

HABIBMETRO



HABIBMETRO

ANNUAL  
REPORT  
2022



هَذَا فَضْلُكَ

# OUR VISION

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



---

# OUR VALUES

---

## RESPECT

We respect our heritage, our team's dedication, and our customers' faith in us.

## INTEGRITY

We set high professional and ethical standards for ourselves and each other.

## TEAMWORK

We play to our strengths and build teams that deliver at the local and global levels.

## RESPONSIBILITY

We take responsibility for ourselves, our actions, and always give our best.

## COMMITMENT

We are committed to responding to the needs of our customers.

## TRUST

We safeguard the trust that our customers place in us, and foster the same with passion.



## CONTENTS

Corporate Information	03
Our Board of Directors	04
Our Management	06
Financial Highlights	08
Chairman's Review to the Shareholders	10
Directors' Report to the Shareholders	12
Corporate Governance	22
Statement of Compliance with the Code of Corporate Governance	26
Independent Auditors' Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	29
Statement of Internal Controls	30
Report of Shari'ah Board	31
Independent Auditors' Report to the Members	35
Unconsolidated Statement of Financial Position	38
Unconsolidated Profit and Loss Account	39
Unconsolidated Statement of Comprehensive Income	40
Unconsolidated Statement of Changes in Equity	41
Unconsolidated Cash Flow Statement	42
Notes to the Unconsolidated Financial Statements	43
Pattern of Shareholdings	131
Consolidated Financial Statements	135
شریعہ بورڈ رپورٹ	240
ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز	250
Branch Network	251
Notice of Annual General Meeting	256
Proxy Form	

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### CHAIRMAN

Mohamedali R. Habib

#### PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

#### DIRECTORS

Anjum Z. Iqbal

Firasat Ali

Hamza Habib

Mohomed Bashir

Muhammad H. Habib

Rashid Ahmed Jafer

Tahira Raza

### BOARD COMMITTEES

#### AUDIT

Anjum Z. Iqbal

Hamza Habib

Rashid Ahmed Jafer

#### CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

Rashid Ahmed Jafer

#### HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohamedali R. Habib

Tahira Raza

#### SHARIAH BOARD

Tan Sri Dr. Mohd. Daud Bakar - Chairman

Mufti Abdul Sattar Laghari - Member

Mufti Khawaja Noor ul Hassan - Resident Member

#### COMPANY SECRETARY

Ather Ali Khan

#### REGISTERED OFFICE

Ground Floor, HABIBMETRO Head Office

I. I. Chundrigar Road,

Karachi - 74200, Pakistan

#### INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

#### SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B,

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

Karachi - 74400



---

## OUR BOARD OF DIRECTORS



**Mr. Mohamedali R. Habib**  
Chairman

Mohamedali R. Habib is a graduate in Business Management – Finance from Clark University, USA. He holds a Post Graduate Diploma in General Management from Stanford – National University of Singapore. Mohamedali has worked a decade in the corporate sector and almost three decades in the banking sector. He is currently serving as the Group CEO of Habib Bank AG Zurich.



**Mr. Muhammad H. Habib**  
Director

Muhammad H. Habib is a banker by profession, with over 33 years of experience. He is presently the President of Habib Bank AG Zurich. Additionally, he holds directorships of HBZ Bank Ltd., South Africa, Habib Canadian Bank, Canada, and Gefan Finanz AG, Switzerland. Muhammad is a graduate in Finance from Babson College, Boston MA. USA.



**Mr. Mohsin Ali Nathani**  
President & CEO

Mohsin Ali Nathani holds an MBA degree from Institute of Business Administration, Karachi. He is a seasoned corporate banker with over 25 years of banking experience, covering Asia, Middle East and Levant regions. He is serving as the President & CEO of HABIBMETRO Bank since 2018. Previously, Mohsin has served as the CEO of Standard Chartered UAE and Standard Chartered Pakistan Limited. Prior to that, he managed Barclays Bank Pakistan as their Country Head and Managing Director. He is currently on the Board of Directors of I-Care Pakistan and Abbott Laboratories. He is also the President of Swiss Business Council. He has previously served as a Director of CDC, Kidney Centre; and as a trustee in the IBA Endowment Fund.



**Mr. Anjum Z. Iqbal**  
Director

Anjum Iqbal holds a Bachelor's degree in Commerce from the University of Karachi, and a Master's degree in Business Administration (MBA) in Marketing and Finance from the Institute of Business Administration (IBA), University of Karachi, Pakistan.

Anjum is a Non-Executive Director on the Board of Habib Metropolitan Bank Limited since October 2016. Earlier, he remained President and Chief Executive Officer of HABIBMETRO during 2009 and 2012.



**Mr. Rashid Ahmed Jafer**  
Director

Rashid Ahmed Jafer has an experience of 37 years with M/s. A.F. Ferguson & Co., including 23 years as a partner at the organization. Rashid is a fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and enjoys an expertise in statutory audit.



**Mr. Mohomed Bashir**  
Director

Mohomed Bashir holds a fellow membership of Chartered Institute of Management Accountants (C.I.M.A), UK. Presently, Bashir is the Chairman of Gul Ahmed Textile Mills Ltd., and also holds directorship of Gul Ahmed Energy Ltd., Gul Ahmed Holdings (Pvt.) Ltd., GTM (Europe) Ltd., UK and Gul Ahmed International Ltd., (FZC) UAE, etc.



**Mr. Firasat Ali**  
Director

Firasat Ali is presently the CEO of "The Centre for Change" - a think tank that caters to varied needs of change and its proper management for individuals, organizations and other pertinent segments. Firasat has served as an adviser at the USAID, UNDP and various government/private organizations.



**Mr. Hamza Habib**  
Director

Hamza Habib graduated from Babson College in Wellesley, Massachusetts (USA) in 2009, with a Bachelor of Science in Business Management. He is a Certified Director from Pakistan Institute of Corporate Governance.

Hamza became a non-executive director of Habib Metropolitan Bank Ltd in 2020. He is also a director on the Board of Agriauto Industries Ltd, a PSX listed company and Habib Bank Zurich (HK) Ltd. He has over 12 years of banking experience.



**Ms. Tahira Raza**  
Director

Tahira Raza is a Master in Business Administration (MBA) in Banking and Finance from the Institute of Business Administration (IBA), and is a banking diploma holder from the Institute of Bankers Pakistan (IBP). She has an experience of over four decades in the banking industry of Pakistan. Previously, Tahira has served as the President and Chief Executive Officer of First Women Bank Limited.

---

## OUR MANAGEMENT





**Asad Ali**  
Head of Human Resources

**Haris Ahmed**  
Joint Head Commercial North

**Saleemullah Shaikh**  
Head of Islamic Banking

**Syed Hasnain Haider Rizvi**  
Head of Compliance  
& Legal

**Syed Ather Ahmed**  
Head of Commercial Banking  
(South) & FI

**Sheeza Ahmed**  
Head of Marketing &  
Corporate Communications



**Mohsin Ali Nathani**  
President & Chief Executive

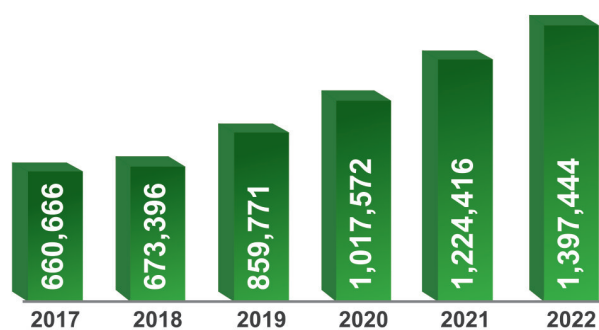
**Zulfiqar Alavi**  
Chief Risk Officer

**Wahid Younus Dada**  
Group Executive Operations & Remedial Management

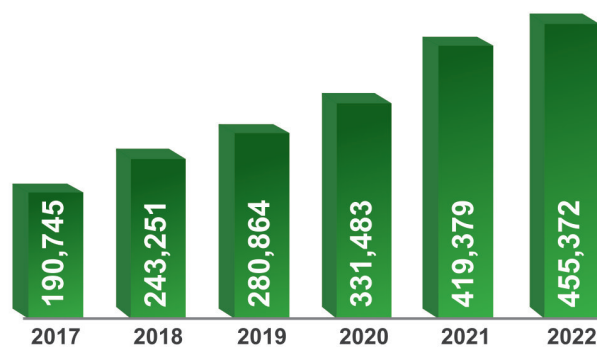
# FINANCIAL HIGHLIGHTS

(Rs. in Million)

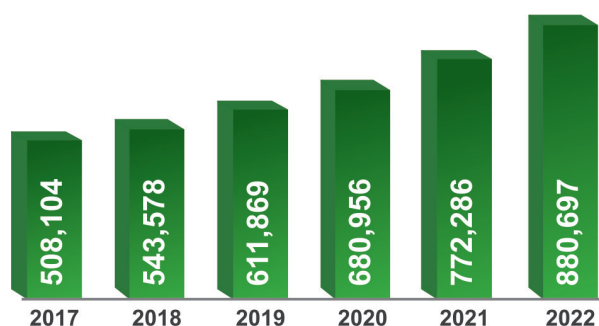
## Total Assets



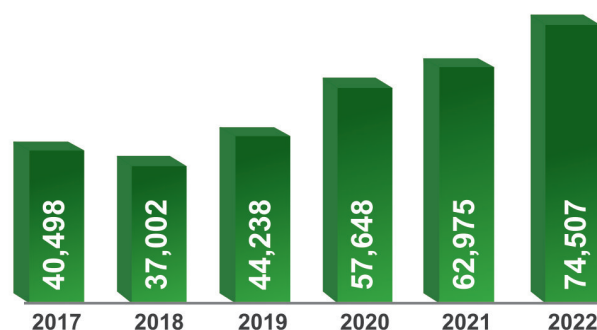
## Advances - Gross



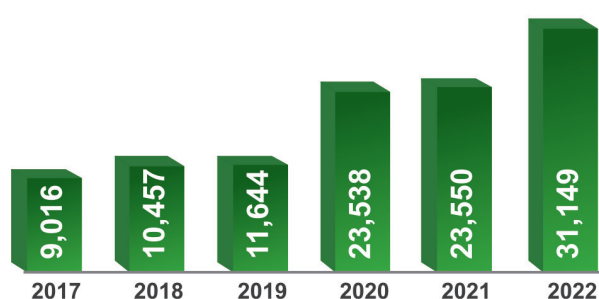
## Total Deposits



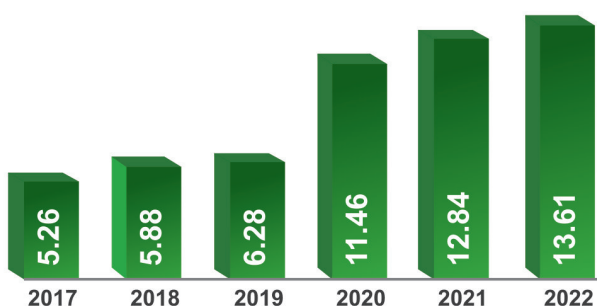
## Shareholder's Equity



## Operating Profit



## EPS (In Rs.)





# AWARDS AND ACCOLADES



**The IRBA Excellence  
Award - Islamic Banking  
Strategy For Global  
Growth 2022**

Islamic Retail  
Banking Awards

**Best Bank For:  
Transaction Banking  
Services, Cash Management,  
Payments & Collections,  
(Pakistan) 2022**

Global Transaction  
Banking Innovation Awards

**Best  
Mid-Sized  
Bank 2022  
(Runner-Up)**

CFA Pakistan  
Awards

## CHAIRMAN'S REVIEW



Dear Shareholders,

On behalf of the directors of Habib Metropolitan Bank, it gives me pleasure to present this report on overall performance of the Bank and effectiveness of the role played by the Board of Directors in achieving objectives of the Bank, together with the financial statements of the Bank for the year ended 31 December 2022. The operating financial results and appropriations on an unconsolidated basis, as recommended by the Board of Directors, are summarized below:

	Rupees in '000
<b>Profit before provisions and tax</b>	31,148,712
Provisions and write offs - net	(3,531,453)
<b>Profit before tax</b>	27,617,259
Taxation	(13,356,536)
<b>Profit after tax</b>	14,260,723
Un-appropriated profit brought forward	30,198,569
Transfer from surplus on revaluation of assets - net of tax	91,517
Other comprehensive income	4,816
Profit available for appropriation	44,555,625
<b>Appropriations:</b>	
Transfer to Statutory Reserve	(2,852,145)
Cash dividend (Rs. 3.00 per share) - 2021	(3,143,494)
Interim Cash dividend (Rs. 2.00 per share) - 2022	(2,095,663)
	(8,091,302)
<b>Un-appropriated profit carried forward</b>	36,464,323

The Directors are pleased to propose a final cash dividend of Rs. 3.25 per share (32.5%) for the year under review. This is in addition to the interim cash dividend of Rs. 2.00 per share (20%) already paid. As such, the total dividend for the year 2022 amounts to Rs. 5.25 per share (52.5%).

During the year under review, Pakistan faced macro-economic challenges which have increased manifold as the country goes forward towards the end of FY 2023.

By the Grace of Allah, your Bank continues to make steady progress. The total assets reached Rs. 1.4 trillion, gross advances increased to Rs. 455.4 billion at year-end with 8.6% growth. Bank's deposits increased to Rs. 880.7 billion as compared to Rs. 772.3 billion at the end of previous year.

HABIBMETRO delivered profit before tax of Rs. 27.62 billion for the year 2022. The performance translates into after tax earnings of Rs. 13.61 per share after absorbing the increase in effective tax rates on banking sector from 39% to 49%.

At year-end, HABIBMETRO'S equity stands at Rs. 74.51 billion, with a capital adequacy level of 14.61% against the required 11.50%.

The primary role of the Board is to set the overall strategy for the Bank and enhance its long-term strategic value. The Board's focus remains the overall governance structure to ensure effective oversight of the business, establishing a risk & control framework, determining Bank's level of risk tolerance through different policies and documents relating to operational, regulatory, compliance; and financial performance of the Bank.



The composition of the Board has been established to ensure the availability of a pool of resources with relevant knowledge and experience to manage the strategic objectives of the Bank. It comprises of three independent directors including one female director and five non-executive directors.

The Board ensures that the business of the Bank is conducted in an efficient and effective manner within an established framework of effective system of internal controls, robust risk management processes and compliance with regulatory requirements. In the course of discharging its responsibilities, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank and its Shareholders.

As per the SBP guidelines, an external board performance evaluation exercise was conducted in 2022 through Pakistan Institute of Corporate Governance (PICG), which assesses Board's performance against best practices for board effectiveness. The assessment was designed to reflect Board's priorities, performance, comparison and consensus. It was based on different statements formatted on a 6-point likert scale prepared on strategy planning, board composition, control environment, risk oversight, chairperson, independent directors, board procedures, board committees, board & CEO compensation.

This review forms an integral part of the Directors' Report to the Shareholders.

I would like to take this opportunity to place on record my sincere gratitude to the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their continued support and guidance. I also acknowledge our valued customers for their trust and staff members for their devotion and diligence.

We bow our heads to Allah and pray for His blessings and continued guidance.

On behalf of the Board

Karachi: 24 February 2023

**MOHAMEDALI R. HABIB**  
Chairman



---

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the annual financial statements of Habib Metropolitan Bank Limited (HABIBMETRO) for the financial year ended 31 December 2022.

### ECONOMIC AND BANKING REVIEW

During the year under review, Pakistan faced continued deceleration in economic activities along with elevated inflationary pressures and current account deficit.

Inflation remained elevated throughout 2022, with some moderation witnessed in the last two months of the year, closing at 24.5 percent year-on-year, compared to 26.6 percent year-on-year in October in 2022. Food inflation emerged as the major driver of the accelerated inflationary pressures, which have since picked up in Q1 2023.

External sector continued to be beset with challenges. Despite a policy-induced contraction of 58 percent in current account deficit, which narrowed to USD 3.7 billion in H1 FY23 due to a considerable reduction of 18.2 percent in imports, lack of financial inflows and looming debt repayments further drained the dwindling official forex reserves. Meanwhile, a slowdown in exports and workers' remittances partly offset the gains from the import contraction. Moreover, the Pak rupee depreciated by 27.1 percent against US Dollar, during the year under review. FBR tax collections grew by 17 percent YoY in H1 FY22, slower than the growth envisaged in the Budget.

Pakistan has external debt repayment obligations of USD 73 billion in 3 years (FY23-25) as per IMF, compared to prevailing foreign exchange reserves of around USD 3 billion. In 7M FY23, Pakistan settled USD 15 billion of debt, of which USD 9 billion were repaid and USD 6 billion were rolled over. In the remaining months of FY23 (February - June 2023), Pakistan needs to repay USD 8 billion - of which USD 3 billion is likely to be rolled over while USD 2.2 billion of this amount pertains to bilateral/commercial loans which will be refinanced in due course. In this scenario, IMF's Extended Financing Facility (EFF) is critical for reducing uncertainty and unlocking multilateral and bilateral inflows.

Augmenting by 7.1 percent year-on-year, the Banking sector's deposit base managed decent growth and amounted to Rs. 22.47 trillion at the end December 2022; meanwhile, advances grew by 17.4 percent and stood at Rs. 11.91 trillion and investments increased by 26.8 percent to be recorded at Rs. 17.90 trillion.

The State Bank of Pakistan (SBP) increased the policy rate by cumulative 625 basis points to 16 percent in 2022 (versus decrease of 275 basis points during 2021). Post year end, the SBP has in its Monetary Policy Statements, decided to increase the policy rate to 20 percent with a view to curtail the inflationary environment in the country.

### BANK'S PERFORMANCE DURING THE YEAR

By the Grace of Allah, HABIBMETRO has posted a profit before tax of Rs. 27,617 million for year ended December 31, 2022, an increase of 28.2 percent year-on-year. The earnings per share amounts to Rs. 13.61 after absorbing the increased effective tax rates (which increased from 39 percent to 49 percent for the banking sector).

