



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the first quarter
ended 31 March 2020
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	62,295,827	70,713,833
Balances with other banks	7	4,986,741	2,691,101
Lendings to financial institutions	8	11,000,000	22,197,303
Investments	9	449,497,746	443,526,749
Advances	10	289,457,229	273,592,854
Fixed assets	11	8,559,238	8,381,391
Intangible assets	12	118,931	108,370
Deferred tax assets	13	1,083	3,710,134
Other assets	14	56,076,390	40,108,379
		881,993,185	865,030,114
LIABILITIES			
Bills payable	15	13,345,797	11,541,474
Borrowings	16	172,088,791	145,812,010
Deposits and other accounts	17	577,568,991	611,259,968
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	65,371,137	48,587,058
		828,374,716	817,200,510
NET ASSETS			
		53,618,469	47,829,604
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		18,011,452	17,706,354
Surplus/(deficit) on revaluation of assets - net of tax	19	3,991,378	(2,873,134)
Unappropriated profit		17,828,064	19,224,491
		50,309,209	44,536,026
Non-controlling interest		3,309,260	3,293,578
		53,618,469	47,829,604
CONTINGENCIES AND COMMITMENTS			
	20		

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2020

	Note	31 March 2020	31 March 2019 (Restated)
		Rupees in '000	
Mark-up / return / interest earned	22	20,872,712	14,166,590
Mark-up / return / interest expensed	23	(16,390,668)	(9,651,147)
Net mark-up / interest income		4,482,044	4,515,443
Non mark-up / interest income			
Fee and commission income	24	1,354,773	1,286,418
Dividend income		36,901	24,507
Foreign exchange income		782,001	457,628
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	25	104,705	10,578
Other income	26	10,477	18,675
Total non mark-up / interest income		2,288,857	1,797,806
Total Income		6,770,901	6,313,249
Non mark-up / interest expenses			
Operating expenses	27	3,562,300	3,106,843
Workers' welfare fund		68,184	61,829
Other charges	28	6,404	714
Total non-mark-up / interest expenses		(3,636,888)	(3,169,386)
Profit before provisions		3,134,013	3,143,863
(Provisions) / reversal and write offs - net	29	(484,126)	(133,628)
Extra ordinary / unusual items		-	-
Profit before taxation		2,649,887	3,010,235
Taxation	30	(1,011,380)	(1,449,395)
Profit after taxation		1,638,507	1,560,840
Profit attributable to:			
Equity shareholders of the holding company		1,553,209	1,477,762
Non-controlling interest		85,298	83,078
		1,638,507	1,560,840
		Rupees in '000	
Basic and diluted earnings per share	31	1.48	1.41

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

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Director

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Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2020

	31 March 2020	31 March 2019 (Restated)
	Rupees in '000	
Profit after taxation	1,638,507	1,560,840
Other comprehensive income		
Items that may be reclassified to profit and loss in subsequent periods:		
Effect of translation of net investment in an offshore branch	(203)	–
Movement in surplus on revaluation of investments - net of tax	6,795,757	551,565
Items that will not be reclassified to profit and loss in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(25,617)	18,878
Total comprehensive income	8,408,444	2,131,283
Equity share holders of the holding company	8,392,762	2,036,780
Non-controlling interest	15,682	94,503
	8,408,444	2,131,283

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MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2020

	Reserves					Surplus / (deficit) on revaluation		Un- appropriated profit	Sub total	Non- controlling interest	Total	
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments					Non- banking assets
	Rupees in '000											
Balance as at 1 January 2019	10,478,315	–	2,550,985	12,080,082	240,361	1,500,000	(5,741,590)	179,461	15,950,329	37,237,943	3,214,407	40,452,350
Profit after taxation (restated)	–	–	–	–	–	–	–	–	1,477,762	1,477,762	83,078	1,560,840
Other comprehensive income - net of tax	–	–	–	–	–	–	540,140	–	18,878	559,018	11,425	570,443
Total comprehensive income (restated)	–	–	–	–	–	–	540,140	–	1,496,640	2,036,780	94,503	2,131,283
Transfer to statutory reserve (restated)	–	–	–	293,185	–	–	–	–	(293,185)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	(708)	708	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2018	–	–	–	–	–	–	–	–	(2,095,663)	(2,095,663)	–	(2,095,663)
Balance as at 31 March 2019 (restated)	10,478,315	–	2,550,985	12,373,267	240,361	1,500,000	(5,201,450)	178,753	15,058,829	37,179,060	3,308,910	40,487,970
Profit after taxation	–	–	–	–	–	–	–	–	5,167,750	5,167,750	233,156	5,400,906
Other comprehensive income - net of tax	–	28	–	–	–	–	2,102,885	48,840	37,463	2,189,216	8,003	2,197,219
Total comprehensive income	–	28	–	–	–	–	2,102,885	48,840	5,205,213	7,356,966	241,159	7,598,125
Transfer to statutory reserve	–	–	–	1,041,713	–	–	–	–	(1,041,713)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	(2,162)	2,162	–	–	–
Transactions with owners, recorded directly in equity												
Profit distribution by First Habib Modaraba (Rs. 1.40 per certificate) for the period ended 30 June 2019	–	–	–	–	–	–	–	–	–	–	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.275 per certificate) for the period ended 30 June 2019	–	–	–	–	–	–	–	–	–	–	(2,475)	(2,475)
Balance as at 31 December 2019	10,478,315	28	2,550,985	13,414,980	240,361	1,500,000	(3,098,565)	225,431	19,224,491	44,536,026	3,293,578	47,829,604
Profit after taxation	–	–	–	–	–	–	–	–	1,553,209	1,553,209	85,298	1,638,507
Other comprehensive income - net of tax	–	(203)	–	–	–	–	6,865,373	–	(25,617)	6,839,553	(69,616)	6,769,937
Total comprehensive income	–	(203)	–	–	–	–	6,865,373	–	1,527,592	8,392,762	15,682	8,408,444
Transfer to statutory reserve	–	–	–	305,301	–	–	–	–	(305,301)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	(861)	861	–	–	–
Transactions with owners, recorded directly in equity												
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2019	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Balance as at 31 March 2020	10,478,315	(175)	2,550,985	13,720,281	240,361	1,500,000	3,766,808	224,570	17,828,064	50,309,209	3,309,260	53,618,469

