other pools (special pools) are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to holding company's customers and liquidity management respectively under the Musharakah / Mudaraba modes. Further, holding company also contributes its equity and becomes the capital provider, where required.

Following pools are being managed by IBD

- General pool for local and foreign currencies for depositors
- Islamic export refinance scheme musharaka pool
- Special pool

All the mudaraba based remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBD's own share of equity, which is also co-mingled in the pool. The applications of these funds are on islamic financing and related assets, investments, and placements for generating profits to be shared among the depositors as per the weightage assigned.

The IERS Pool caters the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors:
- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

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

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

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

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

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

The holding company managed the following general and specific pools during the year:

General Remunerative / Specific Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio Mudarib Share / Fee	Profit sharing ratio Rabbul Maal Share	Mudarib share	Profit rate return distributed to remunerative deposits (savings)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
General pool					(Rupees in '000)			(Rupees in '000)
– PKR Pool	Monthly	6.22%	50.00%	50.00%	808,319	4.63%	2.72%	21,439
– USD Pool	Monthly	0.60%	90.00%	10.00%	4,055	0.19%	12.76%	517
Specific pools								
– Islamic Export Refinance (IERS) Pool	Quarterly	7.07%	86.88%	13.12%	300,367	Nil	0.00%	–
– Special Pool (Saving)	Monthly	9.02%	16.09%	83.91%	72,660	6.00%	20.48%	–
– Special Pool (TDR)	Monthly	8.46%	10.67%	89.33%	176,129	6.41%	0.00%	–

HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

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