The Bank's net interest income increased by 37.6 percent year-on-year and amounted to Rs. 40,611 million. Total non-interest income increased by 18.6 percent and amounted to Rs. 13,215 million. Fee and commission income increased by 14.8 percent and amounted to Rs. 7,931 million (compared to Rs. 6,906 million in 2021).

Investments and Net Advances increased by 8.3 percent and 8.8 percent during the year, and amounted to Rs. 723,579 million and Rs. 433,503 million, respectively. Deposits increased by 14.0 percent from their 2021 year-end level to Rs. 880,697 million. The Bank continues to focus on low-cost deposit mobilization - as a result of which, current deposits increased by 14.4 percent during the year to Rs. 306,840 million, with an increased CA mix of 34.8 percent.

The Bank's Net Equity exhibited a growth of 18.3 percent and amounted to Rs. 74,507 million, with a capital adequacy level of 14.6 percent at the end of the year under review.

## COMMITMENTS

No material changes in commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.

## CREDIT RATING

The Bank maintained its Pakistan Credit Rating Agency Limited (PACRA) ratings of AA+ for long term and A1+ for short term. These ratings denote a high credit quality with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

## ENHANCED REACH TO OUR CUSTOMERS

HABIBMETRO enhanced its outreach by adding 41 new branches to its network in 2022 - in doing so, your Bank's outreach spread to 28 new cities, with an increased footprint of 500 branches in 194 cities across Pakistan.

HABIBMETRO enjoys correspondent relationships with banks of repute in more than 100 countries, with large number of banks having formal credit lines for the Bank. HABIBMETRO provides comprehensive banking services and products including specialized trade finance products, and an array of products and services such as secured SMS and Internet & Mobile Banking services, globally accepted Visa Debit Cards and a nationwide network of 500+ ATMs.

Your Bank's subsidiary company Habib Metropolitan Financial Services (HMFS), provides convenient and trusted equity brokerage and custody services. Furthermore, Habib Metropolitan Modaraba Management provides a range of Islamic financing solutions through First Habib Modaraba.

## DIGITAL CHANNELS

2022 was the year for Digital Innovations at HABIBMETRO. During the year, several new offerings were made available for the Bank's customers. The Bank launched two industry's-first debit cards - Visa Metal Debit Card for high net-worth customers and Visa Business Debit Card for businesses. In addition to this, an exclusive Debit Card was also launched for ladies customers, with a women-centric offering.

The Bank revamped and relaunched its mobile app as HABIBMETRO Insta Mobile App. With many new features and an improved customer journey, HABIBMETRO Insta Mobile App now stands as the 2nd best rated app in the industry. The App has 200,000+ subscribers with a growth of over 110 percent in transaction throughput.

HABIBMETRO's Contact Center, which was revamped in 2021, now services 0.4 million transactions from conventional channels and has become the fastest growing customer touchpoint with over 1.2 million calls handled in 2022.

Customer experience and journey of the Bank's ATMs was also improved with talking ATMs also being added for visually impaired customers. New state-of-the-art ATMs were also added, increasing the total ATM fleet to 525. Moreover, WhatsApp Banking was launched for customer convenience with over 13 services.

During the year under review, HABIBMETRO's Insta Mobile App and Internet Banking processed over 6.3 million transactions amounting Rs. 221 billion. Debit card spend exceeded Rs. 15.8 Billion with increased market visibility, exciting retail partnerships and customer segmented campaigns.

## HUMAN RESOURCES

HABIBMETRO continued to demonstrate significant progress in enhancing diversity, equity and inclusivity (DEI) in its workforce - an outcome that we believe makes HABIBMETRO's work environment conducive for both efficiency and well-being.

---

DEI being our prime focus, with 16% female staff in the Bank, we have surpassed our gender diversity targets for 2022. These efforts included induction of female batch officers, formation of Female Leadership Forum with 30 designated female leaders for mentoring female staff across the country and dedicated female engagement sessions. The Bank is directing concerted efforts to provide opportunities to enhance female representation at the highest levels in the organization.

Moreover, the Bank continues to promote an inclusive work environment by welcoming differently abled persons into its fold and developing them as independent professionals.

The Bank continued to support organic growth of branches and other initiatives through its Human Resource. Resultantly, during the year staff were onboarded with focus on employee efficiency and economies of scale.

Post COVID-19 employee learning and development emerged at the forefront. In-person classroom sessions were conducted with proper SOPs while several virtual trainings and e-learning modules were also made available to the staff.

Living its legacy of Trust and Commitment, during the year an interim inflationary allowance was introduced for junior and middle management grades to provide financial relief and comfort to the staff amidst the challenging economic situation. The Bank also announced a special one-time ex-gratia bonus to celebrate its 30th anniversary.

HABIBMETRO remains an equal opportunity employer and strives to be the Employer of Choice for current and future bankers.

## **CORPORATE SOCIAL RESPONSIBILITY**

Being a conscientious corporate citizen, your Bank acknowledges its corporate social responsibilities and continues to make regular contributions to a host of non-profit/social organizations. The Bank also strives to be a socially involved organization by engaging its staff in various philanthropic initiatives and causes.

The Bank extended financial support towards health care, education and welfare for the under-privileged, including a comprehensive flood-relief drive comprising ration/food distribution, medical camps and rehabilitation projects. These voluntary contributions amounted to Rs. 200.4 million. Details of your Bank's social contributions can be found in the notes to the accounts.

Your Bank continues to be one of the nation's leading taxpayers with more than Rs. 11.4 billion paid as direct taxes to the Government of Pakistan during the year 2022. Furthermore, an additional amount of about Rs. 22.7 billion comprising indirect tax and withholding income tax deductions for the exchequer was collected through the Bank's network.

Moreover, the Bank celebrated Pakistan's Independence Day 2022 by unveiling the HBZ monument at the entrance of the I.I. Chundrigar, an initiative taken for the beautification of Karachi and the country's financial street.

## **GREEN BANKING INITIATIVES**

HABIBMETRO recognizes its responsibility towards environmental, social and governance practices. The Bank believes in playing its part in the collective national and global efforts to mitigate the deteriorating environmental and social circumstances. Environmental, Social and Governance (ESG) aspects are becoming a part of the strategic as well as operational considerations of the Bank. The Bank also strives to align itself with the regulatory expectations and requirements in this regard, and has put in place a Green Banking Policy with bifurcated efforts in the following areas:

- **Environmental & Social Risk Management**

For improving financial stability through management and mitigation of environmental and social exposures of financing portfolios, HABIBMETRO is in the process of integrating of ESG considerations into the credit risk assessment process.

- **Business Facilitation**

For fostering development of 'green market' through actively tapping the emerging viable business opportunities of financing;

including clean energy and resource efficiency projects. The Bank is actively pursuing a green portfolio through soliciting clients for Renewable Energy related financing and is also aiming to tap the SBP's Renewable Energy Refinance Scheme.

- **Own Impact Reduction**

The Bank has an increased focus on potential re-engineering of internal operations and procedures of the Bank. In order to reduce impact on environment and society, the Bank is adopting energy efficient solutions such as, low energy consumption LEDs, inverter-based air conditioning units and UPS & solar panels as primary backups for ATMs.

- **Capacity Building**

To increase the understanding and acceptability towards the initiative, the Bank arranges learning and training opportunities for its team. This enables better understanding of the Green Banking concept and enables the team to perform better environmental due diligence in assessing credit proposals, adopting own impact reduction measures and help in business facilitation.

## CUSTOMER GRIEVANCES HANDLING

HABIBMETRO Bank is committed to provide immaculate customer experience. The Bank's customer grievance handling mechanism serves as first line of defense against the grievances of the Bank's customers. The mechanism ensures that all the grievances received are handled fairly, transparently and efficiently.

In order to make the complaint lodgment and handling process more visible and accessible, awareness intimations are also sent to the Bank's customers periodically, regarding the different modes through which customers may lodge their complaints.

During 2022, 41,976 complaints were received; the average resolution time (of resolved complaints) was 5.5 working days (except Fraud complaints and Debit Card disputes on POS / Internet) whereas the overall average resolution time was 7.9 working days. The Bank also conducts detailed root cause analysis to identify the gaps and improve processes, products and services on continuous basis.

## CORPORATE GOVERNANCE

### BOARD MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during the year 2022 and the attendance by each director / committee member are given as under:

Name of Directors	Board of Directors	Audit Committee	Credit Committee	Human Resource & Remuneration Committee *	Risk & Compliance Committee	Information & Technology Committee
Mr. Mohamedali R. Habib	4/4	–	3/3	1/1	–	–
Mr. Anjum Z Iqbal	4/4	4/4	3/3	–	4/4	2/2
Mr. Firasat Ali	4/4	–	–	2/2	4/4	2/2
Mr. Hamza Habib	4/4	4/4	–	–	–	–
Mr. Mohomed Bashir	4/4	–	–	–	–	–
Mr. Muhammad H. Habib	4/4	–	3/3	–	–	–
Mr. Rashid Ahmed Jafer	4/4	4/4	–	–	–	–
Ms. Tahira Raza	4/4	–	–	2/2	4/4	–
Mr. Mohsin A. Nathani	4/4	–	3/3	1/1	4/4	2/2
Meetings held	4	4	3	2	4	2

\* Mr. Mohamedali R. Habib appointed in place of Mr. Mohsin A. Nathani on February 11, 2022.

---

## BOARD REMUNERATION POLICY

The remuneration policy of non-executive directors, including independent directors, has been approved by the shareholders of the Bank at the 28th Annual General Meeting prepared in line with SBP's guidelines dated 31 March 2020. Significant features of this policy are as under:

- All Non-Executive directors shall be entitled for remuneration as determined by the Board, from time to time, for him/her attending meetings of the Board, its sub-committees and shareholders including the holding of the office of Chairman of the Board or its sub-committees.
- The scale of remuneration under the policy shall be recommended by the Board for shareholders' approval on pre or post facto basis.
- The level of remuneration so determined shall not, in any case, exceed the limits defined by the SBP.
- All the Directors will be eligible for travelling, boarding and lodging expenses, including ancillary expenses, for the purpose of attending meetings or engagements related to the Bank's business.

The information in respect of directors' remuneration is provided in note 37 of the financial statements.

## COMPOSITIONS OF THE BOARD AND BOARD COMMITTEES

Current compositions of the Board and Board Committees are provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

## PATTERN OF SHAREHOLDING

The pattern of shareholding as on 31 December 2022 is annexed to the report.

The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51 percent shares in the Bank) which is incorporated in Switzerland.

## AUDITORS

The present auditors M/s. KPMG Taseer Hadi and Co., Chartered Accountants, retire and being eligible offered themselves for reappointment.

As required under the Code of Corporate Governance, upon the recommendation of the Audit Committee, the Board has recommended the appointment and remuneration of KPMG Taseer Hadi and Co., Chartered Accountants as auditors of the Bank for the year ending 31 December 2023.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies and estimates have been consistently applied in preparation of financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Bank's ability to continue as a going concern.

7. There has been no departure from the best practices of the code of corporate governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
8. The key operating and financial data of last six years of the Bank is placed below:

Rs. in millions

	2022	2021	2020	2019	2018	2017
Shareholders' Equity	74,507	62,975	57,648	44,238	37,002	40,498
Paid-up capital	10,478	10,478	10,478	10,478	10,478	10,478
Total assets	1,397,444	1,224,416	1,017,572	859,771	673,396	660,666
Deposits	880,697	772,286	680,956	611,869	543,578	508,104
Advances	433,503	398,382	312,167	263,948	226,690	174,319
Investments	723,579	667,996	584,532	448,910	346,666	396,637
Profit pre-tax	27,617	21,541	20,037	11,238	10,074	9,129
Profit post-tax	14,261	13,459	12,008	6,583	6,161	5,509
Earnings per share (Rs)	13.61	12.84	11.46	6.28	5.88	5.26
Cash dividend (%) - final	32.5	30	25	25	20	30
- interim	20	20	20	–	–	–
No. of staff	6,915	6,410	5,603	5,192	4,841	4,719
No. of branches/sub branches	500	459	406	392	352	320

Value of investments of Provident Fund and Gratuity Scheme are as under:

- Provident Fund Rs. 5,495.26 million as at 31 December 2022
- Gratuity Fund Rs. 2,151.61 million as at 31 December 2022

## RISK MANAGEMENT

### STATEMENT ON RISK MANAGEMENT FRAMEWORK

HABIBMETRO has a robust and rigorous risk management framework based on its complexity, size and target market. Risk Management aspects are embedded in HABIBMETRO's philosophy, strategy, organizational practices and structure. The Bank has devised a cohesive risk management structure for credit, operations, information, continuity, liquidity and market risk, with an integrated approach and strengthened internal controls.

The framework ensures comprehensive management of risk across all areas of the Bank. It has a role at all levels and tiers of the Bank with risk management considerations embedded at the strategic, tactical as well as the operational levels. It is equipped with the capacity and flexibility to respond to evolving market, regulatory as well and internal risk requirements.

The Bank's entire branch network is on-line, and its state-of-the-art processing system is secure and has adequate capacity. Segregation of duties as a control is built into the Bank's system and organization. The Internal Audit Division conducts independent, risk-based review and verification of the Bank's branches and major functions throughout the year for evaluation of the control system. Comprehensive internal reports and an effective Management Information System has been developed as an additional tool for the management of risk control. The Risk Management Division is staffed with seasoned and experienced professionals, who have the capacity and knowledge to cover all aspects of risks faced by the Bank.

The Bank's Board of Directors along with the Board Risk and Compliance Committee, Central Management Committee and Operational Risk and Compliance Committee oversee the Bank's Strategy, efforts and processes related to risk management.

---

## CREDIT RISK

HABIBMETRO observes a strategy to control credit risk through product, geography, industry and customer diversification. The Bank extends trade and working capital financing, keeping the major portion of its exposure on a short-term and self-liquidating basis. A major portion of the Bank's credit portfolio is priced on a floating rate basis using KIBOR as a reference, which minimizes interest rate risk. The risk inherent in extending credit is further mitigated by rigorous and robust credit approval procedures, which have been structured to ensure proper evaluation, adequacy of security, and monitoring of exposures on an ongoing basis. All these risk-mitigation measures are further facilitated by centralized trade processing and credit administration.

HABIBMETRO is in the process of implementing the IFRS-9 standards. IFRS 9 replaces the existing guidelines of the IAS 39 Financial Instruments: Recognition and Measurement and includes revised standards 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 de-recognition of financial instruments from IAS 39. The Bank is aligning its implementation with the SBP timelines issued from time to time.

## MARKET / LIQUIDITY RISK

The role of specialized Market & Liquidity Risk Unit is to systematically identify, assess, monitor, and report all related financial risk exposures and limits in the form of interest rate, equity, currency or foreign exchange and financial institutions (FI). The monitoring of all these risks is ensured in line with Board approved Market and Liquidity Risk Management Policy. The Asset and Liability Management Committee periodically reviews economic & business environment and recommends level of exposures along with limits for FX, Money Market & Equity. The strategy is to balance risk, liquidity, and profitability. Furthermore, the Board approved investment policy focuses on, amongst other aspects, asset allocation and operating guidelines.

## STRESS TESTING

The Bank proactively uses stress testing techniques to assess risk exposures across the institution and to estimate the changes in the value of the portfolio, when exposed to various risk factors. Risk factors used in stress testing models are Interest Rate, Credit, Equity Price, Exchange Rate and Liquidity. The Bank's stress testing methodology ensures adherence to the SBP guidelines.

## CAPITAL MANAGEMENT

The Bank has maintained its Capital Adequacy Ratio (CAR) above the regulatory thresholds under the prescribed Basel regulations and instructions issued by the regulator from time to time. It also has in place a Board approved Internal Capital Adequacy Assessment Process and Risk Appetite Statement. The Internal Capital Adequacy Assessment Process (ICAAP) Framework is well defined and is reviewed/updated on an annual basis.

## OPERATIONAL RISK

Operational risk is present in all aspects of bank activities and can expose the Bank to material financial and/or reputational losses. Identification of threats prior to materialization of the risk and strengthening of controls for mitigation, have always been the Bank's priority. The Bank has a dedicated Operational Risk Management (ORM) Unit that designs and implements the Operational Risk framework across the organization. The ORM unit engages and regularly collaborates with the Bank's business / support units to review and determine the inherent operational risks, applicable controls and mitigations and an assessment of residual risk. This leads to improved quality of control infrastructure and strengthened processes and management information.

The Bank is committed to enhance Operational Risk coverage and integrate it with other risk classifications (Market, Credit Risk, Compliance and legal risks) under a comprehensive approach to manage the dynamic environment and evolving risk landscape. The Bank's operational risk management infrastructure remains strengthened by the oversight of the Operational Risk and Control Committee (ORCC) which ensures the effective and efficient management of the Bank's significant operational risks.

## **FRAUD RISK**

The Bank expends dedicated efforts towards reduction of fraud incidents and misconduct. A robust policy is in place to strengthen the process of prevention, detection, investigation and reporting. The Bank has a dedicated Fraud Risk Management Unit which ensures the effective management of the Bank's fraud risk with the support and oversight of the Board Risk & Compliance Committee (BR&CC).

With greater uptake of the Bank's alternate delivery banking channels, the FRM Unit works on a 24/7 basis to monitor digital banking transactions, identifying trends and activities inconsistent with normal transactional behavior or with the propensity of fraud risk. The Bank endeavors to safeguard its customers from fraudulent Activities by adopting best practices and collaborating with industry partners.

## **BUSINESS CONTINUITY RISK**

The Bank constantly works on improving its operational resilience through an effective Business Continuity Framework. The framework consists of a policy and comprehensive plans with detailed roles, responsibilities, actions plans and recovery strategies, drawn from a rigorous risk and impact analysis, to respond to a disastrous situation. It complies with the regulatory framework and best industry practices and is subject to regular reviews and audits. From an execution perspective, a Crisis Management Team that constitutes Senior Management, monitors situations and takes the necessary timely decisions in the event of any crisis situations.