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

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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2020

	Note	31 March 2020	31 March 2019 (Restated)
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,649,887	3,010,235
Less: Dividend income		(36,901)	(24,507)
		2,612,986	2,985,728
Adjustments			
Depreciation on fixed assets		263,763	225,824
Depreciation on right-of-use assets		193,884	176,092
Depreciation on non-banking assets		2,865	2,773
Amortization		17,891	32,836
Mark-up / return / interest earned on lease liability against right-of-use assets		113,784	113,751
Provisions and write offs excluding recovery of written off bad debts	29	484,634	135,295
Unrealized gain on held for trading securities		(41,594)	—
Net gain on sale of fixed assets		(4,097)	(3,616)
Provision against workers' welfare fund		68,184	61,829
Provision against compensated absences		12,329	14,150
Provision against defined benefit plan		44,649	42,486
		1,156,292	801,420
		3,769,278	3,787,148
(Increase) / decrease in operating assets			
Lendings to financial institutions		11,197,303	(36,052,870)
Advances		(16,178,969)	(10,486,795)
Other assets (excluding current taxation and including non-banking assets)		(6,815,437)	781,301
		(11,797,103)	(45,758,364)
Increase / (decrease) in operating liabilities			
Bills payable		1,804,323	(1,362,520)
Borrowings from financial institutions		28,283,973	18,898,139
Deposits and other accounts		(33,690,977)	15,424,337
Other liabilities (excluding current taxation)		4,720,964	907,192
		1,118,283	33,867,148
		(6,909,542)	(8,104,068)
Payment against compensated absences		(754)	(6,375)
Income tax paid		(913,788)	(863,636)
		(7,824,084)	(8,974,079)
Net cash flow used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in held-for-trading securities		(3,428,877)	—
Net investments in available-for-sale securities		7,839,747	13,221,780
Net investments in held-to-maturity securities		(9,801)	(5,066)
Dividend received		36,901	16,476
Investments in fixed assets		(510,524)	(533,273)
Investments in intangibles assets		(28,395)	(1,211)
Proceeds from sale of fixed assets		6,775	4,603
Net cash flow generated from investing activities		3,905,826	12,703,309
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(966)	(3,748)
Payment of lease liability against right-of-use assets		(195,950)	(151,633)
Net cash used in financing activities		(196,916)	(155,381)
Increase in cash and cash equivalents		(4,115,174)	3,573,849
Cash and cash equivalents at beginning of the year		69,298,085	46,905,159
Cash and cash equivalents at end of the year		65,182,911	50,479,008

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 31 MARCH 2020

1. STATUS AND NATURE OF BUSINESS

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

Holding Company

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The holding company operates 368 (31 December 2019: 362) branches, including 31 (31 December 2019: 31) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (31 December 2019: 30) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent with 51% shares in the holding company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, 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 1 June 2015 as a private limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.

First Habib Modaraba - 10% holding

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

Habib Metro Modaraba - 70% holding

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

2. BASIS OF PRESENTATION

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

2.2 Statement of Compliance

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

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IAS 34 or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 2 of 2018, as amended from time to time.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. RISK MANAGEMENT

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

The COVID-19 will have a serious impact on global economy. Governments and regulators across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Government of Pakistan and State Bank of Pakistan have taken various fiscal and regulatory measures to sustain economic activity and to maintain banking system soundness. The management reviewed the risk management policies and is of the view that the Group - with its robust compliance and control functions - has adequate capital and liquidity.

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		12,844,354	7,400,405
Foreign currencies		1,323,700	1,289,049
		14,168,054	8,689,454
With State Bank of Pakistan in			
Local currency current accounts		24,953,340	37,267,827
Foreign currency current account		70,682	64,248
Foreign currency deposit accounts			
- cash reserve account		5,813,791	5,663,551
- special cash reserve account		16,162,255	16,348,050
		47,000,068	59,343,676
With National Bank of Pakistan in			
Local currency current accounts		1,078,245	2,558,634
National Prize Bonds		49,460	122,069
		62,295,827	70,713,833
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		54,412	146,760
In deposit accounts		804,661	1,135,605
		859,073	1,282,365
Outside Pakistan			
In current accounts		4,127,668	1,408,736
		4,986,741	2,691,101
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Bai-muajjal receivable with the State Bank of Pakistan		-	7,507,303
Letters of placement	8.1	2,000,000	7,500,000
Musharakah placements	8.2	9,000,000	7,190,000
		11,000,000	22,197,303