As a part of a contingency arrangement, the Bank maintains multiple BCP Sites along with facilities for staff to work from home, if required. Staff readiness to respond in such situations is ensured through training, awareness and testing efforts. The entire effort is based on the purpose of building a resilient culture within an organization, whereby continuity of operations and continued provision of service is always prioritized.

## **INFORMATION SECURITY RISK**

The Information Security Department (ISD) is a part of the Risk Management Division of the Bank and works as a second line of defense to protect the Bank's information and information system. With the increasing use of technology in the customer service delivery, the objective of Information Security Department is to minimize the information security risks by ensuring confidentiality and availability of customer's financial and personal information. ISD performs activities such as risk assessments, reviews, analysis, reporting and monitoring of risks to achieve the Bank's goal of managing Information and Technology risk within its risk appetite. It also works to increase the level of understanding and awareness of the information security risks and their mitigations.

## **COMPLIANCE**

Your Bank continued to strengthen compliance oversight across its network during the year that included enhancing stringent Know Your Customer (KYC) & Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) / Combatting Proliferation Financing (CPF) controls and regulatory compliance awareness. The Compliance function provides support and counsel to management and staff on compliance and regulatory issues. All new policies and procedures, initiatives, products, services, business processes etc. are reviewed from a Compliance, AML / CFT / CPF perspective along with maintaining relationship with regulatory authorities. An automated Compliance Risk Management (CRM) system has also been implemented wherein a regulatory library is maintained that includes circulars issued by the SBP and other relevant regulatory authorities. Furthermore, facilitation and liaison with the SBP and its on-site Inspection teams is a key role played by this unit to ensure smooth conduct of the SBP inspection.

With the highly challenging and demanding global AML/CFT/CPF environment, Bank's Financial Crimes & Compliance function is fully committed towards implementation of highest standards of compliance within the Bank and ensures management and employees adhere to these standards. The Bank also exercises oversight of its subsidiaries from an AML/CFT/CPF perspective

The Bank's Transaction Monitoring System (TMS) facilitates in monitoring activities that may be related to Money Laundering (ML) / Terrorism Financing (TF) through the Bank's channels, products and services. The TMS monitors out-of-pattern transactions and reviews different transactional activity through multiple AML / CFT scenarios embedded in the core banking system. Furthermore, the Bank has a robust Customer Due Diligence (CDD) process that allows the Bank to document/update each profile of customer and conduct comprehensive CDD as per regulatory requirements. Bank regularly reports Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) to the Financial Monitoring Unit (FMU) through goAML portal.



---

Being a trade-oriented bank, cross border transactions are screened and pre-approved by Compliance to ensure that transactions, which includes sanctioned elements, are not conducted. Bank has taken additional steps to curb risks associated with Trade Based Money Laundering. This includes performing due diligence of all trade transactions and updating trade KYCs / risk profiles of trade customers, screening of counterparties, vessels, banks etc. Bank has also implemented a renowned Technology-based solution for mitigation of ML/TF risks associated with Trade Transactions. In addition to screening, the system supports in identification of dual use goods and tracking of vessels to further strengthen existing controls.

In addition, a dedicated CFT Desk is in place which focuses on mitigation of TF risk in the Bank. Inquiries from Law Enforcement Agencies (LEAs) are also facilitated through this unit. In order to ensure compliance of UNSC resolutions and that bank's services are not extended to proscribed or designated individuals and entities, systems processes & controls are monitored and upgraded from time to time.

Training & Development of staff on ML / TF / PF risks and their mitigants has been a focus throughout the year. Various bi-lingual eLearning modules have been completed by staff and numerous face-to face session were also conducted to keep staff members abreast on latest threats, vulnerabilities, and developments in this area.

Your Bank also participates as a Foreign Financial Institution (FFI) and is fully compliant with the Foreign Account Tax Compliance Act (FATCA) by collecting additional information and documentation from prospective clients, in order to determine whether they have any US tax reporting responsibilities. FATCA is a US legislation aimed at preventing tax evasion by US Persons that came into effect in Pakistan on July 01, 2014. To ensure compliance with the FATCA legislation, Compliance Division facilitates coordination, training, development and monitoring of FATCA requirements.

Common Reporting Standards (CRS) is a global standard approved by the Organization for Economic Cooperation & Development (OECD) Council and has been translated into domestic law by Government of Pakistan through Income Tax Ordinance 2001 vide S.R.O 166 (I)/2017. The Bank is compliant with CRS rules and for this purpose, tax residency of customers is obtained for further reporting to Federal Board of Revenue (FBR).

Whilst focusing on creativity and innovation, Compliance function will continue to increase its effectiveness through professional development of its staff and strengthening of functional solutions.

## **CONTROLS**

The Risk Management function contributes to the overall control culture of the organization specifically from the risk perspective. The Internal Control Unit (ICU), as a part of the Risk Management team of the Bank, is responsible for implementing and maintaining a sound system of operational internal controls that ensure efficiency and effectiveness. These efforts are a component of the overall Internal Control ambit of operations, compliance with regulatory and legal requirements along with reliability of financial reporting managed collectively by the Compliance, Finance and Risk Management Division. Adequate systems, processes and controls have been put in place by the management to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

The Bank's organizational structure and lines of authority are well-defined and processes throughout the Bank are governed by policies and procedures approved by the Board. Existing policies and procedures are reviewed at regular intervals and improved from time to time. The Board has constituted sub-committees for oversight of the overall Risk Management Framework which meet at regular intervals to ensure adequacy of governance.

The Bank's operating system contains controls embedded into all processes and functions which are governed through policies and procedures and their compliance and effectiveness is verified by an independent Internal Audit Division which reports directly to the Board Audit Committee.

SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of internal controls. The management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored.

## INTERNAL AUDIT

HABIBMETRO has an active Board Audit Committee functioning under the Listed Companies (Code of Corporate Governance) Regulations 2019 as stipulated by SECP and adopted by the SBP and Guidelines on Internal Audit Function issued by the SBP. The Board Audit Committee is chaired by an independent director.

Reporting directly to the Board Audit Committee, Internal Audit pro-actively follows a risk-based approach for auditing branches, operational areas and key activities of the Bank, highlighting control lapses, and tracking completion of remedial actions, wherever warranted.

Internal Audit, being the third line of defense, is an essential element of the Bank's overall control environment that provides independent assurance to the Bank's Management and Board in assessing the Bank's internal control system. Internal Audit periodically reviews the Bank's policies, processes, systems, and controls to provide reasonable assurance to the governing authorities and adds value towards the Bank's risk mitigation endeavors.

## FUTURE OUTLOOK

It is expected that year-on-year headline inflation will remain elevated during the year FY 2023 - in the range of 25 percent -29 percent - post implementation of IMF conditions required for the resumption of the loan program.

Current account deficit is expected to remain at the current level during the remaining part of FY 2023. Risk of deficit widening, however, remains till IMF loan program does not materialize.

Going forward, HABIBMETRO remains committed to protecting its shareholders' interests, while maximizing the value and services offered to its customers through a varied spectrum of financial products architected upon an advanced technological platform. The Bank aims to target organic growth, add new clients, mobilize low-cost deposits, improve asset quality and enhance cost efficiency.

## ACKNOWLEDGEMENTS

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

On behalf of the Board

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

**MOHAMEDALI R. HABIB**  
Chairman

Karachi: 24 February 2023

---

## CORPORATE GOVERNANCE

### Composition of Board Committees and their Terms of Reference

Current compositions of the Board and Board Committees are provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. Further, the number of meetings of the Board of Directors (BOD) and its Sub-Committees held during the year 2022 and the attendance by each director / committee member are provided in the Directors' Report.

The key terms of reference of the Board Committees are as follows:

#### Board Audit Committee (BAC)

BAC ensures adequacy of internal control systems of the Bank including financial and operational controls, accounting systems, reporting structures along with recommending the Bank's statement on internal controls for endorsement by the BOD.

Under SECP's Listed Companies (Code of Corporate Governance) Regulations, 2019, BAC is responsible to review & recommend to the BOD, interim and annual financial statements of the Bank while focusing particularly on major judgmental areas, going concern assumption, change in accounting policies & estimates, related party transactions and compliance with applicable accounting standards.

BAC also reviews & approves annual internal audit plan, scope and extent of internal audit function and its reporting framework and procedures.

BAC is updated regularly on significant issues raised by the external & internal auditors along with related corrective action progress. Further, BAC ensures compliance of the corrective actions determined by Shari'ah Board on the reports of Internal and External Shari'ah Audit.

BAC also recommends to the BOD, appointment, removal and remuneration of external auditors as well as for the Head of Internal Audit Function.

BAC also ensures independence of Internal Audit in its day-to-day activities with unrestricted access to people, information, records, and systems so that it is able to perform audit activities with objectivity.

Finally, BAC reviews effectiveness of whistle blowing mechanism of the Bank and ensures that concerns raised are treated confidentially.

#### Board Credit Committee (BCC)

The primary function of the BCC is to maintain an oversight over the Bank's credit portfolio management process, portfolio quality and adherence to the credit policy and regulatory requirements. It reviews and provides guidance to the Management with respect to the large exposures, credit portfolio strategy and related risks so as to ensure continued health of the portfolio and a sustainable growth. It also provides credit approval for exposures which are beyond the delegation provided to the Bank's CCC.

#### Board Human Resource and Remuneration Committee (BHR&RC)

The BHR&RC is responsible for the reviewing the HR policies, HR initiatives including manpower planning, learning & development policy, utilization of HR budgets and other HR activities. The BHR&RC also recommends to the BOD compensation & remuneration practices and succession planning for CEO, CFO, Company Secretary, and Head of Internal Audit. It also reviews Chief Executive's recommendations for direct reports including key executives. Further, the BHR&RC reviews and approves terminal benefits such as provident fund, gratuity and other separation benefits schemes. In addition, it considers any HR related issue specifically delegated by the BOD.

#### Board Information Technology Committee (BITC)

The BITC establishes and maintains a system of governance and oversight of the Bank's technology functions. It is responsible for advising and reporting to the BOD on the technology activities and digital initiatives. It also oversees technology risk management strategies and activities, receives periodic updates from ITSC and monitors all technology projects approved by the BOD for timely implementation. The BITC also reviews the IT Disaster Recovery Plan for maintaining continuity of services.

#### Board Risk and Compliance Committee (BR&RC)

The BR&CC establishes a governance structure and maintains a system of oversight over the Bank's Risk management, Compliance and control activities on behalf of the Board of Directors (BOD). It provides a platform for inculcating and enhancing Risk Management

and Compliance culture within the organization along with continuously monitoring, assessing and managing the risk profile of the bank. It ensures that all material risks are deliberated and mitigated in an integrated manner engaging all the relevant stakeholders. It is responsible for establishing and maintaining a Compliance and Risk management process with an enterprise wide approach, built to identify and prioritize risks including Compliance and AML / CFT related risks and to evaluate the alignment and effectiveness of activities including:

- Ensuring independence of Risk Management and Compliance Functions as well as adequacy of resources allocated given the size, nature, and volume of business.
- Recommending Risk Management Policies and ensuring implementation of Compliance Program, Compliance Risk Strategy and allied policies including CDD/AML /CFT/CPF.
- Ensuring that Management identifies, assesses and understands the ML / TF / PF risks and ensures proportionate AML / CFT / CPF controls are in place.
- evaluate significant observations / issues raised in the SBP inspection reports and review the actions taken in this regard.
- reviewing and approving Risk Appetite including risk limits and triggers as well as ensuring independence of Risk and Control Functions.
- Reviewing and assessing the Bank's Capital Adequacy and Management, Market / Liquidity Profile, Credit Portfolio, Results of Stress Tests and Frameworks of Operational, Continuity, Fraud, Conduct Risks and Risk Based Financial Reporting (IFRS).

## Board's Oversight over Shariah Compliance Functions and Shariah Board (SB)

The Board of Directors meet the SB members on half yearly basis to have a detailed briefings on the Shariah compliance environment, the issues / weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, fatawa, observations and recommendations. Further, every year, Shariah Board Report is also presented by the SB in the meeting of the Board of Directors of the Bank.

## Appointment of the Shariah Board Members

The appointment of the Shariah Board (SB) Members, including Resident Shariah Board Member & Chairman, is done by the Board of Directors as per applicable rules and regulations, including clearance of Fit and Proper Criteria (FAPC) and prior written clearance of the SBP. The SB members are appointed for a term of three years. They may be reappointed for another term by the BOD, subject to SBP FAPC.

## Profile of Shariah Board Members

### Tan Sri Dr. Mohd. Daud Bakar, Chairman Shariah Board

Tan Sri Dr. Mohd. Daud Bakar is an internationally recognized Shariah Scholar from Malaysia. He is the Founder and Group Chairman of Amanie Group. He is a Shariah Board Member of various financial institutions and also holds prominent Chairmanships such as HABIBMETRO Sirat, Federal Territories Islamic Religious Council, Malaysia, Astana International Financial Centre (AIFC), Kazakhstan and the Securities Commission of Malaysia.

He received his first degree in Shariah from the University of Kuwait in 1988, a Ph.D. from the University of St. Andrews, the United Kingdom in 1993, and a Bachelor of Jurisprudence from the University of Malaya, in 2002. He is the author of the famous book titled "Shariah Minds in Islamic Finance" which received the "Islamic Finance Book of the Year 2016" award. He has also published several articles in various academic journals and has made many presentations at various conferences across the globe. Tan Sri Dr. Mohd. Daud has been honored with "The Asset Triple A Industry Leadership Award" at The Asset Triple A Islamic Finance Award 2014 by The Asset magazine and has been named as the "Most Outstanding Individual", awarded by the King of Malaysia. He was also awarded, "The Royal Award for Islamic Finance 2022" from the King of Malaysia for contributions in Islamic Banking.

### Mufti Abdul Sattar Laghari, Member Shariah Board

Mufti Abdul Sattar Laghari is Shariah Board Member at HABIBMETRO Sirat. Mufti Laghari is among the senior Shariah Scholars in the field of Islamic Banking & Finance. He has been associated with HABIBMETRO as Resident Shariah Board Member (RSBM) & Head Shariah Compliance since 2015 to June 2021. Mr. Laghari holds a Shahada tul A'alimiah (Dars e Nizami) from Jamia Darul-Uloom, Korangi, Karachi. He holds Specialization (Takhassus) in Islamic Fiqh and Fatwa from Darul Ifta wal Irshad Nazimabad 4 Karachi, an institution founded by grand Mufti of Pakistan Mufti Rasheed Ahmad Ludhyanvi (late) with Masters in Islamic Studies from University of Karachi.

---

Mufti Laghari also holds a certificate of 1 year correspondence course in Islamic Law from Shariah Academy International Islamic University Islamabad Pakistan along with certificates of various courses on Islamic Banking and Finance conducted by Prominent learning Centers in Pakistan & Malaysia. He is NIBAF qualified and also holds a certificate by NIBAF for completing a comprehensive module base course for Shariah Scholars. He has been providing Shariah Advisory services since 2005 starting his career with National Bank of Pakistan.

Mufti Laghari provided Shariah Advisory services to NBFIs from 2008 to 2015. Mufti Laghari has remained a member of sub committees for review of some AAOIFI Shariah standards at State Bank of Pakistan. He is a master trainer in Islamic banking and Finance and has conducted extensive courses throughout Pakistan. Mufti Laghari is also a visiting trainer at NIBAF. He is also a visiting faculty member at Center for Islamic Economics (CIE) at Darul Uloom Korangi Karachi. During his career he has also issued numerous fatawa on general as well as financial & Islamic Banking issues. He is also Imam & Khateeb at Jamiah Masjid Tauheed Nazimabad 2 Karachi since 2002.

### **Mufti Khawaja Noor ul Hassan, Resident Shariah Board Member**

Mufti Khawaja Noor ul Hassan has extensive professional experience in Islamic banking including Shariah governance & compliance, Islamic product development, and management, credit administration with prestigious institutions such as Saadiq, Standard Chartered Bank (Pakistan), Faysal Bank, Meezan Bank & Albaraka Bank (formerly Emirates Global Islamic Bank). He also has over 03 years' experience, working as corporate law consultant & Assistant company secretary.

Mufti Noor possesses both contemporary & religious qualifications. He holds the Shahadat-ul-Aalamia and Takhassus fil-Ifta (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Farooqia & Jamia Darul Uloom, Taleem ul Quran, Karachi. He also holds a Bachelor's degree in Law (LLB), a Master's degree in Islamic Studies, and a Master's degree in Islamic History from the University of Karachi & Federal Urdu University respectively.

Mufti Noor is a registered Shariah advisor at the Securities and Exchange Commission of Pakistan (SECP), is also enrolled as an advocate, and is a member of Sindh Bar Council and Karachi Bar Association. He has vast teaching experience of religious and Islamic banking courses in different institutions such as in Jamia Yousufia Binoria, IBA CEIF, Centre of Islamic Economics (a division of Jamia Darul Uloom, Karachi) & Themis School of Law.

### **Key Terms of Reference of Shariah Board**

The Shariah Board (SB) shall be empowered to consider, decide and supervise all Shariah related matters, develop a comprehensive Shariah compliance framework for all areas of operations and shall review and approve all the procedure manuals, product programs structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah. The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and IBI's employees in the due discharge of its duties. Considering the importance and binding nature of decisions, rulings and fatawa given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision / fatawa.

All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and the SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action and also specify the process / procedures to be adopted for changing, modifying or revisiting fatawa, rulings and guidelines already issued by it.

The SB shall not delegate any of its roles and responsibilities as prescribed in the Shariah framework to any other person or any of its members as all decisions and rulings of the SB shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of the SBP.