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

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

9. INVESTMENTS

9.1 Investments by types

	31 March 2020 (Un-Audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Held-for-trading securities								
Federal government securities	3,428,877	–	41,594	3,470,471	–	–	–	–
Available-for-sale securities								
Federal government securities	392,989,193	–	5,833,711	398,822,904	401,863,579	–	(4,916,659)	396,946,920
Shares	1,614,146	(507,064)	(9,853)	1,097,229	891,935	(333,784)	171,177	729,328
Non-government debt securities	9,771,171	(127,319)	(19,364)	9,624,488	9,458,743	(130,559)	(39,636)	9,288,548
Mutual funds	29,702	(9,647)	954	21,009	29,702	(9,647)	9,656	29,711
Real estate investment trust	387,869	–	(25,899)	361,970	387,869	–	54,499	442,368
	404,792,081	(644,030)	5,779,549	409,927,600	412,631,828	(473,990)	(4,720,963)	407,436,875
Held-to-maturity securities								
Federal government securities	36,099,675	–	–	36,099,675	36,089,874	–	–	36,089,874
Total Investments	<u>444,320,633</u>	<u>(644,030)</u>	<u>5,821,143</u>	<u>449,497,746</u>	<u>448,721,702</u>	<u>(473,990)</u>	<u>(4,720,963)</u>	<u>443,526,749</u>

31 March
2020
 (Un-Audited)

31 December
 2019
 (Audited)

Rupees in '000

9.1.1 Investments given as collateral

Federal government securities

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

9.2 Provision for diminution in value of investments

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

9.2.2 Particulars of provision against debt securities

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

9.3 The market value of securities classified as held-to-maturity is Rs. 35,962,154 thousand (31 December 2019: Rs. 34,168,228 thousand).

10. ADVANCES

Note	Performing		Non-Performing		Total	
	31 March 2020 (Un-Audited)	31 December 2019 (Audited)	31 March 2020 (Un-Audited)	31 December 2019 (Audited)	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.						
In Pakistan	213,309,324	199,539,259	14,176,317	14,554,885	227,485,641	214,094,144
Islamic financing and related assets	33,861,082	31,850,902	842,679	853,946	34,703,761	32,704,848
Bills discounted and purchased	42,281,550	41,598,380	1,778,146	2,124,307	44,059,696	43,722,687
Advances - gross	289,451,956	272,988,541	16,797,142	17,533,138	306,249,098	290,521,679
Provision against non-performing advances						
- specific	—	—	(14,943,255)	(15,294,415)	(14,943,255)	(15,294,415)
- general	(1,848,614)	(1,634,410)	—	—	(1,848,614)	(1,634,410)
	(1,848,614)	(1,634,410)	(14,943,255)	(15,294,415)	(16,791,869)	(16,928,825)
Advances - net of provisions	287,603,342	271,354,131	1,853,887	2,238,723	289,457,229	273,592,854

10.1 It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 9,463,790 thousand and Rs. 204,618 thousand respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 25,035,353 thousand as disclosed in note 36.3 to these consolidated condensed interim financial statements.

10.2 Particulars of advances - gross

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
In local currency	262,763,026	248,763,551
In foreign currencies	43,486,072	41,758,128
	306,249,098	290,521,679

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

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

10.4 Particulars of provision against advances

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,294,415	1,634,410	16,928,825	15,324,500	1,236,190	16,560,690
Charge for the period / year	431,025	214,204	645,229	1,179,540	398,220	1,577,760
Reversals for the period / year	(330,635)	–	(330,635)	(1,197,378)	–	(1,197,378)
Net charge / (reversal) for the period / year	100,390	214,204	314,594	(17,838)	398,220	380,382
Amount written off	(451,550)	–	(451,550)	(12,247)	–	(12,247)
Closing balance	<u>14,943,255</u>	<u>1,848,614</u>	<u>16,791,869</u>	<u>15,294,415</u>	<u>1,634,410</u>	<u>16,928,825</u>

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

10.4.2 Particulars of provision against advances

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	448,004	1,848,614	2,296,618	14,877,139	1,634,410	16,511,549
In foreign currencies	14,495,251	–	14,495,251	417,276	–	417,276
	<u>14,943,255</u>	<u>1,848,614</u>	<u>16,791,869</u>	<u>15,294,415</u>	<u>1,634,410</u>	<u>16,928,825</u>

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

During the current period, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 28,359 thousand (31 December 2019: Rs. 315,348 thousand). Further, as of 31 March 2020, had the benefit of FSVs (including those availed into previous years) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 1,511,469 thousand (31 December 2019: Rs. 1,598,972 thousand) and accumulated profit would have been lower by Rs. 982,455 thousand (31 December 2019: Rs. 1,039,332 thousand). This amount of Rs. 982,455 thousand (31 December 2019: Rs. 1,039,332 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
11. FIXED ASSETS			
Capital work-in-progress	11.1	404,559	343,734
Property and equipment		4,369,536	4,186,336
Right-of-use assets		3,785,143	3,851,321
		8,559,238	8,381,391
11.1 Capital work-in-progress			
Civil works		286,861	243,323
Equipment		117,698	100,411
		404,559	343,734
		31 March 2020 (Un-Audited)	31 March 2019
Rupees in '000			

11.2 Additions to fixed assets

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

Capital work-in-progress (transfer to fixed assets) / additions - net	60,825	(71,936)
Property and equipment		
Building on leasehold land	—	149,101
Furniture and fixture	43,341	22,821
Electrical office and computer equipment	242,381	390,605
Vehicles	17,555	5,727
Lease hold improvement	146,422	36,955
	449,699	605,209
Right-of-use assets	131,326	56,700
	641,850	589,973