### **Shariah Board meetings held during the year**

During the year four meetings were held and were attended by all members.

## **Board Remuneration Policy**

In line with the regulatory guidelines, the Remuneration Policy is already in place wherein the criteria for identification and performance evaluation of MRTs and MRCs is defined.

## **Scope, objective and governance of remuneration policy**

The scope of remuneration policy covers all employees across the Bank who are materially responsible for risk taking or risk controlling activities. The purpose of the policy is to develop a fair, objective, transparent and sound remuneration policy that is in alignment with risks and responsibilities of the organization.

Following are the main objectives of Remuneration Framework:

- i. To promote consistent, sound and effective risk management, to discourage risk-taking that exceeds the risk thresholds of the Bank;
- ii. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face.
- iii. To attract, retain and motivate employees who perform while managing the risks facing the Bank, and also those who ensure long term value generation.

The Board is overall responsible for reviewing, approving and monitoring implementation of the Bank-wide remuneration framework, based on the recommendations of Board's Human Resource & Remuneration Committee (BHR&RC), which shall be mainly responsible for overseeing the Bank's remuneration programme.

The scope of remuneration policy covers all employees across the Bank who are materially responsible for risk taking or risk controlling activities. The purpose of the policy is to develop a fair, objective, transparent and sound remuneration policy that is in alignment with risks and responsibilities of the organization.

## **Material Risk Taker (MRT) / Material Risk Controller (MRC)**

The MRTs and MRCs are identified through a detailed assessment of the Bank's employees using various qualitative and quantitative criteria, as documented in the remuneration policy.

The Bank offers a compensation structure with a balanced mix of fixed and variable elements, with the objective to encourage behaviors focused on achievement of long-term sustainable results. For MRTs / MRCs, the deferred variable component has been made part of their compensation structure.

## **Performance measurement of MRTs and MRCs**

The Bank's performance management mechanism provides a sound basis for assessing employee performance holistically. The Bank's remuneration policy is aligned with the performance management mechanism and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by considering factors such as role, skills, competencies, experience and grade / seniority.

Performance measurement of MRTs / MRCs is carried-out through the risk-adjusted balanced scorecards. The Bank has developed risk-adjusted balanced scorecards for all MRTs and MRCs for their performance measurement, which ensure establishing a correlation between and alignment of risks and rewards. These scorecards are prepared at individual levels, incorporating various financial, non-financial / qualitative and risk-adjusting factors.

The Bank has introduced an individual level accountability mechanism whereby a certain portion of variable compensation of the MRTs / MRCs is deferred / withheld for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer-term sustainable performance.

The deferred pay is subject to claw back clause that permits the Bank to cancel or reduce, all or part of the amount of an unvested variable compensation award, due to malus triggers i.e. specific crystallized risk, behavior, conduct, or adverse performance outcome, attributable to the MRT / MRC.

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED 31 DECEMBER 2022

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 (eight) as per the following:

Gender	Number
Male	7
Female	1

2. The composition of board is as follows:

Category	Names
Independent Directors	Mr. Firasat Ali Mr. Rashid Ahmed Jafer
Female Independent Director	Ms. Tahira Raza
Non-Executive Directors	Mr. Anjum Z. Iqbal Mr. Hamza Habib Mr. Mohamedali R. Habib Mr. Mohamed Bashir Mr. Muhammad H. Habib
President & CEO	Mr. Mohsin A. Nathani

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board and the shareholders have approved a formal policy and transparent procedures for remuneration of directors in accordance with the instructions from the State Bank of Pakistan, Act and these Regulations.
9. The Bank is compliant with the requirement of directors training program provided in these Regulations.
10. During the current year, there was no new appointment of Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The board has formed committees comprising of members given below:

Committees	Names	Committee Designation	Category of Director
Audit Committee	Mr. Rashid Ahmed Jafer	Chairman	Independent Director
	Mr. Anjum Z. Iqbal	Member	Non-Executive Director
	Mr. Hamza Habib	Member	Non-Executive Director
Human Resources & Remuneration Committee	Ms. Tahira Raza	Chairperson	Independent Director
	Mr. Firasat Ali	Member	Independent Director
	Mr. Mohamedali R. Habib	Member	Non-Executive Director
Risk & Compliance Committee	Mr. Anjum Z. Iqbal	Chairman	Non-Executive Director
	Mr. Firasat Ali	Member	Independent Director
	Mr. Mohsin A. Nathani	Member	President & Chief Executive
	Ms. Tahira Raza	Member	Independent Director
Credit Committee	Mr. Muhammad H. Habib	Chairman	Non-Executive Director
	Mr. Anjum Z. Iqbal	Member	Non-Executive Director
	Mr. Mohamedali R. Habib	Member	Non-Executive Director
	Mr. Mohsin A. Nathani	Member	President & Chief Executive
	Mr. Rashid Ahmed Jafer	Member	Independent Director
IT Committee	Mr. Anjum Z. Iqbal	Chairman	Non-Executive Director
	Mr. Firasat Ali	Member	Independent Director
	Mr. Mohsin A. Nathani	Member	President & Chief Executive

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committees were as per following:

Committees	Frequency of Meetings
Audit Committee	Four meetings were held during the financial year ended December 31, 2022
Human Resources & Remuneration Committee	Two meetings were held during the financial year ended December 31, 2022
Risk & Compliance Committee	Four meetings were held during the financial year ended December 31, 2022
Credit Committee	Three meetings were held during the financial year ended December 31, 2022
IT Committee	Two meetings were held during the financial year ended December 31, 2022



- 
15. The board has set up an effective internal audit function.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board

**MOHSIN A. NATHANI**

President & Chief Executive Officer

Karachi: 24 February 2023

**MOHAMEDALI R. HABIB**

Chairman

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Metropolitan Bank Limited

### Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of Habib Metropolitan Bank Limited ("the Bank") for the year ended 31 December 2022 in accordance with the requirements of Regulation No. 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2022.

Karachi: 06 March 2023  
UDIN: CR202210201etUprNuWB

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

---

## STATEMENT OF INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No. 7 dated May 27, 2004.

### MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

An internal control system is a set of procedures and activities designed to identify, evaluate and mitigate the risk in processes and operations in order to support the overall business objectives of the Bank. It is the responsibility of the Bank's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The management of the Bank has formulated, implemented, and maintained a system of internal controls approved by the Board of Directors, the goal of which is to achieve effectiveness and efficiency of operations while adhering to laws and regulations, resulting in reliability of financial reporting. However, any system of internal controls can only be designed to manage, rather than eliminate the risk of failure to achieve objectives. It can therefore only provide reasonable assurance and not absolute assurance against material misstatement and loss. It also requires continuous improvement to align it with the changing environment and needs of the business.

The Bank monitors its processes and operations on an ongoing basis to ensure that an effective and efficient internal control system remains active and implemented and strive for continuous strengthening of its control environment. The internal control structure comprises of different levels of monitoring activities.

Line Management's role is to monitor day-to-day operations and ensure that the business risks are properly mitigated, control breaches are identified on a timely basis and corrective actions are promptly implemented.

The Compliance Division of the Bank is entrusted with the responsibility to minimize compliance risk and strengthen compliance environment across the organization and ensure a professional working relationship with the State Bank of Pakistan (SBP) and other regulatory bodies. The Management has established a Management Compliance Committee to oversee compliance and controls related matters of the bank. Compliance status of irregularities identified and other compliance related matters are reported to the Bank's Management Compliance Committee, while significant compliance matters are also reported to Board Risk & Compliance Committee. Further, compliance status of observations highlighted in regulatory inspection reports are also presented in Board Risk & Compliance Committee. The Division also has a Financial Crimes and Compliance function to ensure compliance with the relevant AML / CFT / CPF Laws & Regulations.

Internal Audit Division is an independent function and follows a risk-based approach to provide reasonable assurance to the governing authorities on adequacy and effectiveness of the Bank's procedures, processes, controls and systems. All significant / material observations made through internal audit activities are reported to the Board Audit Committee (BAC) on a regular basis, which actively monitors and tracks resolution of these observations and provides guidance in improving the overall control environment of the Bank.

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2022, management considers that, the existing system of internal controls is adequate and has been effectively implemented and monitored.

**NAJEEB GILANI**  
Head of Internal Audit

**SYED HASNAIN HAIDER RIZVI**  
Head of Compliance

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President and CEO

Karachi: 24 February 2023

## REPORT OF SHARI'AH BOARD

FOR THE YEAR ENDED 31 DECEMBER 2022

In the name of Allah Subhanahu, the Beneficent, the Merciful

All Praise be to Allah Subhanahu, the Lord of all the Worlds and Blessings on our Master, Prophet Muhammad (Peace be upon Him), and His Household and all His Companions.

By the Grace of Allah Almighty, Sirat, the Islamic Banking Division of Habib Metropolitan Bank Limited ("Bank") has completed its nineteen years of successful operations of Islamic Banking. The Bank is continuously expanding its Islamic Banking network and at the end of the year 2022, the number of Islamic Banking Branches and Islamic Banking Windows were sixty-one (61) and two hundred and forty-two (242) respectively.

During the year, the Shariah Board held four (04) meetings and has reviewed, provided opinions and approved different existing and new products, policies, manuals, processes, transactions, process flows, Shariah compliance review reports and Shariah audit reports. Further, the Shariah Board and the Board of Directors also met twice this year to have a briefing on Shari'ah compliance environment of the Bank.

The Shariah Board appreciates the vision of the Board of Directors and the management for the continuous growth and support for Islamic Banking.

Following is an overview for the year 2022:

### 1. Islamic Business

During the year 2022, the Bank used diversified Islamic financing products including but not limited to Diminishing Musharakah, Istisna, Al-Bai, Salam, Working Capital Musharakah and Murabahah / Musawamah. At the end of the year 2022, the Bank has Islamic financing and investment/placement of Rs. 141.65 billion and total Islamic deposits under different Islamic accounts of Rs. 107.24 billion.

In this regard, Shariah Board has reviewed and approved one hundred and seventy-nine (179) process flows for various Corporate, SME and Commercial customers including an Islamic Syndicate Transaction as a joint Shariah advisory role. The breakup is as follows:

S. No.	Islamic Financing Modes	Number
1	Diminishing Musharakah	42
2	Istisna / Al-Bai / Salam / Working Capital Musharakah	68
3	Murabahah / Musawamah	69

### 2. Islamic Branches/Windows: Expansion & Conversion

During the year, the Bank has opened 5 new Islamic branches, 24 new Islamic windows and converted 7 conventional branches into Islamic branches.

### 3. Islamic Products & Related Documentation

During the year, Shariah Board has reviewed and/or approved different new products, plan, structure, policies, manuals and agreements including as follows:

Deposit Products	Financing Product	Plan / Structure / Policies / Manuals	Agreements
Sirat Ladies Account (Current)	Supply Chain Financing	Branch Conversion Plan, 2023	Islamic House Finance Agreements
		Proposed structure for Islamic Banking Division (Version 0.1)	
		Operations Manual - Branch Banking (Islamic)	
		Operations Manual - ADC (Islamic)	
		HABIBMETRO Sirat - Investment Policy	Supply Chain Financing Agreements
		Operational Risk Management Policy Framework	
Sirat Ladies Account (Saving)		Product Document - SIRAT Ladies Banking Account & Ladies Debit Card	Islamic Account Opening Form (revision)
		Shariah Governance Framework (SGF)	
		Policy Framework for Profit & Loss Distribution with PLS Depositors & Pool Management	
		Charity Fund Policy	
		Liquidity Risk Management Policy & Contingency Funding Plan	
		Ijarah Manual (revision)	
		Sirat Auto Finance Manual (revision)	
		Addendum to Credit Risk Policy	
		IBD Guidelines for Marketing	
		Shariah Non-Compliance Risk Policy	

### 4. Shariah Compliance and Shariah Audit

During the year, Shariah Compliance & Shariah Audit teams have conducted different regulatory and regular reviews, and audits on a sample basis. The Shariah reviews and audits include different portfolios across different regions under Islamic financing, deposits (profit and loss distribution), Islamic treasury, Islamic branch network and existing Islamic products. During the year, 17 reports were issued which were reviewed and corrective actions were provided by the Shariah Board, where required.

### 5. Charity Amounts

The opening balance of the charity account on January 1, 2022 was Rs. 4,470/-. During the year, Rs. 250,023/- has been credited which includes amount received due to delayed payments by the customers, for Shariah non-compliance & other reasons. The charity amount will be distributed to approved charitable and social welfare institutions.

## 6. Training & Capacity Building

During the year, 3,000 plus staff have attended over 70 Islamic Banking trainings through in-house programs, external training sessions and e-learning modules. The participants include the staff at Islamic Bank ing Branches, Islamic Banking Windows, relationship managers, support functions, new joiners, officers & others.

Shariah Board Members, Shariah Compliance Department & Islamic Banking officials facilitated the Learning Department and other stakeholders in Islamic banking trainings.

### Shariah Board's Opinion

As per the Shariah Governance Framework, the Board of Directors and the management are responsible to ensure that the operations of the Bank are conducted in a manner that comply with Shariah principles at all times, while we are required to submit a report on the overall Shariah compliance environment of the Bank.

To establish our opinion as expressed in this report, we have reviewed the reports of Shariah Compliance Department, Internal Shariah Audit and External Shariah Audit who had carried out their reviews and audits, on test check basis for each class of transactions with the relevant documentation and process flows.

### Based on the above, we are of the view that:

- i. The Bank has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
- ii. The Bank has by and large complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by State Bank of Pakistan (SBP) in accordance with the rulings of SBP's Shariah Advisory Committee.
- iii. The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
- iv. The Bank has a well-defined system in place sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized for charitable purposes.
- v. The Bank has complied with the SBP instructions on profit & loss distribution and pool management.
- vi. The Learning Department and the management have arranged various Islamic Banking capacity building sessions and are in continuous process to enhance Islamic Banking learning network. In this regard, the level of awareness, capacity and sensitization of the staff, management and the Board in appreciating the importance of Shariah compliance in the products and processes of the Bank, is acceptable.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties. However, considering the increase in the business, network and volume of the work, it is suggested to further strengthen the Shariah compliance function in the Bank.

---

## Recommendations

### Based on the above, we recommend that:

1. The Bank should continue to make arrangements for Islamic banking trainings, refresher sessions and awareness sessions for their management, Islamic Banking staff, relevant stakeholders and customers.
2. The Bank should continue to enhance the promotion and marketing of Islamic Banking products and services at all available forums.
3. The Bank should continue to expand its Islamic Branch Banking network alongwith its effort to utilize the digital technology and platforms for the promotion of Islamic Banking.

### And Allah Subhanahu knows the Best.

May Allah Subhanahu accept our endeavours and grant us devotion to accomplish His cherished tasks, forgive our mistakes and make us successful herein this world and hereafter. We also pray, seek guidance and blessings from Allah Almighty for further progress and prosperity of Islamic banking. Ameen

**TAN SRI DR. MOHD. DAUD BAKAR**

Chairman Shari'ah Board

**MUFTI KHAWAJA NOOR UL HASSAN**

Resident Shari'ah Board Member

**MUFTI ABDUL SATTAR LAGHARI**

Member Shari'ah Board

## INDEPENDENT AUDITOR'S REPORT

### To the members of Habib Metropolitan Bank Limited

### Report on the Audit of the Unconsolidated Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of Habib Metropolitan Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2022, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows or the year then ended, along with unaudited certified returns received from the branches except for thirty branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2022 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### 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 Unconsolidated Financial Statements section of our report. We are independent of the Bank 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated 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 Matter	How the matter was addressed in our audit
1	<b>PROVISION AGAINST ADVANCES</b>	
	<p>Refer notes 4.5 and 10 to the unconsolidated financial statements for accounting policy and particulars of provision against advances.</p> <p>Bank's net advances to the customers at 31 December 2022 amounted to Rs. 433.503 billion and represents 31.02% of its total assets. These are stated net of provision.</p> <p>The 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.</p>	<p>Our audit procedures to verify provision against advances included:</p> <ul style="list-style-type: none"> <li>Assessed the design and tested the operating effectiveness of key controls established by the Bank for provisioning required against non-performing loans.</li> <li>We have performed following procedures on a sample basis: <ul style="list-style-type: none"> <li>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;</li> </ul> </li> </ul>



S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>– 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 own view whether any impairment indicators are present; and</li> <li>– where the management has identified as displaying indicators of impairment, assessed the number of overdue days and factors used for calculation of provision in accordance with the Prudential Regulations.</li> </ul>

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the unconsolidated financial statements, consolidated financial statements and our auditors' reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank'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 Bank's financial reporting process.

### Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated 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 Bank'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 Bank'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 unconsolidated 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 unconsolidated 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.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

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

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	54,747,065	83,385,865
Balances with other banks	7	22,452,296	2,995,850
Lendings to financial institutions	8	76,331,607	3,941,284
Investments	9	723,578,560	667,995,813
Advances	10	433,502,914	398,381,922
Fixed assets	11	21,663,890	12,014,494
Intangible assets	12	97,968	120,689
Deferred tax assets	13	5,061,251	3,216,521
Other assets	14	60,008,369	52,364,002
		<u>1,397,443,920</u>	<u>1,224,416,440</u>
<b>LIABILITIES</b>			
Bills payable	15	19,538,428	17,944,644
Borrowings	16	343,967,768	316,166,512
Deposits and other accounts	17	880,696,783	772,286,057
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	78,733,617	55,044,575
		<u>1,322,936,596</u>	<u>1,161,441,788</u>
<b>NET ASSETS</b>		<u>74,507,324</u>	<u>62,974,652</u>
<b>REPRESENTED BY</b>			
Share capital	19	10,478,315	10,478,315
Reserves		25,534,917	22,679,604
Surplus / (deficit) on revaluation of assets - net of tax	20	2,029,769	(381,836)
Unappropriated profit		<u>36,464,323</u>	<u>30,198,569</u>
		<u>74,507,324</u>	<u>62,974,652</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
Mark-up / return / interest earned	23	133,165,182	73,395,933
Mark-up / return / interest expensed	24	(92,554,492)	(43,899,120)
Net mark-up / interest income		40,610,690	29,496,813
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	25	7,930,643	6,905,971
Dividend income		318,116	145,087
Foreign exchange income		5,093,568	3,706,963
Income / (loss) from derivatives		—	—
Gain / (loss) on securities	26	(216,569)	102,026
Other income	27	89,460	280,080
Total non mark-up / interest income		13,215,218	11,140,127
Total income		53,825,908	40,636,940
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	28	22,021,134	16,601,210
Workers' welfare fund		588,184	314,825
Other charges	29	67,878	170,918
Total non mark-up / interest expenses		(22,677,196)	(17,086,953)
Profit before provisions		31,148,712	23,549,987
Provisions and write offs - net	30	(3,531,453)	(2,009,284)
Extra ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		27,617,259	21,540,703
Taxation	31	(13,356,536)	(8,082,130)
<b>PROFIT AFTER TAXATION</b>		14,260,723	13,458,573
<b>Basic and diluted earnings per share</b>			
	32	13.61	12.84

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
Profit after taxation		14,260,723	13,458,573
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>			
Effect of translation of net investment in an offshore branch - net of tax		3,168	1,648
Movement in surplus / deficit on revaluation of investments - net of tax		(3,036,360)	(4,696,762)
		(3,033,192)	(4,695,114)
<b>Items that will not be reclassified to profit and loss in subsequent periods:</b>			
Remeasurement gain / (loss) on defined benefit obligations - net of tax		4,816	(22,390)
Movement in surplus on revaluation of non-banking assets - net of tax	20.2	201,372	1,300,614
Surplus on revaluation of fixed assets - net of tax	20.1	5,338,110	—
		5,544,298	1,278,224
<b>Total comprehensive income</b>		<b>16,771,829</b>	<b>10,041,683</b>

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Reserves						Surplus / (deficit) on revaluation			
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Fixed / non-banking assets	Un-appropriated profit	Total
Rupees in '000										
<b>Opening balance as at 1 January 2021</b>	10,478,315	113	2,550,985	15,694,782	240,361	1,500,000	2,942,837	221,970	24,018,848	57,648,211
Profit after taxation	-	-	-	-	-	-	-	-	13,458,573	13,458,573
Other comprehensive income - net of tax	-	1,648	-	-	-	-	(4,696,762)	1,300,614	(22,390)	(3,416,890)
<b>Total comprehensive income</b>	-	1,648	-	-	-	-	(4,696,762)	1,300,614	13,436,183	10,041,683
Transfer to statutory reserve	-	-	-	2,691,715	-	-	-	-	(2,691,715)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(150,495)	150,495	-
<b>Transactions with owners, recorded directly in equity</b>										
Cash dividend (Rs.2.50 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Interim dividend (Rs.2.00 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)
<b>Balance as at 31 December 2021</b>	10,478,315	1,761	2,550,985	18,386,497	240,361	1,500,000	(1,753,925)	1,372,089	30,198,569	62,974,652
Profit after taxation	-	-	-	-	-	-	-	-	14,260,723	14,260,723
Other comprehensive income - net of tax	-	3,168	-	-	-	-	(3,036,360)	5,539,482	4,816	2,511,106
<b>Total comprehensive income</b>	-	3,168	-	-	-	-	(3,036,360)	5,539,482	14,265,539	16,771,829
Transfer to statutory reserve	-	-	-	2,852,145	-	-	-	-	(2,852,145)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(91,517)	91,517	-
<b>Transactions with owners, recorded directly in equity</b>										
Cash dividend (Rs. 3 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)
Interim dividend (Rs. 2.00 per share) for the year ended 31 December 2022	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)
<b>Balance as at 31 December 2022</b>	10,478,315	4,929	2,550,985	21,238,642	240,361	1,500,000	(4,790,285)	6,820,054	36,464,323	74,507,324

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		27,617,259	21,540,703
Less: Dividend income		(318,116)	(145,087)
		<u>27,299,143</u>	<u>21,395,616</u>
<b>Adjustments</b>			
Depreciation on operating fixed assets	11.2	1,548,406	1,217,389
Depreciation on right-of-use assets	11.2	1,289,677	1,035,343
Depreciation on non-banking assets	14.1.1	371	33,870
Amortisation	12	83,256	71,090
Mark-up / return / interest expensed on lease liability against right-of-use assets	24	815,888	631,775
Provisions and write-offs excluding recovery of written off bad debts	30	3,615,111	2,041,426
Net gain on sale of fixed assets	27	(41,532)	(24,055)
Gain on sale of non-banking assets	27	—	(227,988)
Gain on sale of right-of-use assets		(11,402)	—
Provision against workers welfare fund		588,184	314,825
Provision against compensated absences	28.1	101,346	84,629
		<u>7,989,305</u>	<u>5,178,304</u>
		<u>35,288,448</u>	<u>26,573,920</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(72,390,323)	(2,941,284)
Advances		(38,499,878)	(88,422,789)
Other assets (excluding dividend and non-banking assets)		(11,744,804)	(3,574,445)
		<u>(122,635,005)</u>	<u>(94,938,518)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,593,784	2,523,642
Borrowings from financial institutions		26,492,134	118,731,860
Deposits and other accounts		108,410,726	91,330,345
Other liabilities (excluding current taxation)		21,770,528	(3,046,489)
		<u>158,267,172</u>	<u>209,539,358</u>
		<u>70,920,615</u>	<u>141,174,760</u>
Payment against compensated absences		(96,716)	(67,513)
Income tax paid		(11,436,763)	(8,115,015)
		<u>59,387,136</u>	<u>132,992,232</u>
<b>Net cash flows from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		135,665,152	(101,330,056)
Net investments in held-to-maturity securities		(197,012,846)	10,464,261
Dividend received		324,134	139,197
Investments in fixed assets		(2,971,389)	(2,892,321)
Investments in intangibles assets		(60,535)	(102,089)
Proceeds from sale of fixed assets		85,476	31,326
Proceeds from sale of non-banking assets		—	784,404
Effect of translation of net investment in an offshore branch		5,834	2,701
		<u>(63,964,174)</u>	<u>(92,902,577)</u>
<b>Net cash flows from investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(4,233,724)	(4,692,365)
Payment of lease liability against right-of-use assets		(1,680,714)	(1,412,843)
		<u>(5,914,438)</u>	<u>(6,105,208)</u>
<b>Net cash flows from financing activities</b>			
<b>(Decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		(10,491,476)	33,984,447
		<u>86,351,966</u>	<u>52,367,519</u>
<b>Cash and cash equivalents at the end of the year</b>	33	<u>75,860,490</u>	<u>86,351,966</u>

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 500 (2021:459) branches, including 61 (2021: 49) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (2021: 30) sub branch in Pakistan. The Bank is a subsidiary of Habib Bank A G Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at HABIBMETRO Head Office, I.I. Chundrigar Road, Karachi.

### 2. BASIS OF PRESENTATION

**2.1** These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank 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 are disclosed in Annexure II to these unconsolidated financial statements.

#### 2.2 Statement of Compliance

These unconsolidated 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 (ICAP), 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) from time to time.

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 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. Furthermore, 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 new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2022 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

## **2.4 Standards, Interpretations of and Amendments to Published Accounting and Reporting Standards that are not yet effective**

### **2.4.1 IFRS 9 'Financial Instruments'**

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During 2022, the management of the Bank performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

### **Governance, ownership and responsibilities**

Board's Risk and Compliance Committee (BRCC) is tasked with overseeing the implementation of IFRS 9. A Steering Committee for the implementation of IFRS 9 has representation from Finance, Risk, credit and IT function of the Bank.

Risk is responsible for methodologies for the calculation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Credit Conversion Factors (CCF) for off-balance sheet exposures. These models shall be validated on yearly basis considering the following aspects:

- Expected Credit Loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Calibration testing which ensures the accuracy of the observed PDs.

The risk function will also perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models including PD, LGD and CCF etc., that are used to compute ECL. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations.

Finance shall ensure that all disclosures are made as required by the formats and guidelines issued by the SBP.

## **Classification and measurement**

The classification and measurement of financial assets depends on their contractual cash flow characteristics and the entity's business model. Financial assets are measured at amortized cost, Fair Value Through Profit & Loss (FVTPL) or Fair Value through Other Comprehensive Income (FVOCI). Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank has reviewed the impact of the initial adoption of IFRS 9 on its financial assets as follows:

### **Equity securities**

Equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities. The amount of AFS reserves, which is currently presented as accumulated OCI, will be reclassified to retained earnings. However, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, ie at the lower of cost and break-up value, till accounting periods beginning on or after 1 January 2024.

### **Debt securities and loans and advances**

Debt securities currently classified as AFS and those that passes the SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as Held-to-maturity securities and those which passes the SPPI test are expected to be measured at amortized costs under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS categories, that do not pass the SPPI test would be measured at fair value through profit and loss.

### **Impairment**

The impairment requirements apply to financial assets measured at amortised cost and FV OCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. On initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

---

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 7 years data till 31 December 2022 and going forward, yearly data shall be included until the Bank has at least 10 years' data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Bank shall recognize an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential Regulations issued by the SBP.

As required by the application instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

### **Significant Increase in Credit Risk (SICR)**

SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing requirements of Prudential Regulations issued by the SBP.

## **Presentation and disclosure**

The State Bank of Pakistan has issued a revised format for financial statements of the banks for the accounting periods starting from 1 January 2023, which include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

## **Impact of adoption of IFRS 9**

The Bank will adopt IFRS 9 in its entirety effective 01 January 2023 with modified retrospective approach for restatement. The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2022.

## **Classification, measurement and financial impact**

Based on the bank's assessment, IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

- Debt instruments amounting to Rs. 2,097,835 thousand and Rs. 4,681,209 thousand will be reclassified from AFS to FVTPL and amortised cost respectively. However, there would be no impact on overall equity.
- Equity instruments amounting to Rs. 1,690,074 thousand will be reclassified from AFS to FVTPL.

Total estimated adjustment (net of tax) due to the adoption of IFRS 9 for Expected Credit Loss on the opening balance of the Bank's equity at 1 January 2023 is expected to be Rs. 1,217 million approximately.

The Bank continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption, although parallel runs have been carried out till the third quarter of 2022, the new systems and associated controls in place have not been operational for a more extended period.

## **Impact on regulatory capital**

In order to mitigate the impact of ECL for stage 1 and stage 2 financial assets on Capital, the SBP has permitted the Banks to adopt a transitional provision to phase in the impact over a period of five years.

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

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
Classification of Liabilities as Current or Non-current - amendments to IAS 1	1 January 2024
Non-current Liabilities with Covenants - amendment to IAS 1	1 January 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
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:

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

The above are not expected to have any material impact on the Bank's financial statements.

## **2.5 Critical Accounting Estimates and Judgments**

The preparation of these unconsolidated 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 4.4)
- ii) Provision against non-performing loans and advances (note 4.5.1)
- iii) Depreciation (note 4.6.2) and amortisation (note 4.7)
- iv) Valuation of Fixed assets (4.6.2) and Non-banking assets acquired in satisfaction of claims (note 4.8)
- v) Taxation (note 4.11)
- vi) Defined benefit plan (note 4.13.1)
- vii) Compensated Absences (note 4.13.2)
- viii) Right-of-use assets (note 4.6.3) and related lease liability (note 4.14)
- ix) Impairment of non-financial assets (excluding deferred tax asset) (note 4.21)

## 2.6 Changes in accounting policies

### 2.6.1 Change in accounting policy of land and building from cost to revaluation model

With effect from 30 June 2022, the Bank has voluntarily changed its accounting policy for land and buildings (freehold and leasehold) from the cost model to the revaluation model, as permitted under IAS 16 'Property, Plant and Equipment'. On adoption, these are carried at a revalued amount less accumulated depreciation and accumulated impairment losses (if any), which previously were carried at cost less accumulated depreciation and accumulated impairment losses (if any). The impact of the change in accounting policy has been disclosed in note 11.3.

The management believes that the new accounting policy will result in the financial statements providing more relevant information and more realistic reflection of the values of these assets.

The change has been dealt in accordance with the requirements of IAS 16, and accordingly, the Bank has applied the accounting policy prospectively.

## 3. BASIS OF MEASUREMENT

### Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, certain classes of fixed assets and 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 4.4, 4.8 and 4.9 respectively.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**4.1** The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These have been consistently applied to all the years presented except for the change as mentioned in the note 2.6.1 above.

### 4.2 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.

---

### 4.3 Lendings to / borrowings from financial institutions

The Bank 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 Bank 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 Bank 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 Bank accepts funds from the SBP under Shirkat-ul-aqd to constitute a pool for investment in Islamic export refinance portfolio of the Bank 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 Bank accepts funds from the SBP which are received on mudaraba basis for investment in the pool of the Bank. 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 Investments

#### 4.4.1 Investments in subsidiaries are stated at cost less provision for impairment, if any.

#### 4.4.2 Other 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 Muajjal transactions undertaken with the Government of Pakistan are disclosed as investments.

##### **Available-for-sale**

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

#### 4.4.3 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 Bank'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 a 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.

## **4.5 Advances (including net investment in finance lease and ijarah arrangements)**

### **4.5.1 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 is charged to profit and loss account. The Bank 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 Bank's policy when there are no realistic prospects of recovery.

### **4.5.2 Finance lease receivables**

Leases where the Bank 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.

### **4.5.3 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 Bank 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 Bank's musharaka share by the customer. The Bank 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 Bank 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 Bank subject to consumer's running musharakah 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 Bank places an order to purchase some specific goods / commodities from its customers to be manufactured / delivered to the Bank within an agreed time. The goods are then sold and the amount financed along with profit is paid back to the Bank.

## **Al-Bai**

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

## **Murabaha**

In Murabaha transactions, the Bank 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 Bank are then sold by the customer on behalf of the Bank and the financed amount along with profit is paid to the Bank.

## **4.6 Fixed assets**

### **4.6.1 Capital work-in-progress**

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

### **4.6.2 Property and equipment (Owned)**

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amount, less any applicable accumulated depreciation and accumulated impairment losses (if any). Land and buildings are stated at revalued amount less accumulated depreciation (in case of buildings) and 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

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

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

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of land and building account. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, if the increase reverses a deficit on the same asset previously recognized in the profit and loss account, such an increase is also recognized in the profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of land and building account.

In the case of revalued assets, any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the net asset and the net amount restated at the revalued amount of the asset.

Surplus on revaluation of land and building (net of any associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Surplus on revaluation (net of any deferred tax) realized on disposal of land and building is transferred directly to unappropriated profit.

#### **4.6.3 Right-of-use assets and their related lease liability**

The Bank recognizes a right-of-use asset and lease liability (note 4.14) 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.

### **4.7 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 Bank. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

### **4.8 Non-banking assets**

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

Depreciation on assets (other than land) acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank'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.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realised on disposal of these assets is transferred directly to unappropriated profit.

If such an asset is subsequently used by the Bank for its own operations, the asset is transferred to fixed assets along with any related surplus.

## **4.9 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.

## **4.10 Provisions**

Provision against identified off-balance exposure is recognised when intimated and reasonable certainty exists for the Bank 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 Bank 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.

## **4.11 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.

### **4.11.1 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.

### **4.11.2 Deferred**

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

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are 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 Bank 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.

#### **4.12 Deposits / Borrowings**

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

#### **4.13 Employees' benefits**

##### **4.13.1 Retirement benefits**

###### **Defined benefit plan**

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

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

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

###### **Defined contribution plan**

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

##### **4.13.2 Compensated absences**

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

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

#### **4.14 Lease liability against right-of-use assets**

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Bank'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.

#### **4.15 Revenue recognition**

Revenue is recognised to the extent that the economic benefits will flow to the Bank 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.
- Dividend income is recognised when the Bank'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 Bank'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, when services are rendered.

## 4.16 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank 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 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 letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date. Commitments for outstanding forward foreign exchange contracts disclosed in these unconsolidated financial statements are translated at contracted rates.

#### 4.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank'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 Bank'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 Bank 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 unconsolidated financial statements of the current year. These are recognised in the period in which these are declared / approved.

#### 4.20 Earnings per share

The Bank 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 Bank 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 Bank 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 Bank 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 unconsolidated financial statements.

## 4.23 Financial instruments

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank 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 unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

	Note	2022	2021
		Rupees in '000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		11,785,531	6,711,218
Foreign currencies		1,955,812	580,139
		<u>13,741,343</u>	<u>7,291,357</u>
<b>With State Bank of Pakistan in</b>			
Local currency current accounts	6.1	31,843,038	54,589,341
Foreign currencies			
– current accounts	6.2	2,843,777	1,347,685
– cash reserve account	6.3	5,631,918	5,475,902
– deposit account- special cash reserve	6.4	564,907	10,110,791
		<u>40,883,640</u>	<u>71,523,719</u>
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		84,330	4,446,115
<b>Prize bonds</b>		37,752	124,674
		<u>54,747,065</u>	<u>83,385,865</u>

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

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

**6.3** These represent accounts 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 maintenance of such deposit, has been relaxed by the SBP till 05 January 2023 (in case of conventional operations no such maintenance was required up to the date mentioned). The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2022, carries mark-up at the rate of 3.14% (2021: 0%) per annum.

## 7. BALANCES WITH OTHER BANKS

	Note	2022	2021
		Rupees in '000	
<b>In Pakistan</b>			
In current accounts		49,263	212,662
In deposit accounts	7.1	552	967
		<u>49,815</u>	<u>213,629</u>
<b>Outside Pakistan</b>			
In current accounts	7.2	22,402,481	2,782,221
		<u>22,452,296</u>	<u>2,995,850</u>

- 7.1** This carry mark-up rate of 14.50% (2021: 7.25%) per annum.