11.3 Disposal of fixed assets

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

Furniture and fixture	137	37
Electrical office and computer equipment	262	333
Vehicles	2,279	617
	2,678	987

12. INTANGIBLE ASSETS

Computer software
Management rights

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

77,331	66,770
41,600	41,600
118,931	108,370

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

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

28,395	1,211
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13. DEFERRED TAX ASSETS

Deductible temporary differences

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

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

225,410	165,897
1,916,937	2,024,464
—	1,674,879
54,836	40,979
926	1,494
2,198,109	3,907,713

Taxable temporary differences

Surplus on revaluation of investments
Surplus on revaluation of non-banking assets
Accelerated depreciation

(2,029,876)	—
(120,922)	(121,385)
(46,228)	(76,194)
(2,197,026)	(197,579)
1,083	3,710,134

Net deferred tax asset

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
14 OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		10,107,759	12,437,768
Income / mark-up / profit accrued in foreign currencies - net of provision		54,794	43,085
Advances, deposits, advance rent and other prepayments		456,679	374,300
Advance taxation (payments less provision)		759,651	837,013
Non-banking assets acquired in satisfaction of claims		415,703	417,244
Branch adjustment account		51	58
Mark to market gain on forward foreign exchange contracts		13,459,439	4,458,787
Acceptances		30,203,548	20,971,205
Receivable from the SBP against encashment of government securities		65,985	55,080
Stationery and stamps on hand		83,063	89,065
Others		334,904	289,140
		55,941,576	39,972,745
Provision against other assets	14.1	(210,678)	(211,182)
Other assets (net of provision)		55,730,899	39,761,563
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	345,492	346,816
		56,076,390	40,108,379
14.1 Provision held against other assets			
Operational loss		210,000	210,000
Other receivable		678	1,182
		210,678	211,182

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

15. BILLS PAYABLE

In Pakistan	13,345,797	11,541,474
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16. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan

Under export refinance scheme	49,948,014	36,842,480
Under long term financing facility - renewable energy	884,970	884,970
Under long term financing facility - locally manufactured plant and machinery	10,957,079	10,466,484
	61,790,063	48,193,934

Repurchase agreement borrowings (Repo)	103,928,038	89,397,739
Due against bills rediscounting	140,691	2,765,541
	165,858,792	140,357,214

Unsecured

Certificate of investment	4,030,342	1,247,947
Murhabaha financing	100,000	100,000
Overdrawn nostro accounts	2,099,657	4,106,849
	6,229,999	5,454,796
	172,088,791	145,812,010

17. DEPOSITS AND OTHER ACCOUNTS

	31 March 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits (non-remunerative)	150,903,477	28,055,611	178,959,088	146,277,565	26,743,116	173,020,681
Savings deposits	144,011,030	19,420,442	163,431,472	135,304,410	19,016,742	154,321,152
Term deposits	157,329,092	55,982,287	213,311,379	165,209,671	55,096,182	220,305,853
Others	12,549,217	1,054	12,550,271	10,525,924	979	10,526,903
	464,792,816	103,459,394	568,252,210	457,317,570	100,857,019	558,174,589

Financial institutions

Current deposits (non-remunerative)	1,410,318	1,415,070	2,825,388	1,353,086	1,019,552	2,372,638
Savings deposits	5,456,959	-	5,456,959	46,679,121	-	46,679,121
Term deposits	1,029,320	5,114	1,034,434	4,033,620	-	4,033,620
	7,896,597	1,420,184	9,316,781	52,065,827	1,019,552	53,085,379
	472,689,413	104,879,578	577,568,991	509,383,397	101,876,571	611,259,968

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		8,995,859	9,657,635
Mark-up / return / interest payable in foreign currencies		587,092	396,052
Unearned commission and income on bills discounted		159,792	200,781
Accrued expenses		1,540,867	999,003
Acceptances		30,203,548	20,971,205
Unclaimed dividend		110,815	111,781
Dividend payable		2,619,579	—
Mark to market loss on forward foreign exchange contracts		11,892,177	7,716,740
Provision for compensated absences		237,992	226,417
Deferred liability on defined benefit plan		200,757	116,624
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund	18.2	1,266,023	1,197,456
Charity fund balance		2,137	2,137
Excise duty payable		941	907
Locker deposits		830,817	817,043
Advance against diminishing musharakah		228,903	145,457
Advance rental for ijarah		6,925	2,739
Security deposits against leases / ijarah		622,212	642,570
Sundry creditors		1,180,416	743,366
Lease liability against right-of-use assets		3,894,029	3,846,508
Withholding tax / duties		261,172	404,091
Others		415,368	274,830
		65,371,137	48,587,058
18.1 Provision against off-balance sheet obligations			
Opening balance		113,716	113,716
Charge for the period / year		—	—
Closing balance		113,716	113,716

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

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

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

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

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Non-banking assets		345,492	346,816
- Available for sale securities	9.1	5,779,549	(4,720,963)
		6,125,041	(4,374,147)
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Non-banking assets		120,922	121,385
- Available for sale securities		2,029,876	(1,674,879)
		(2,150,798)	1,553,494
		3,974,243	(2,820,653)
Less: Deficit / (surplus) pertaining to non-controlling interest		17,135	(52,481)
		3,991,378	(2,873,134)
20. CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	81,832,102	81,881,337
Commitments	20.2	633,122,330	661,419,724
Other contingent liabilities	20.3	25,646,157	25,646,157
		740,600,589	768,947,218
20.1 Guarantees			
Financial guarantees		26,552,308	27,956,898
Performance guarantees		41,432,730	40,518,388
Other guarantees		13,847,064	13,406,051
		81,832,102	81,881,337
20.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		112,715,722	119,552,974
Commitments in respect of:			
Forward exchange contracts	20.2.1	517,471,636	538,997,600
Forward lendings	20.2.2	2,382,450	2,428,742
Acquisition of operating fixed assets		552,522	440,408
		633,122,330	661,419,724
20.2.1 Commitments in respect of forward exchange contracts			
Purchase		273,909,264	290,279,554
Sale		243,562,372	248,718,046
		517,471,636	538,997,600

20.2.2 Commitments in respect of forward lendings

The 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	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		———— Rupees in '000 ————	
Commitments in respect of syndicate financing		2,107,889	2,168,630
Commitments in respect of financing transaction		274,561	260,112
		<u>2,382,450</u>	<u>2,428,742</u>

20.3 Other contingent liabilities

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

20.3.1 Foreign exchange repatriation case

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

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

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

22. MARK-UP / RETURN / INTEREST EARNED

	31 March 2020	31 March 2019
	(Un-Audited)	
	Rupees in '000	
Loans and advances	7,674,032	5,682,219
Investments	12,219,537	7,012,732
Lending with financial institutions	909,006	1,399,055
Balance with other banks	70,137	72,584
	20,872,712	14,166,590

23. MARK-UP / RETURN / INTEREST EXPENSED

	31 March 2020	31 March 2019
	(Un-Audited)	
	(Restated)	
	Rupees in '000	
Deposits	11,215,004	8,113,809
Borrowings	3,420,190	799,379
Foreign currency swap cost	1,641,690	624,208
Lease liability against right-of-use assets	113,784	113,751
	16,390,668	9,651,147

24. FEE & COMMISSION INCOME

	31 March 2020	31 March 2019
	(Un-Audited)	
	Rupees in '000	
Branch banking customer fees	140,075	127,554
Credit related fees	12,577	15,904
Card related fees	103,860	82,369
Commission on trade	930,694	874,453
Commission on guarantees	91,570	122,444
Commission on remittances including home remittances	6,578	7,525
Commission on bancassurance	36,280	27,800
Others	33,139	28,369
	1,354,773	1,286,418

25. GAIN/(LOSS) ON SECURITIES

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

26. OTHER INCOME

Rent on properties	3,027	11,162
Gain on sale of fixed assets - net	4,097	3,616
Gain on sale of ijarah assets - net	185	2,971
Staff notice period and other recoveries	3,168	926
	10,477	18,675

27. OPERATING EXPENSES

	31 March 2020	31 March 2019 (Un-Audited) (Restated)
	Rupees in '000	
Total compensation expense	1,624,048	1,504,531
Property expense		
Rent & taxes	108,331	87,257
Insurance	1,320	1,245
Utilities cost	105,553	71,730
Security	109,893	90,021
Repair & maintenance	81,539	67,440
Depreciation	294,902	270,750
	701,538	588,443
Information technology expenses		
Software maintenance	31,522	29,427
Hardware maintenance	36,129	36,442
Depreciation	45,790	27,371
Amortisation	17,891	32,836
Network charges	56,580	45,212
	187,912	171,288
Other operating expenses		
Directors' fees and allowances	3,780	3,888
Fees and allowances to Shariah Board	2,784	2,416
Legal & professional charges	25,699	37,107
Outsourced services costs	73,374	61,052
Travelling & conveyance	64,976	58,614
NIFT clearing charges	20,408	18,933
Depreciation	116,955	103,767
Depreciation - non-banking assets	2,865	2,773
Training & development	1,618	6,814
Postage & courier charges	27,175	22,866
Communication	29,373	26,569
Subscription	58,163	36,928
Repair & maintenance	26,220	21,684
Brokerage & commission	50,305	25,492
Stationery & printing	68,669	60,044
Marketing, advertisement & publicity	28,040	17,628
Management fee	119,490	86,817
Insurance	152,308	120,716
Donations	28,290	25,410
Auditors Remuneration	7,196	4,934
Others	141,114	98,129
	1,048,802	842,581
Total	3,562,300	3,106,843

	Note	31 March 2020	31 March 2019 (Un-Audited)
		— Rupees in '000 —	—
28. OTHER CHARGES			
Penalties imposed by the SBP		6,404	714
29. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments - net	9.2.1	170,040	5,465
Provision / (reversal) of provision against loan & advances - net	10.4	314,594	129,830
Reversal of provision against other assets		—	—
Recovery of written off bad debts		(508)	(1,667)
		484,126	133,628
30. TAXATION			
Current		991,533	1,163,690
Prior year		—	300,546
Deferred		19,847	(14,841)
		1,011,380	1,449,395
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit attributable to equity shareholders of the holding company		1,553,209	1,477,762
		— Number in '000 —	—
Weighted average number of ordinary shares		1,047,831	1,047,831
		— Rupees —	—
Basic and diluted earnings per share		1.48	1.41