- 7.2** These include balances in current accounts amounting to Rs. 466,178 thousand (2021: Rs. 184,060 thousand) with branches of the holding company.

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	1,902,020	441,284
Repurchase agreement lendings (reverse repo)	8.3	74,429,587	–
Mudaraba placements		–	3,500,000
		<u>76,331,607</u>	<u>3,941,284</u>

### 8.1 Particulars of lendings

In local currency			
- secured		74,429,587	–
- unsecured		–	3,500,000
In foreign currency - unsecured	8.2	1,902,020	441,284
		<u>76,331,607</u>	<u>3,941,284</u>

- 8.2** These foreign currency lendings carry mark-up rate of 11.00% (2021: 1.10%) per annum and are due mature latest by 27 March 2023 (2021: 12 January 2022).

### 8.3 Securities held as collateral against lending to financial institutions (reverse repo)

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market treasury bills	33,169,690	–	33,169,690	–	–	–
Pakistan investment bonds	38,644,648	–	38,644,648	–	–	–
	<u>71,814,338</u>	<u>–</u>	<u>71,814,338</u>	<u>–</u>	<u>–</u>	<u>–</u>

- 8.3.1** Face value in respect of Market treasury bills is Rs. 33,950,000 thousand (2021: Nil) and of Pakistan investment bonds is Rs. 41,400,000 thousand (2021: Nil).
- 8.3.2** These carry profit / return ranging from 15.00% to 16.25% (2021: Nil) per annum with maturity upto 06 January 2023 (2021: Nil).

## 9. INVESTMENTS

### 9.1 Investments by types

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
<b>Available-for-sale securities</b>								
Federal government securities	490,587,062	–	(8,275,110)	482,311,952	629,433,212	–	(2,848,310)	626,584,902
Shares	2,947,348	(474,761)	(27,254)	2,445,333	1,453,396	(380,494)	224,696	1,297,598
Non-government debt securities	12,064,982	(90,496)	(255,266)	11,719,220	11,388,952	(115,554)	(323,605)	10,949,793
Mutual funds	16,949	(12,276)	–	4,673	30,140	(10,426)	3,963	23,677
Real estate investment trust	1,531,780	–	153,621	1,685,401	672,739	–	67,969	740,708
	<u>507,148,121</u>	<u>(577,533)</u>	<u>(8,404,009)</u>	<u>498,166,579</u>	<u>642,978,439</u>	<u>(506,474)</u>	<u>(2,875,287)</u>	<u>639,596,678</u>
<b>Held-to-maturity securities</b>								
Federal government securities	220,531,981	–	–	220,531,981	22,469,135	–	–	22,469,135
Non-government debt securities	4,050,000	–	–	4,050,000	5,100,000	–	–	5,100,000
	<u>224,581,981</u>	<u>–</u>	<u>–</u>	<u>224,581,981</u>	<u>27,569,135</u>	<u>–</u>	<u>–</u>	<u>27,569,135</u>
<b>Subsidiaries</b>	830,000	–	–	830,000	830,000	–	–	830,000
<b>Total investments</b>	<u>732,560,102</u>	<u>(577,533)</u>	<u>(8,404,009)</u>	<u>723,578,560</u>	<u>671,377,574</u>	<u>(506,474)</u>	<u>(2,875,287)</u>	<u>667,995,813</u>

### 9.2 Investment in subsidiaries - incorporated in Pakistan

	Holding %	Assets	Liabilities	Revenue	Profit after tax	Total com- prehensive income
Rupees in '000						
<b>2022</b>						
Habib Metropolitan Financial Services Limited	100%	481,349	154,554	64,263	(3,293)	(12,373)
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	552,885	21,897	125,821	63,510	19,184
First Habib Modaraba (FHM) (Refer Note 9.2.1 mentioned below)	5.43%	19,655,973	15,298,319	2,902,938	622,428	365,193
Habib Metro Modaraba (HMM) (Refer Note 9.2.1 mentioned below)	–	–	–	28,439	10,715	10,715
<b>2021</b>						
Habib Metropolitan Financial Services Limited	100%	510,949	172,481	65,592	4,706	3,006
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	534,417	22,612	89,112	40,227	23,196
Habib Metro Modaraba (HMM)	60%	351,420	28,826	38,917	16,038	16,038

- 9.2.1** Subsequent to year end, the High Court of Sindh sanctioned the scheme of arrangement for merger by way of amalgamation of FHM and HMM with effect from 01 July 2022, as approved by the Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited. As a consequence of which, the entire undertaking of the HMM shall stand transferred to and vested in FHM which shall continue to be managed by the Management Company while HMM shall be dissolved and will cease to exist without winding up. Change in ownership did not have a material effect.

### 9.3 Investments by segments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Federal government securities</b>								
Market treasury bills	281,774,093	–	(693,337)	281,080,756	409,364,470	–	(747,167)	408,617,303
Pakistan investment bonds	396,583,580	–	(7,090,846)	389,492,734	217,583,004	–	(1,539,806)	216,043,198
Ijarah sukuk	28,080,161	–	(490,927)	27,589,234	24,224,162	–	(561,337)	23,662,825
Islamic Naya Pakistan certificate mudaraba investment pool - foreign currencies	3,989,495	–	–	3,989,495	671,987	–	–	671,987
Islamic Naya Pakistan certificate mudaraba investment pool - Pak Rupee	691,714	–	–	691,714	58,724	–	–	58,724
	<u>711,119,043</u>	<u>–</u>	<u>(8,275,110)</u>	<u>702,843,933</u>	<u>651,902,347</u>	<u>–</u>	<u>(2,848,310)</u>	<u>649,054,037</u>
<b>Shares</b>								
Listed companies	2,815,619	(395,690)	(27,254)	2,392,675	1,321,667	(301,423)	224,696	1,244,940
Unlisted companies	131,729	(79,071)	–	52,658	131,729	(79,071)	–	52,658
	<u>2,947,348</u>	<u>(474,761)</u>	<u>(27,254)</u>	<u>2,445,333</u>	<u>1,453,396</u>	<u>(380,494)</u>	<u>224,696</u>	<u>1,297,598</u>
<b>Non-government debt securities</b>								
Listed								
Term finance certificates	757,781	(64,946)	–	692,835	1,161,101	(68,866)	5,337	1,097,572
Sukuk certificates / bonds	6,876,651	–	(255,266)	6,621,385	7,076,163	–	(336,553)	6,739,610
Unlisted								
Term finance certificates	3,925,000	–	–	3,925,000	2,446,138	(21,138)	–	2,425,000
Sukuk certificates / bonds	505,550	(25,550)	–	480,000	705,550	(25,550)	7,611	687,611
Certificates of investment	4,050,000	–	–	4,050,000	5,100,000	–	–	5,100,000
	<u>16,114,982</u>	<u>(90,496)</u>	<u>(255,266)</u>	<u>15,769,220</u>	<u>16,488,952</u>	<u>(115,554)</u>	<u>(323,605)</u>	<u>16,049,793</u>
<b>Mutual funds</b>								
Open end	–	–	–	–	13,191	–	3,963	17,154
Close end	16,949	(12,276)	–	4,673	16,949	(10,426)	–	6,523
	<u>16,949</u>	<u>(12,276)</u>	<u>–</u>	<u>4,673</u>	<u>30,140</u>	<u>(10,426)</u>	<u>3,963</u>	<u>23,677</u>
<b>Real estate investment trust</b>	1,531,780	–	153,621	1,685,401	672,739	–	67,969	740,708
<b>Subsidiaries</b>								
Habib Metropolitan Financial Services Limited	300,000	–	–	300,000	300,000	–	–	300,000
Habib Metropolitan Mudaraba Management Company (Private) Limited	350,000	–	–	350,000	350,000	–	–	350,000
First Habib Mudaraba (earlier Habib Metro Mudaraba) (Refer Note 9.2.1 mentioned above)	180,000	–	–	180,000	180,000	–	–	180,000
	<u>830,000</u>	<u>–</u>	<u>–</u>	<u>830,000</u>	<u>830,000</u>	<u>–</u>	<u>–</u>	<u>830,000</u>
	<u>732,560,102</u>	<u>(577,533)</u>	<u>(8,404,009)</u>	<u>723,578,560</u>	<u>671,377,574</u>	<u>(506,474)</u>	<u>(2,875,287)</u>	<u>667,995,813</u>

	2022	2021
	Rupees in '000	
<b>9.3.1 Investments given as collateral against repo borrowing</b>		
The market value of investments given as collateral against borrowings is as follows:		
<b>Federal government securities</b>		
Market treasury bills	105,872,299	99,178,412
Pakistan investment bonds	90,133,387	83,891,118
	<u>196,005,686</u>	<u>183,069,530</u>

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

**9.3.3** Investments include Rs. 132,000 thousand (2021: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

## 9.4 Provision for diminution in value of investments

<b>9.4.1</b>	Opening balance	506,474	507,587
	Charge for the year	240,145	3,884
	Reversal for the year	(3,920)	(4,997)
	Net (reversal) / charge for the year	236,225	(1,113)
	Reversal on disposal	(144,028)	—
	Amount written off	(21,138)	—
	Closing balance	<u>577,533</u>	<u>506,474</u>

## 9.4.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
<b>Domestic</b>				
Loss	<u>90,496</u>	<u>90,496</u>	<u>115,554</u>	<u>115,554</u>

## 9.5 Quality of available-for-sale securities

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

### Federal Government Securities - Government guaranteed

	2022	2021
	Cost / amortised cost	
	Rupees in '000	
Market treasury bills	134,914,176	409,364,470
Pakistan investment bonds	325,867,628	195,113,869
Ijarah sukuk	25,124,049	24,224,162
Islamic naya Pakistan certificate Mudaraba investment pool - foreign currencies	3,989,495	671,987
Islamic naya Pakistan certificate Mudaraba investment pool - Pak Rupee	691,714	58,724
	<u>490,587,062</u>	<u>629,433,212</u>

### Shares

#### Listed companies

Automobile parts and accessories	41,743	15,167
Cement	247,866	219,904
Chemical	105,865	—
Commercial banks	1,164,754	586,051
Fertilizer	716,062	293,853
Investment banks / investment companies / securities companies	122,847	94,359
Oil and gas exploration, power generation and distribution	321,616	82,079
Pharmaceuticals	34,206	—
Textile	252	—
Transport	60,408	30,254
	<u>2,815,619</u>	<u>1,321,667</u>

	2022		2021	
	Cost	Break-up value	Cost	Break-up value
	Rupees in '000			
<b>Unlisted companies</b>				
Pakistan Export Finance Guarantee Limited	11,361	–	11,361	–
DHA Cogen Limited	50,000	–	50,000	–
Dawood Family Takaful Limited	35,000	24,548	35,000	22,925
Society for World Wide Inter Bank Financial Telecommunication (Swift)	7,844	52,600	7,844	43,517
Pakistan Corporate Restructuring Company Limited	27,524	25,817	27,524	25,817
	<u>131,729</u>	<u>102,965</u>	<u>131,729</u>	<u>92,259</u>

	Note	2022	2021
		Cost / amortised cost	
		Rupees in '000	

#### Non-government debt securities

##### Listed

AAA	–	400,000
AA+	42,835	142,835
A+	375,000	749,400
AA-	600,000	200,000
A	50,000	100,000
Unrated	6,566,597	6,645,029
	<u>7,634,432</u>	<u>8,237,264</u>

##### Unlisted

AAA	3,880,000	1,750,000
AA+	425,000	760,000
AA	–	495,000
AA-	–	–
A	100,000	100,000
Unrated	25,550	46,688
	<u>4,430,550</u>	<u>3,151,688</u>

##### Mutual funds

Unrated	16,949	30,140
---------	--------	--------

##### Real estate investment trust

##### Listed

AAA (rr)	831,780	672,739
----------	---------	---------

##### Unlisted

RM 3+	700,000	–
-------	---------	---

#### 9.6 Particulars relating to held-to-maturity securities are as follows:

##### Federal government securities - Government guaranteed

Market treasury bills	146,859,917	–
Pakistan investment bonds	70,715,952	22,469,135
Ijarah sukuk	2,956,112	–
	<u>220,531,981</u>	<u>22,469,135</u>

##### Non-government debt securities - unlisted

Certificates of investment - unrated	9.6.1	4,050,000	5,100,000
--------------------------------------	-------	-----------	-----------

**9.6.1** This represents certificates of investment (musharaka) carrying expected profit rate ranging from 15.75% to 16.25% (2021: 7.40% to 11.75%) per annum with maturity upto 28 March 2023 (2021: 02 March 2022).

**9.6.2** The market value of federal government securities classified as held-to-maturity is Rs. 214,186,517 thousand (2021: 20,751,532 thousand).

## 10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2022	2021	2022	2021	2022	2021
Rupees in '000							
Loans, cash credits, running finances, etc.	10.1	282,270,838	269,326,315	11,882,972	11,128,658	294,153,810	280,454,973
Islamic financing and related assets		106,585,085	78,645,639	336,625	722,390	106,921,710	79,368,029
Bills discounted and purchased		44,866,490	54,518,912	9,430,159	5,036,656	54,296,649	59,555,568
Advances - gross		433,722,413	402,490,866	21,649,756	16,887,704	455,372,169	419,378,570
Provision against advances							
- specific		-	-	(17,249,750)	(15,900,830)	(17,249,750)	(15,900,830)
- general		(4,619,505)	(5,095,818)	-	-	(4,619,505)	(5,095,818)
		(4,619,505)	(5,095,818)	(17,249,750)	(15,900,830)	(21,869,255)	(20,996,648)
Advances - net of provision		429,102,908	397,395,048	4,400,006	986,874	433,502,914	398,381,922

### 10.1 Includes net investment in finance lease as disclosed below:

	2022			2021		
	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	64,036	72,305	136,341	56,873	91,219	148,092
Residual value	77,345	28,655	106,000	86,669	39,777	126,446
Minimum lease payments	141,381	100,960	242,341	143,542	130,996	274,538
Financial charges for future periods	(18,226)	(9,235)	(27,461)	(14,239)	(9,967)	(24,206)
Present value of minimum lease payments	123,155	91,725	214,880	129,303	121,029	250,332

### 10.2 Particulars of advances - gross

	2022	2021
Rupees in '000		
In local currency	398,963,527	369,167,849
In foreign currencies	56,408,642	50,210,721
	455,372,169	419,378,570



- 10.3** Advances include Rs. 21,649,756 thousand (2021: Rs. 16,887,704 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2022		2021	
	Non-performing advances	Provision	Non-performing advances	Provision
Rupees in '000				
<b>Domestic</b>				
Other asset especially mentioned	12,640	–	–	–
Substandard	533,656	36,601	28,740	1,098
Doubtful	2,663,649	103,101	1,462,928	529,294
Loss	18,439,811	17,110,048	15,396,036	15,370,438
	<u>21,649,756</u>	<u>17,249,750</u>	<u>16,887,704</u>	<u>15,900,830</u>

#### 10.4 Particulars of provision against advances

	Note	2022			2021		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		15,900,830	5,095,818	20,996,648	16,417,607	2,898,168	19,315,775
Charge for the year		5,162,335	–	5,162,335	2,358,300	2,197,650	4,555,950
Reversals for the year		(1,307,136)	(476,313)	(1,783,449)	(2,348,278)	–	(2,348,278)
Net charge for the year		3,855,199	(476,313)	3,378,886	10,022	2,197,650	2,207,672
Amount written off	10.5	(2,506,279)	–	(2,506,279)	(526,799)	–	(526,799)
Closing balance		17,249,750	4,619,505	21,869,255	15,900,830	5,095,818	20,996,648

**10.4.1** The Bank maintains general provision, as a matter of prudence, on account of the management's assessment of credit risk and general banking risk particularly in the current stressed economic condition amounting to Rs. 4,560,235 thousand (2021: Rs. 5,070,565 thousand). General provision also includes provision of Rs. 59,265 thousand (2021: Rs. 25,248 thousand) made against consumer portfolio and Rs. 5 thousand (31 December 2021: Rs. 5 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

**10.4.2** Exposure amounting to Rs. 5,295,616 thousand relating to Power Holding (Private) Limited, is government guaranteed and therefore, has not been classified as non-performing, pursuant to relaxation given by the SBP under circular letter no. BPRD/BRD (FD)/2023/135.