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

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

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

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

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

On balance sheet financial instruments

	31 March 2020 (Un-Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	3,470,471	-	3,470,471	-	3,470,471
- Available-for-sale securities					
Federal government securities	398,822,904	-	398,822,904	-	398,822,904
Sukuk certificates and bonds	6,495,187	-	6,495,187	-	6,495,187
Ordinary shares of listed companies	1,041,785	1,041,785	-	-	1,041,785
Mutual funds - open end	12,743	-	12,743	-	12,743
- close end	8,266	8,266	-	-	8,266
Real estate investment trust	361,970	361,970	-	-	361,970
Listed term finance certificates	3,120,742	-	3,120,742	-	3,120,742
Unlisted term finance certificates	8,559	-	8,559	-	8,559
Financial assets not measured at fair value - disclosed but not measured at fair value					
- Cash and balances with treasury banks	62,295,827	-	-	-	-
- Balances with other banks	4,986,741	-	-	-	-
- Lendings to financial institutions	11,000,000	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,099,675	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	289,457,229	-	-	-	-
- Other assets	54,226,429	-	-	-	-
	<u>871,463,972</u>	<u>1,412,021</u>	<u>411,930,606</u>	<u>-</u>	<u>413,342,627</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	761,195	-	761,195	-	761,195
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	273,909,264	-	284,446,328	-	284,446,328
- Forward sale of foreign exchange contracts	243,562,372	-	252,532,174	-	252,532,174

On balance sheet financial instruments

31 December 2019 (Audited)

	Carrying / notional value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	396,946,920	–	396,946,920	–	396,946,920
Sukuk certificates and bonds	6,184,534	–	6,184,534	–	6,184,534
Ordinary shares of listed companies	673,884	673,884	–	–	673,884
Mutual funds - open end	18,573	–	18,573	–	18,573
- close end	11,138	11,138	–	–	11,138
Real estate investment trust	442,368	442,368	–	–	442,368
Listed term finance certificates	3,095,455	–	3,095,455	–	3,095,455
Unlisted term finance certificates	8,559	–	8,559	–	8,559

**Financial assets not measured
at fair value**

- Cash and balances with treasury banks	70,713,833	–	–	–	–
- Balances with other banks	2,691,101	–	–	–	–
- Lendings to financial institutions	22,197,303	–	–	–	–
- Investments					
- Held-to-maturity securities					
Federal government securities	36,089,874	–	–	–	–
Certificates of investments	–	–	–	–	–
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	–	–	–	–
- Advances	273,592,854	–	–	–	–
- Other assets	38,255,065	–	–	–	–
	<u>850,976,905</u>	<u>1,127,390</u>	<u>406,254,041</u>	<u>–</u>	<u>407,381,431</u>

Non-financial assets measured at fair value

- Non-banking assets acquired in satisfaction of claim	<u>764,060</u>	<u>–</u>	<u>764,060</u>	<u>–</u>	<u>764,060</u>
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**Off-balance sheet financial instruments
measured at fair value**

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

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

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

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	31 March 2020 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	10,296,781	(5,864,329)	49,592	4,482,044
Inter segment revenue - net	(9,011,008)	7,099,666	1,911,342	-
Non mark-up / return / interest income	(268,069)	100,378	2,456,548	2,288,857
Total income	1,017,704	1,335,715	4,417,482	6,770,901
Segment direct expenses	(108,042)	-	(47,120)	(155,162)
Inter segment expense allocation	-	(1,069,587)	(2,412,139)	(3,481,726)
Total expenses	(108,042)	(1,069,587)	(2,459,259)	(3,636,888)
Provisions	(170,040)	(353)	(313,733)	(484,126)
Profit before tax	739,622	265,775	1,644,490	2,649,887
Balance Sheet				
Cash and bank balances	4,128,045	28,902,943	34,251,580	67,282,568
Investments	449,497,746	-	-	449,497,746
Net inter segment lending	-	256,942,819	80,719,431	337,662,250
Lendings to financial institutions	11,000,000	-	-	11,000,000
Advances - performing	-	3,552,547	285,899,409	289,451,956
Advances - non-performing	-	14,728	16,782,414	16,797,142
Provision against advances	-	(18,491)	(16,773,378)	(16,791,869)
Others	19,347,161	2,699,450	42,709,031	64,755,642
Total assets	483,972,952	292,093,996	443,588,487	1,219,655,435
Borrowings	106,168,386	-	65,920,405	172,088,791
Subordinated debt	-	-	-	-
Deposits & other accounts	-	264,181,176	313,387,815	577,568,991
Net inter segment borrowing	337,662,250	-	-	337,662,250
Others	12,253,817	10,238,713	56,224,404	78,716,934
Total liabilities	456,084,453	274,419,889	435,532,624	1,166,036,966
Equity	27,888,499	17,674,107	8,055,863	53,618,469
Total equity & liabilities	483,972,952	292,093,996	443,588,487	1,219,655,435
Contingencies & commitments	517,471,636	99,427	223,029,526	740,600,589

31 March 2019 (Un-Audited)

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	7,951,964	(3,489,615)	53,094	4,515,443
Inter segment revenue - net	(6,715,439)	4,802,367	1,913,072	-
Non mark-up / return / interest income	(256,643)	95,913	1,958,536	1,797,806
Total income	979,882	1,408,665	3,924,702	6,313,249
Segment direct expenses	(70,147)	-	-	(70,147)
Inter segment expense allocation	-	(906,283)	(2,192,956)	(3,099,239)
Total expenses	(70,147)	(906,283)	(2,192,956)	(3,169,386)
Provisions	(5,465)	389	(128,552)	(133,628)
Profit before tax	904,270	502,771	1,603,194	3,010,235