#### 10.4.3 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	13,021,100	4,619,505	17,640,605	15,406,254	5,095,818	20,502,072
In foreign currencies	4,228,650	–	4,228,650	494,576	–	494,576
	<u>17,249,750</u>	<u>4,619,505</u>	<u>21,869,255</u>	<u>15,900,830</u>	<u>5,095,818</u>	<u>20,996,648</u>

## 10.4.4 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 bank has availed the benefit of Forced Sale Value (FSV) of certain collaterals against non-performing loans. Had this benefit of FSV not been taken by the bank, specific provision against non-performing advances would have been higher by Rs. 2,617,170 thousand (2021: Rs. 208,257 thousand) and profit after tax would have been lower by Rs. 1,334,757 thousand (2021: Rs. 127,036 thousand). This amount of Rs. 1,334,757 thousand (2021: Rs. 127,036 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	2022	2021
		Rupees in '000	
<b>10.5 Particulars of write offs</b>			
<b>10.5.1</b> Against provisions	10.4	2,506,279	526,799
Directly charged to profit and loss account		—	—
		<u>2,506,279</u>	<u>526,799</u>
<b>10.5.2</b> Write offs of Rs. 500,000/- and above		2,504,916	526,799
Write offs of below Rs. 500,000/		1,363	—
		<u>2,506,279</u>	<u>526,799</u>

## 10.6 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 2022 is enclosed as Annexure I. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2022	2021
		Rupees in '000	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	340,967	180,791
Property and equipment	11.2	21,322,923	11,833,703
		<u>21,663,890</u>	<u>12,014,494</u>
<b>11.1 Capital work-in-progress</b>			
Civil works	11.1.1	100,669	90,388
Advance to suppliers		240,298	90,403
		<u>340,967</u>	<u>180,791</u>

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

## 11.2 Property and equipment

	2022									
	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									
<b>At 1 January 2022</b>										
Cost / Revalued amount	1,386,858	99,340	356,349	2,712,785	837,506	4,628,341	237,173	4,437,472	8,121,258	22,817,082
Accumulated depreciation	-	(4,719)	(216,826)	(1,179,847)	(439,612)	(3,362,508)	(108,894)	(3,057,600)	(2,613,373)	(10,983,379)
Net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>Year ended December 2022</b>										
Opening net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
Additions	498,278	268,667	-	-	223,985	1,040,279	92,479	681,834	-	2,805,522
Additions to right-of-use assets	-	-	-	-	-	-	-	-	2,575,654	2,575,654
Movement in surplus on assets revalued during the year	1,070,460	2,335,148	404,431	2,985,926	-	-	-	-	-	6,795,965
Disposals	-	-	-	-	(1,162)	(1,578)	(41,204)	-	(58,269)	(102,213)
Depreciation charge	-	-	(29,499)	(203,179)	(111,259)	(705,277)	(47,473)	(451,719)	(1,289,677)	(2,838,083)
Exchange rate adjustments	-	-	-	5,091*	350*	242*	8*	-	-	5,691
Reclassification / accumulated depreciation due to revaluation / transfer from non-banking assets	90,194**	1,321,954**	(90,194)**	(1,075,270)**	-	-	-	-	-	246,684
Closing net book value	3,045,790	4,020,390	424,261	3,245,506	509,808	1,599,499	132,089	1,609,987	6,735,593	21,322,923
<b>At 31 December 2022</b>										
Cost / Revalued amount	3,045,790	4,020,390	447,516	3,403,561	1,048,449	5,612,516	240,159	5,119,306	10,126,510	33,064,197
Accumulated depreciation	-	-	(23,255)	(158,055)	(538,641)	(4,013,017)	(108,070)	(3,509,319)	(3,390,917)	(11,741,274)
Net book value	3,045,790	4,020,390	424,261	3,245,506	509,808	1,599,499	132,089	1,609,987	6,735,593	21,322,923
<b>Rate of depreciation (percentage)</b>	-	-	4	4	15	25	20	20		

\* This represents exchange rate adjustments of fixed assets in offshore branch operations.

\*\* On revaluation as explained in note 2.6.1 to the financial statements and transfer of an asset from non-banking assets.

	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									
<b>At 1 January 2021</b>										
Cost / Revalued amount	59,871	99,340	356,349	2,711,067	623,748	3,965,950	176,523	3,437,791	5,772,084	17,202,723
Accumulated depreciation	-	(3,609)	(204,522)	(1,078,644)	(364,181)	(2,893,791)	(68,089)	(2,663,190)	(1,578,030)	(8,854,056)
Net book value	59,871	95,731	151,827	1,632,423	259,567	1,072,159	108,434	774,601	4,194,054	8,348,667
<b>Year ended December 2021</b>										
Opening net book value	59,871	95,731	151,827	1,632,423	259,567	1,072,159	108,434	774,601	4,194,054	8,348,667
Additions	1,326,987	-	-	-	225,806	773,217	68,199	999,681	-	3,393,890
Additions to right-of-use assets	-	-	-	-	-	-	-	-	2,349,174	2,349,174
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,082)	(1,536)	(4,653)	-	-	(7,271)
Depreciation charge	-	(1,110)	(12,304)	(101,203)	(86,533)	(578,125)	(43,704)	(394,410)	(1,035,343)	(2,252,732)
Exchange rate adjustments	-	-	-	1,718 *	136 *	118 *	3 *	-	-	1,975
Closing net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>At 31 December 2021</b>										
Cost / Revalued amount	1,386,858	99,340	356,349	2,712,785	837,506	4,628,341	237,173	4,437,472	8,121,258	22,817,082
Accumulated depreciation	-	(4,719)	(216,826)	(1,179,847)	(439,612)	(3,362,508)	(108,894)	(3,057,600)	(2,613,373)	(10,983,379)
Net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>Rate of depreciation (percentage)</b>	-	1.49	4	4	15	25	20	20		

\* This represents exchange rate adjustments of fixed assets in offshore branch operations.

## 11.3 Revaluation of properties

The Bank's land and buildings were revalued by an independent professional valuer, Iqbal A. Nanjee & Co. (Private) Limited as at 30 June 2022. The valuation performed by the valuer on the basis an assessment of present market values. The revaluation has resulted in a net surplus of Rs. 6,795,965 thousand over the book value. Relevant details are as follows:

### 11.3.1 Surplus on revaluation of fixed assets are as follows:

	2022	2021
	Rupees in '000	
Freehold land	1,070,460	—
Leasehold land	2,488,939	—
Buildings on Freehold land	383,769	—
Buildings on Leasehold land	2,846,455	—

### 11.3.2 Had there been no revaluation the carrying amounts of revalued assets would have been as follows:

	2022	2021
Freehold land	1,975,330	—
Leasehold land	1,531,451	—
Buildings on freehold land	40,492	—
Buildings on leasehold land	399,051	—

### 11.4 The cost of fully depreciated assets still in use includes:

	2022	2021
	Rupees in '000	
Furniture and fixture	245,833	193,906
Electrical, office and computer equipment	2,531,673	2,201,796
Vehicles	17,345	8,867
Lease hold improvements	2,553,860	2,064,707

## 11.5 Details of fixed assets disposed-off to related parties during the year ended 31 December 2022

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	16	9	1,068	As per HR policy	Mr. Abdul Sattar Laghari (Ex-Employee)
Vehicle	2,505	1,230	2,550	As per HR policy	Mr. Abdul Wahab (Ex-Employee)
Vehicle	2,049	754	1,448	As per HR policy	Mr. Aftab Ahmed (Ex-Employee)
Vehicle	3,415	1,422	2,235	As per HR policy	Mr. Ahmed Shah Durrani (Employee)
Vehicle	2,079	407	1,590	As per HR policy	Mr. Amin Muhammed (Employee)
Vehicle	2,735	1,860	1,860	As per HR policy	Mr. Anjum Amin Siddiqui (Employee)
Vehicle	21	1	1	As per HR policy	Mr. Arif Durvesh (Ex-Employee)
Vehicle	3,004	974	974	As per HR policy	Mr. Arif Durvesh (Ex-Employee)
Vehicle	2,344	951	1,665	As per HR policy	Mr. Arif Karim (Employee)
Vehicle	3,705	1,675	2,235	As per HR policy	Mr. Asad Ali (Employee)
Vehicle	17	8	1,065	As per HR policy	Mr. Asad Bilal (Employee)
Vehicle	2,775	2,197	2,197	As per HR policy	Mr. Babbar Wajid (Employee)
Vehicle	3,985	3,297	3,297	As per HR policy	Mr. Bilal Asgher (Employee)
Vehicle	1,949	319	1,785	As per HR policy	Mr. Budhal Mahesar (Ex-Employee)
Vehicle	2,229	457	1,590	As per HR policy	Mr. Farhan Aslam Choudhary (Employee)
Vehicle	19	10	1,470	As per HR policy	Mr. Farooq Ghias Ahsan Uddin (Ex-Employee)

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
———— Rupees in '000 ————					
Vehicle	17	7	1,170	As per HR policy	Mr. Farukh Mahmood (Employee)
Vehicle	3,905	2,545	2,545	As per HR policy	Mr. Fuzail Abbas (Employee)
Vehicle	2,804	787	2,100	As per HR policy	Mr. Haris Ahmed (Employee)
Vehicle	2,554	244	1,860	As per HR policy	Mr. Khurram Shahzad (Employee)
Vehicle	1,284	156	1,095	As per HR policy	Mr. Mohammad Khan (Employee)
Vehicle	2,475	1,334	2,500	As per HR policy	Mr. Muhammad Jassem Butt (Ex-Employee)
Vehicle	2,129	436	1,665	As per HR policy	Mr. Muhammad Jawed Munshi (Employee)
Vehicle	3,905	2,686	2,686	As per HR policy	Mr. Muhammad Umar Ghufraan (Employee)
Vehicle	2,855	1,344	1,665	As per HR policy	Mr. Muslim Raza Mooman (Employee)
Vehicle	2,444	1,008	1,665	As per HR policy	Mr. Najeeb Gillani (Employee)
Vehicle	2,515	1,869	2,625	As per HR policy	Mr. Noman Mughal (Ex-Employee)
Vehicle	2,735	2,059	2,059	As per HR policy	Mr. Rafif Uddin Ghauri (Employee)
Vehicle	16	8	1,269	As per HR policy	Mr. Rizwan Ahmed Siddiqui (Employee)
Vehicle	5,557	670	764	As per HR policy	Mr. Sirajuddin Aziz (Ex-Employee)
Vehicle	2,775	2,136	2,760	As per HR policy	Mr. Syed Ather Ahmed (Ex-Employee)
Vehicle	17	9	1,005	As per HR policy	Mr. Waqar Hussain (Employee)
Vehicle	2,204	435	1,590	As per HR policy	Mr. Yawer Ali Gulani (Employee)
Vehicle	3,905	2,705	2,705	As per HR policy	Mr. Zulfiqar Alavi (Employee)
Vehicle	3,304	1,251	2,235	As per HR policy	Syed Abu Tufail (Employee)
Vehicle	2,735	1,844	1,844	As per HR policy	Syed Ammar Yasir Bukhari (Employee)
Vehicle	3,415	1,422	2,235	As per HR policy	Syed Hasnain Haider Rizvi (Employee)
Vehicle	2,669	654	2,100	As per HR policy	Syed Intekhab Hussain Rizvi (Employee)

## 12. INTANGIBLE ASSETS

### At 1 January

	Computer software	
	2022	2021
———— Rupees in '000 ————		
Cost	648,996	546,907
Accumulated amortisation	(528,307)	(457,217)
Net book value	<u>120,689</u>	<u>89,690</u>
Opening net book value	120,689	89,690
Additions - directly purchased	60,535	102,089
Amortisation charge	(83,256)	(71,090)
Closing net book value	<u>97,968</u>	<u>120,689</u>

### At 31 December

Cost	709,531	648,996
Accumulated amortisation	(611,563)	(528,307)
Net book value	<u>97,968</u>	<u>120,689</u>
Rate of amortisation (percentage)	<u>33.3</u>	<u>33.3</u>
Useful life in years	<u>3</u>	<u>3</u>

**12.1** The cost of fully amortised intangible assets (computer software) still in use is Rs. 464,314 thousand (2021: Rs. 425,995 thousand).

## 13. DEFERRED TAX ASSETS

### Deductible temporary differences on

Provision for diminution in value of investments  
Provision against advances and off - balance sheet  
Accelerated tax depreciation  
Deferred liability on defined benefit plan  
Deficit on revaluation of investments

2022			
Balance as at January 01, 2022	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2022
Rupees in '000			
197,524	50,814	–	248,338
2,561,945	363,018	–	2,924,963
193,885	141,794	–	335,679
20,096	–	(13,150)	6,946
1,121,362	–	2,492,362	3,613,724
4,094,812	555,626	2,479,212	7,129,650

### Taxable temporary differences on

Surplus on revaluation of non-banking assets  
Surplus on revaluation of fixed assets  
Exchange translation reserve

(877,238)	10	201,564	(675,664)
–	69,030	(1,458,046)	(1,389,016)
(1,053)	–	(2,666)	(3,719)
(878,291)	69,040	(1,259,148)	(2,068,399)
3,216,521	624,666	1,220,064	5,061,251

### Deductible temporary differences on

Provision for diminution in value of investments  
Provision against advances and off - balance sheet  
Provision against other assets  
Accelerated tax depreciation  
Deferred liability on defined benefit plan  
Deficit on revaluation of investments

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			
177,655	19,869	–	197,524
2,555,455	6,490	–	2,561,945
87,150	(87,150)	–	–
34,593	159,292	–	193,885
5,781	–	14,315	20,096
(1,584,604)	–	2,705,966	1,121,362
1,276,030	98,501	2,720,281	4,094,812

### Taxable temporary differences on

Surplus on revaluation of non-banking assets  
Exchange translation reserve

(119,521)	96,218	(853,935)	(877,238)
–	–	(1,053)	(1,053)
(119,521)	96,218	(854,988)	(878,291)
1,156,509	194,719	1,865,293	3,216,521

## 14. OTHER ASSETS

Income / mark-up / profit accrued in local currency - net of provision  
Income / mark-up / profit accrued in foreign currencies - net of provision  
Advances, deposits, advance rent and other prepayments  
Non-banking assets acquired in satisfaction of claim  
Mark-to-market gain on forward foreign exchange contracts  
Acceptances  
Receivable from the SBP against encashment of government securities  
Stationery and stamps on hand  
Others

2022			2021
Rupees in '000			
	21,118,836		11,292,467
	99,685		92,100
	381,260		274,871
14.1	2,204,729		2,297,568
	2,702,151		6,217,789
	25,377,732		29,225,097
	16,850		20,657
	115,004		110,208
14.2	6,272,011		958,918
	58,288,258		50,489,675
14.3	(375,000)		(375,000)
	57,913,258		50,114,675
20.2	2,095,111		2,249,327
	60,008,369		52,364,002

	2022	2021
	Rupees in '000	Rupees in '000
<b>14.1</b> Market value of non-banking assets acquired in satisfaction of claims	<u>4,299,840</u>	<u>4,546,895</u>

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.

	2022	2021
	Rupees in '000	Rupees in '000
<b>14.1.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening balance	4,546,895	2,982,632
Revaluation	–	2,154,549
Disposals	–	(313,155)
Transferred to fixed asset	(246,684)	–
Reversal of surplus on disposal of non-banking assets	–	(243,261)
Depreciation	(371)	(33,870)
Closing balance	<u>4,299,840</u>	<u>4,546,895</u>

**14.2** This includes Rs. 5,384,344 thousand (2021: Nil) representing payments for the Bank's customers against letters of credit which were subsequently adjusted against the margin deposits and/or classified as advances on the execution of relevant documents.

#### 14.3 Movement in provision held against other assets

Opening balance	375,000	459,000
Charge for the year	–	165,000
Reversal for the year	–	(249,000)
	–	(84,000)
Closing balance	<u>375,000</u>	<u>375,000</u>

#### 15. BILLS PAYABLE

In Pakistan	19,445,038	17,856,030
Outside Pakistan	93,390	88,614
	<u>19,538,428</u>	<u>17,944,644</u>



	Note	2022	2021
		Rupees in '000	
<b>16. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.2	80,119,841	68,897,225
Long term financing facility - renewable energy scheme	16.3	2,454,119	1,592,554
Long term financing facility	16.4	21,471,497	18,184,877
Refinance for payment of wages and salaries	16.5	2,398,979	12,662,380
Temporary economic refinance facility	16.6	31,169,597	28,219,857
Long term financing facility - for storage of agricultural produce scheme	16.7	532,962	639,685
Refinance facility for modernization of SME	16.8	123,608	21,228
Refinance facility for combating COVID-19	16.9	51,463	67,754
	16.10	138,322,066	130,285,560
Repurchase agreement borrowings (Repo)	16.11	197,452,237	182,851,203
Due against bills rediscounting	16.12	4,254,594	–
		<u>340,028,897</u>	<u>313,136,763</u>
<b>Unsecured</b>			
Call borrowing	16.13	2,600,000	3,000,000
Overdrawn nostro accounts		1,323,711	29,749
Overdrawn local bank account		15,160	–
		<u>3,938,871</u>	<u>3,029,749</u>
		<u>343,967,768</u>	<u>316,166,512</u>

## 16.1 Particulars of borrowings in respect of currencies

In local currency	338,389,463	316,136,763
In foreign currencies	5,578,305	29,749
	<u>343,967,768</u>	<u>316,166,512</u>

**16.2** These borrowings have been obtained from the SBP for extending export finance to customers. These carry mark-up at rates ranging from 11% to 12% per annum (2021: 1.00% to 2.00% per annum) and are due to mature latest by 04 July 2023.

**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 rates ranging from 2% to 3% per annum (2021: 2.00% per annum) and are due to mature latest by 31 May 2034.

**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 10% to 11.5% per annum (2021: 2.00% to 3.50% per annum) and are due to mature latest by 28 November 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 (2021: 0% per annum) and are due to mature latest by 03 January 2023.

**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% per annum (2021: 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% per annum (2021: 2.00% per annum) and are due to mature latest by 21 February 2032.

- 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 rates of 2% per annum (2021: 1.00% per annum) and are due to mature latest by 07 October 2027.
- 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 rates of 0% per annum (2021: 0% per annum) and are due to mature latest by 30 June 2026.
- 16.10** As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP.
- 16.11** These carry mark-up rates ranging between 15.75% to 16.75% (2021: 9.87% to 10.70%) per annum having maturity upto 03 March 2023 (2021: 25 February 2022 ) and are secured against investments mentioned in note 9.3.1.
- 16.12** This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rates ranging between 5.11% to 6.04% (2021: Nil) per annum having maturity upto 3 April 2023 (2021: Nil).
- 16.13** These carry mark-up at rates ranging from 15.70 % to 16.10% (2021: 10.7%) per annum having maturity upto 03 January 2023 (2021: 04 January 2022).