31 December 2019 (Audited)

Balance Sheet				
Cash and bank balances	1,408,898	29,210,677	42,785,359	73,404,934
Investments	443,526,749	-	-	443,526,749
Net inter segment lending	-	240,325,478	117,585,753	357,911,231
Lendings to financial institutions	22,197,303	-	-	22,197,303
Advances - performing	-	3,416,247	269,572,294	272,988,541
Advances - non-performing	-	14,728	17,518,410	17,533,138
Provision against advances	-	(18,138)	(16,910,687)	(16,928,825)
Others	13,146,487	2,467,870	36,693,917	52,308,274
Total assets	480,279,437	275,416,862	467,245,046	1,222,941,345
Borrowings	97,618,076	-	48,193,934	145,812,010
Subordinated debt	-	-	-	-
Deposits and other accounts	-	252,753,562	358,506,406	611,259,968
Net inter segment borrowing	357,911,231	-	-	357,911,231
Others	8,106,382	8,725,655	43,296,495	60,128,532
Total liabilities	463,635,689	261,479,217	449,996,835	1,175,111,741
Equity	16,643,748	13,937,645	17,248,211	47,829,604
Total equity & liabilities	480,279,437	275,416,862	467,245,046	1,222,941,345
Contingencies & commitments	538,997,600	-	489,801,506	1,028,799,106

34. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 March 2020 (Un-Audited)					
	Ultimate Parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	171,474	-	191,428	-	-	362,902
Advances						
Opening balance	366	4,144,390	222,737	-	-	4,367,493
Addition during the period	-	7,687,336	3,884	-	-	7,691,220
Repaid during the period	(141)	(7,945,213)	(25,647)	-	-	(7,971,001)
Closing balance	225	3,886,513	200,974	-	-	4,087,712
Other assets						
Mark-up / return / interest accrued	-	6,674	-	-	-	6,674
Prepayments / advance deposits / Other receivables	-	14,905	-	-	-	14,905
	-	21,579	-	-	-	21,579
Deposits						
Opening balance	529,172	11,234,004	262,708	785,494	940,576	13,751,954
Received during the period	4,657,474	384,557,505	200,570	248,599	180,976	389,845,124
Withdrawn during the period	(4,702,927)	(388,182,146)	(186,442)	(209,425)	(268,842)	(393,549,782)
Closing balance	483,719	7,609,363	276,836	824,668	852,710	10,047,296
Other liabilities						
Mark-up / return / interest payable	-	372,801	1,093	6,080	598,894	978,868
Management fee payable for technical and consultancy services*	282,018	-	-	-	-	282,018
Payable against purchase of securities	44,709	-	-	-	-	44,709
Other payables	-	11,881	-	-	200,757	212,638
	326,727	384,682	1,093	6,080	799,651	1,518,233
Contingencies & commitments						
Transaction-related contingent liabilities	-	8,193,940	-	-	-	8,193,940
Trade-related contingent liabilities	-	2,777,111	-	-	-	2,777,111
	-	10,971,051	-	-	-	10,971,051

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

31 December 2019 (Audited)

	Ultimate Parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	111,070	79,224	–	–	–	190,294
Advances						
Opening balance	890	2,820,520	115,507	–	–	2,936,917
Addition during the year	190	35,163,266	133,279	–	–	35,296,735
Repaid during the year	(714)	(33,839,396)	(26,049)	–	–	(33,866,159)
Closing balance	366	4,144,390	222,737	–	–	4,367,493
Other assets						
Mark-up / return / interest accrued	–	14,298	–	–	–	14,298
Prepayments / advance deposits /						
Other receivables	–	5,604	–	–	–	5,604
Receivable against						
purchase of securities	(23,967)	–	–	–	–	(23,967)
	(23,967)	19,902	–	–	–	(4,065)
Borrowings						
Opening balance	8,822	–	–	–	–	8,822
Borrowings during the year	–	–	–	–	–	–
Settled during the year	(8,822)	–	–	–	–	(8,822)
Closing balance	–	–	–	–	–	–
Deposits						
Opening balance	396,056	16,304,007	163,874	731,175	3,689,624	21,284,736
Received during the year	12,533,574	1,567,337,165	1,869,293	2,171,678	8,292,965	1,592,204,675
Withdrawn during the year	(12,400,458)	(1,572,407,168)	(1,770,459)	(2,117,359)	(11,042,013)	(1,599,737,457)
Closing balance	529,172	11,234,004	262,708	785,494	940,576	13,751,954
Other liabilities						
Mark-up / return / interest payable	–	368,328	2,960	6,541	569,618	947,447
Management fee payable for						
technical and consultancy services*	188,163	–	–	–	–	188,163
Other payables	–	6,332	–	–	116,624	122,956
	188,163	374,660	2,960	6,541	686,242	1,258,566
Contingencies & commitments						
Transaction-related contingent liabilities	–	8,166,062	–	–	–	8,166,062
Trade-related contingent liabilities	–	1,387,860	–	–	–	1,387,860
Commitment against operating leases	–	–	–	–	–	–
	–	9,553,922	–	–	–	9,553,922

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

Transactions during the period

	For the period ended 31 March 2020 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Income					
Mark-up / return / interest earned	142	11,714	3,384	–	–
Fee and commission income	2,818	75,473	–	12	–
Rent income	1,404	–	–	–	–
Expense					
Mark-up/return/interest expensed	–	295,949	7,010	20,055	34,778
Commission / brokerage / bank charges paid	250	282	–	–	–
Salaries and allowances	–	–	141,609	–	–
Directors' fees and allowances	–	–	–	3,780	–
Charge to defined benefit plan	–	–	–	–	44,649
Contribution to defined contribution plan	–	–	–	–	53,875
Rent expenses	–	3,665	–	–	–
Insurance premium expenses	–	8,709	–	–	–
Maintenance, electricity, stationery & entertainment	–	18,437	–	–	–
Management fee expense for technical and consultancy services*	128,681	–	–	–	–
Donation	–	1,480	–	–	–
Professional / other charges	–	196	–	–	–

Transactions during the period

	For the period ended 31 March 2019 (Un-Audited)				
	Holding company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Income					
Mark-up / return / interest earned	290	36,960	3,597	–	–
Fee and commission income	1,392	17,241	–	12	–
Rent income	1,404	–	–	–	–
Expense					
Mark-up/return/interest expensed	–	404,774	9,672	14,338	107,835
Commission / brokerage / bank charges paid	204	370	–	–	–
Salaries and allowances	–	–	120,971	–	–
Directors' fees and allowances	–	–	–	3,888	–
Charge to defined benefit plan	–	–	–	–	42,450
Contribution to defined contribution plan	–	–	–	–	48,204
Rent expenses	–	3,482	–	–	–
Insurance premium expenses	–	7,053	–	–	–
Maintenance, electricity, stationery & entertainment	–	26,307	–	–	–
Management fee expense for technical and consultancy services*	85,477	–	–	–	–
Donation	–	1,480	–	–	–
Professional / other charges	–	684	–	–	–

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,478,315	10,478,315
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	46,688,959	44,712,650
Eligible Additional Tier 1 (ADT 1) Capital	110,585	117,613
Total eligible tier 1 capital	46,799,544	44,830,263
Eligible tier 2 capital	5,799,731	1,830,431
Total eligible capital (tier 1 + tier 2)	52,599,275	46,660,694
Risk Weighted Assets (RWAs):		
Credit risk	281,302,237	273,659,520
Market risk	2,665,384	1,694,641
Operational risk	43,067,830	43,067,830
Total	327,035,451	318,421,991
Common equity tier 1 capital adequacy ratio	14.28%	14.04%
Tier 1 capital adequacy ratio	14.31%	14.08%
Total capital adequacy ratio	16.08%	14.65%
Minimum capital requirements prescribed by SBP		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	12.50%

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

Leverage Ratio (LR):		
Eligible tier-1 capital	46,799,544	44,830,263
Total exposures	1,112,962,996	1,099,575,387
Leverage ratio	4.20%	4.08%

36. ISLAMIC BANKING BUSINESS

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

	Note	31 March 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		7,720,893	5,696,506
Balances with other banks		—	—
Due from financial institutions	36.1	9,000,000	22,197,303
Investments	36.2	12,182,269	14,718,222
Islamic financing and related assets - net	36.3	24,210,223	22,425,248
Fixed assets	36.4	495,020	522,276
Intangible assets		—	—
Due from Head Office		16,018,948	3,950,351
Other assets		2,387,992	2,825,100
Total Assets		72,015,275	72,335,006
LIABILITIES			
Bills payable		538,407	718,549
Due to financial institutions		6,306,637	4,275,353
Deposits and other accounts	36.5	59,681,305	61,261,923
Due to Head Office		—	—
Subordinated debt		—	—
Other liabilities		2,544,363	1,980,357
		69,070,712	68,236,182
NET ASSETS		2,944,563	4,098,824
REPRESENTED BY			
Islamic Banking Fund		3,004,168	3,003,871
Reserves		—	—
Surplus on revaluation of assets		4,889	6,920
Unappropriated profit		(64,494)	1,088,033
		2,944,563	4,098,824

CONTINGENCIES AND COMMITMENTS

36.6

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

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

36.1 Due from Financial Institutions

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

36.2 Investments by segments:

	31 March 2020 (Unaudited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities:								
Bai-muajjal	3,608,842	—	—	3,608,842	3,608,688	—	—	3,608,688
Non Government Debt Securities								
Listed	5,694,574	—	1,984	5,696,558	5,378,650	—	2,901	5,381,551
Unlisted	2,873,964	—	2,905	2,876,869	5,723,964	—	4,019	5,727,983
	8,568,538	—	4,889	8,573,427	11,102,614	—	6,920	11,109,534
Total Investments	12,117,380	—	4,889	12,182,269	14,711,302	—	6,920	14,718,222

	31 March 2020	31 December 2019
	Rupees in '000	

36.3 Islamic financing and related assets - net

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

36.4 Fixed assets and other liabilities

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

36.5 Deposits

Customers

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

Financial Institutions

Current deposits	81,093	851
Savings deposits	1,662,433	4,040,132
Term deposits	—	525,000
	<u>1,743,526</u>	<u>4,565,983</u>
	<u>59,681,305</u>	<u>61,261,923</u>

36.6 Contingencies and commitments

Guarantees	4,461,699	4,646,271
Commitments	7,909,309	4,175,877
	<u>12,371,008</u>	<u>8,822,148</u>

36.7 Profit / return earned of financing, investments and placement

Profit earned on:

Financing	527,709	413,639
Investments	521,499	333,111
Placements	330,071	265,993
	<u>1,379,279</u>	<u>1,012,743</u>

36.8 Profit on deposits and other dues expensed

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

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

37. GENERAL

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

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

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

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

38. DATE OF AUTHORISATION FOR ISSUE

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

FIRASAT ALI
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

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