## 17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current accounts	261,734,505	42,738,681	304,473,186	228,774,493	36,061,897	264,836,390
Savings deposits	216,746,274	19,820,695	236,566,969	171,147,729	22,694,898	193,842,627
Term deposits	211,585,932	52,733,398	264,319,330	208,829,163	50,892,644	259,721,807
Others	48,007,631	18,692	48,026,323	19,579,290	13,692	19,592,982
	<u>738,074,342</u>	<u>115,311,466</u>	<u>853,385,808</u>	<u>628,330,675</u>	<u>109,663,131</u>	<u>737,993,806</u>
<b>Financial institutions</b>						
Current deposits	1,483,744	882,797	2,366,541	1,364,423	1,922,927	3,287,350
Savings deposits	19,714,760	–	19,714,760	26,819,408	–	26,819,408
Term deposits	5,222,729	6,945	5,229,674	4,179,000	5,415	4,184,415
Others	–	–	–	1,078	–	1,078
	<u>26,421,233</u>	<u>889,742</u>	<u>27,310,975</u>	<u>32,363,909</u>	<u>1,928,342</u>	<u>34,292,251</u>
	<u>764,495,575</u>	<u>116,201,208</u>	<u>880,696,783</u>	<u>660,694,584</u>	<u>111,591,473</u>	<u>772,286,057</u>
				<b>2022</b>		<b>2021</b>
				Rupees in '000		

### 17.1 Composition of deposits

Individuals	389,001,497	321,412,477
Government (Federal and Provincial)	57,795,609	38,405,501
Public Sector Entities	33,175,399	52,559,203
Banking Companies	1,143,946	5,025,795
Non-Banking Financial Institutions	26,167,029	29,266,456
Private Sector	373,413,303	325,616,625
	<u>880,696,783</u>	<u>772,286,057</u>

- 17.2** This includes eligible deposits of Rs. 462,162,381 thousand (2021: Rs. 397,450,267 thousand) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

	Note	2022	2021
		Rupees in '000	
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		14,182,495	6,715,789
Mark-up / return / interest payable in foreign currencies		985,955	429,878
Unearned commission and income		529,602	532,943
Accrued expenses		2,271,216	1,258,346
Current taxation (provision less payments)		4,844,427	2,299,988
Acceptances		25,377,732	29,225,097
Unclaimed dividend		86,375	113,832
Dividend payable		1,032,890	–
Branch adjustment account		2,233	558
Mark to market loss on forward foreign exchange contracts		2,180,854	2,939,889
Provision for compensated absences	36.2	269,345	264,715
Payable to defined benefit plan	35.4	32,309	50,273
Provision against off-balance sheet obligations	18.1	32,583	32,583
Workers' welfare fund	18.3	2,610,684	2,022,500
Charity fund balance		254	4
Excise duty payable		3,081	2,629
Locker deposits		980,238	923,249
Advance against diminishing musharakah		66,667	82,808
Advance rental for ijarah		15,872	1,362
Security deposits against leases / ijarah		256,562	275,959
Sundry creditors		1,756,937	1,324,801
Lease liability against right-of-use assets	18.2	7,803,164	6,162,007
Withholding tax / duties		450,494	365,500
Others	18.4	12,961,648	19,865
		<u>78,733,617</u>	<u>55,044,575</u>

## 18.1 Provision against off-balance sheet obligations

Opening balance	32,583	113,716
Reversal for the year	–	(81,133)
Closing balance	<u>32,583</u>	<u>32,583</u>

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

## 18.2 Lease liability against right-of-use assets

Not later than 1 year	857,264	693,495
Later than one and less than five years	4,607,959	3,605,555
Over five years	<u>2,337,941</u>	<u>1,862,957</u>
	<u>7,803,164</u>	<u>6,162,007</u>

**18.3** 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 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 Bank maintains its provision in respect of WWF.

**18.4** This includes Rs. 12,186,315 thousand (2021: Nil) received by the Bank from a correspondent bank against standby letter of credit claimed by the customer. The honorable High Court of Sindh has passed interim order restraining the Bank to transfer amount pending arbitration.

## 19. SHARE CAPITAL

### 19.1 Authorised capital

2022 (Number of shares)	2021		2022 Rupees in '000	2021 Rupees in '000
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

### 19.2 Issued, subscribed and paid-up capital

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

**19.3** As of the date of statement of financial position, the holding company held 534,394 thousand (2021: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding) and Habib Insurance Company Limited (the associated company) held 6,306 thousand (2021: 4,037 thousand) ordinary shares of Rs. 10/- each.

	Note	2022 Rupees in '000	2021 Rupees in '000
<b>20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
– Available for sale securities	9.1	(8,404,009)	(2,875,287)
– Fixed Assets	20.1	6,789,623	–
– Non-banking assets acquired in satisfaction of claims	20.2	2,095,111	2,249,327
		480,725	(625,960)
Less: Deferred tax on surplus / (deficit) on revaluation of			
– Available for sale securities		(3,613,724)	(1,121,362)
– Fixed Assets	20.1	1,389,016	–
– Non-banking assets acquired in satisfaction of claims	20.2	675,664	877,238
		1,549,044	244,124
		<u>2,029,769</u>	<u>(381,836)</u>

### 20.1 Fixed assets

Surplus on revaluation as at 1 January	–	–
Revaluation of fixed assets during the year	6,795,964	–
Transferred from non-banking asset	154,193	–
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax	(91,504)	–
Related deferred tax liability on incremental depreciation	(69,030)	–
	<u>6,789,623</u>	–
Surplus on revaluation as at 31 December	6,789,623	–
Less: Related deferred tax liability on:		
Revaluation as at 1 January	–	–
Revaluation of fixed assets during the year	1,457,854	–
Transferred to fixed assets	192	–
Incremental depreciation during the year	(69,030)	–
	<u>1,389,016</u>	–
Related deferred tax liability	<u>1,389,016</u>	–
	<u>5,400,607</u>	–

	Note	2022	2021
		Rupees in '000	
<b>20.2 Non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at 1 January		2,249,327	341,491
Revaluation of non-banking assets during the year		—	2,154,549
Reversal of surplus on disposal - net of deferred tax		—	(148,389)
Related deferred tax liability on reversal of surplus on disposal		—	(94,872)
Transferred to fixed asset		(154,193)	—
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax		(13)	(2,106)
Related deferred tax liability on incremental depreciation		(10)	(1,346)
		(154,216)	1,907,836
Surplus on revaluation as at 31 December		2,095,111	2,249,327
Less: Related deferred tax liability on:			
Revaluation as at 1 January		877,238	119,521
Revaluation of non-banking assets during the year		—	840,274
Revaluation of surplus on disposal		—	(94,872)
Transferred to fixed asset		(192)	—
Impact of change in tax rate	20.2.1	(201,372)	13,661
Incremental depreciation during the year		(10)	(1,346)
		(201,574)	757,717
Related deferred tax liability		675,664	877,238
		1,419,447	1,372,089

**20.2.1** This include reversal on account of the change in holding period as per tax laws.

	Note	2022	2021
			Rupees in '000
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	131,519,154	112,912,689
Commitments	21.2	395,110,802	603,735,602
Other contingent liabilities	21.3	2,980,386	3,078,218
		529,610,342	719,726,509
21.1 Guarantees			
Financial guarantees		26,172,591	44,818,267
Performance guarantees		62,206,335	41,897,915
Other guarantees		43,140,228	26,196,507
		131,519,154	112,912,689
21.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		157,455,041	198,716,273
Commitments in respect of:			
Forward foreign exchange contracts	21.2.1	236,024,551	402,981,660
Forward lendings	21.2.2	1,165,004	1,902,213
Commitments in respect of:			
Acquisition of operating fixed assets		466,206	135,456
		395,110,802	603,735,602

	2022	2021
	Rupees in '000	
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	128,349,072	216,511,732
Sale	107,675,479	186,469,928
	<u>236,024,551</u>	<u>402,981,660</u>

### 21.2.2 Commitments in respect of forward lendings

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

	Note	2022	2021
		Rupees in '000	
Commitments in respect of syndicate financing		<u>1,165,004</u>	<u>1,902,213</u>

### 21.3 Other contingent liabilities

Claims against bank not acknowledged as debt	21.3.1	2,874,330	2,972,162
Foreign Exchange repatriation case	21.3.2	106,056	106,056
		<u>2,980,386</u>	<u>3,078,218</u>

**21.3.1** These mainly represent counter claims by borrowers for damages and other claims against the Bank Management is confident that the matters will be decided in the Bank's favour. 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 a penalty of Rs. 106,056 thousand, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgement. The Honorable High Court has granted relief to the Bank by way of interim orders. Based on merits, management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

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

As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "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 Bank's customers to protect from unfavorable 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).

	2022	2021
	Rupees in '000	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	41,397,766	20,609,966
Investments	88,979,157	51,596,383
Lending with financial institutions	2,784,170	1,187,007
Balance with banks	4,089	2,577
	<u>133,165,182</u>	<u>73,395,933</u>
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	60,952,623	27,798,648
Borrowings	26,660,090	12,008,319
Cost of foreign currency swaps against foreign currency deposits	4,125,891	3,460,378
Lease liability against right-of-use assets	815,888	631,775
	<u>92,554,492</u>	<u>43,899,120</u>
<b>25. FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees	895,336	611,201
Credit related fees	44,968	41,956
Card related fees	778,556	591,838
Commission on trade	4,942,364	4,704,482
Commission on guarantees	819,349	580,756
Commission on remittances including home remittances	38,637	51,793
Commission on bancassurance	184,306	185,780
Commission on cash management	132,467	99,976
Investment Banking Fee	40,769	14,890
Others	53,891	23,299
	<u>7,930,643</u>	<u>6,905,971</u>
<b>26. GAIN / (LOSS) ON SECURITIES</b>		
Federal Government Securities	(209,955)	(3,985)
Shares	(35,061)	3,849
Mutual Funds - net	28,447	102,162
	<u>(216,569)</u>	<u>102,026</u>
<b>27. OTHER INCOME</b>		
Rent on properties	31,785	22,207
Gain on sale of fixed assets - net	41,532	24,055
Gain on sale of ijarah assets - net	3,894	5,017
Gain on sale of non-banking assets	—	227,988
Gain on sale of right-of-use assets - net	11,402	—
Staff notice period and other recoveries	847	813
	<u>89,460</u>	<u>280,080</u>



	Note	2022	2021
		Rupees in '000	
<b>28. OPERATING EXPENSES</b>			
Total compensation expense	28.1	9,446,785	7,521,257
<b>Property expense</b>			
Rent & taxes		173,814	206,166
Insurance		6,879	4,120
Utilities cost		1,036,153	566,798
Security (including guards)		692,183	507,485
Repair & maintenance (including janitorial charges)		643,542	554,968
Depreciation on owned fixed assets		684,397	509,028
Depreciation on right-of-use assets		1,289,677	1,035,343
		<u>4,526,645</u>	<u>3,383,908</u>
<b>Information technology expenses</b>			
Software maintenance		369,168	220,379
Hardware maintenance		264,847	177,153
Depreciation		277,560	220,152
Amortisation		83,256	71,090
Network charges		372,719	268,571
		<u>1,367,550</u>	<u>957,345</u>
<b>Other operating expenses</b>			
Directors' fees and allowances		12,643	13,427
Fees and allowances to Shariah Board		21,372	14,344
Legal & professional charges		203,775	171,269
Outsourced services costs	34.1	309,779	290,503
Travelling & conveyance		475,781	270,230
NIFT clearing charges		91,907	71,067
Depreciation		586,449	488,209
Depreciation - non-banking assets		371	33,870
Training & development		33,596	35,058
Postage & courier charges		141,762	114,100
Communication		129,628	120,464
Subscription		458,660	249,545
Repair & maintenance		199,961	135,024
Brokerage & commission		182,648	197,959
Stationery & printing		417,929	263,264
Marketing, advertisement & publicity		517,797	196,810
Management fee		798,133	534,114
Insurance		969,930	759,214
Donations	28.3	200,405	160,319
Auditors' remuneration	28.4	20,609	9,600
Security		229,185	175,208
Others		677,834	435,102
	28.2	<u>6,680,154</u>	<u>4,738,700</u>
		<u>22,021,134</u>	<u>16,601,210</u>

	2022	2021
	Rupees in '000	
<b>28.1 Total compensation expense</b>		
Managerial Remuneration		
i) Fixed	7,326,469	6,047,425
ii) Variable - Cash Bonus / Awards etc.	781,547	612,935
Charge for defined benefit plan	307,030	168,013
Contribution to defined contribution plan	280,055	243,831
Charge for compensated absences	101,346	84,629
Rent & house maintenance	37,617	32,203
Conveyance	582,948	302,826
Employee Old Age Benefits Contribution	29,773	29,395
	<u>9,446,785</u>	<u>7,521,257</u>
<b>28.2</b> Total cost for the year included in other operating expenses (other than in outsourced services cost) relating to outsourced activities is Rs. 113,136 thousand (2021: Rs. 76,348 thousand) pertaining to payments made to companies incorporated in Pakistan.		
<b>28.3</b> Donations paid in excess of Rs. 500,000 to a single party during the year are as follows:		
<b>DONEE</b>		
The Citizens Foundation	41,000	20,900
The Indus Hospital	38,700	33,258
Habib University Foundation	25,000	25,000
Nisar Fatima Amin Foundation	15,000	—
Karachi Relief Trust	10,000	—
Al-Mustafa Welfare Society Trust	5,000	—
Jafaria Disaster Cell Welfare Organization	4,350	812
Saylani Welfare International	3,500	—
SIUT Trust	3,000	3,073
Network of Organizations Working with Persons with Disabilities, Pakistan	3,000	—
The Hunar Foundation	2,900	900
Family Educational Services Foundation	2,150	500
Khoja (Pirhai) Shia Isna Asheri Jamat	2,000	26,152
Rehnuma Public School (Path Education Society)	1,825	650
Karachi Down Syndrome Program	1,750	—
Institute of Business Administration	1,720	2,370
Thar Education Alliance	1,387	—
Developments in Literacy	1,200	—
Abbas-e-Alamdar Hostel	1,100	1,100
Lady Dufferin Hospital	1,100	—
Safaid Posh Dastarkhwan	1,050	600
Ayesha Chundrigar Foundation	1,050	—
The Kidney Centre Post Graduate Training Institute	1,000	1,208
Alleviate Addiction Suffering Trust	1,000	1,000
The Patients Behbud Society for AKUH	1,000	1,000
Abdul Sattar Edhi Foundation	1,000	1,000
Al-Umeed Rehabilitation Association	1,000	1,000
Anjuman Behbood-e-Samat-e-Atfal	1,000	1,000
Bait-ul-Sukoon	1,000	1,000
Zehra Homes	1,000	1,000
The Layton Rehmatulla Benevolent Trust	1,000	500
APWA Raana Liaquat Craftsman	1,000	—

	2022	2021
	Rupees in '000	
Memon Health and Education Foundation (Memon Medical Institute)	1,000	–
The Aga Khan Hospital and Medical College Foundation	1,000	–
Al-Sayyeda Benevolent Trust	960	1,560
Habib Medical Trust	960	960
Habib Poor Fund	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
Pakistan Memon Educational & Welfare Society	600	600
Ida Rieu Welfare Association	600	–
Make-a-Wish Foundation Pakistan	600	–
Marie Adelaide Leprosy Centre	600	–
Habib Public School	500	2,500
Habib Girls School Trust	500	1,000
Karwan-e-Hayat (Institute For Mental Health)	500	500
Memon Educational Board	500	500
Pak Medical and Welfare Trust (Paknight Clinic)	500	500
Pakistan Hindu Council	500	500
Pakistan Memon Women Educational Society	500	500
Panah Trust	500	500
Poor Patients Aid Society, Civil Hospital, Karachi	500	500
ChildLife Foundation	500	–
Health Oriented Preventive Education	500	–
Healthcare and Social Welfare Association	500	–
Shaukat Khanum Memorial Trust	500	–
Vocational Welfare Society for Mentally Retarded (Markaz-e-Umeed)	500	–
Patients' Aid Foundation	–	12,000
Fatimiyah Education Network	–	2,000
Mohamedali Habib Welfare Trust	–	1,000
The National Institute of Child Health	–	500

None of the directors, executives and their spouses had interest in the donations disbursed during the year 2022, except for donations paid to:

Name of Donee	Directors	Interest in Donee as
Habib University Foundation	Mr. Mohomed Bashir Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
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 Auditors' remuneration

	2022	2021
	Rupees in '000	
Audit fee	3,250	3,000
Review of half yearly financial statements	1,200	1,100
Fee for other statutory reporting / other services	10,250	2,440
Special certifications	2,500	1,485
Sales tax and out-of-pocket expenses on above services	3,409	1,575
	<u>20,609</u>	<u>9,600</u>

	Note	2022	2021
		Rupees in '000	
<b>29. OTHER CHARGES</b>			
Penalties imposed by the SBP		<u>67,878</u>	<u>170,918</u>
<b>30. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision / (reversal of provision) for diminution in value of investments - net	9.4.1	236,225	(1,113)
Provision against loans & advances - net	10.4	3,378,886	2,207,672
(Reversal) / Provision - against other assets / off balance sheet obligations	14.3 & 18.1	—	(165,133)
Recovery of written off bad debts		<u>(83,658)</u>	<u>(32,142)</u>
		<u>3,531,453</u>	<u>2,009,284</u>
<b>31. TAXATION</b>			
Current		13,981,202	8,276,849
Deferred	13	<u>(624,666)</u>	<u>(194,719)</u>
		<u>13,356,536</u>	<u>8,082,130</u>
<b>31.1</b> Income tax assessments of the Bank have been finalised up to the tax year 2022 (corresponding to the accounting year ended 31 December 2021). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the Bank.			
<b>31.2 Relationship between tax expense and accounting profit</b>			
		2022	2021
		Rupees in '000	
Profit before tax		<u>27,617,259</u>	<u>21,540,703</u>
Tax at the applicable tax rate of 49% (2021:39%)		13,532,457	8,400,874
Deferred tax - prior year (due to change in tax rate)		(302,908)	(326,269)
Permanent differences		126,987	7,525
Tax charge for the year		<u>13,356,536</u>	<u>8,082,130</u>
<b>32. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation		<u>14,260,723</u>	<u>13,458,573</u>
		Number in '000	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		Rupees	
Basic and diluted earnings per share		<u>13.61</u>	<u>12.84</u>

### 33. CASH AND CASH EQUIVALENTS

		2022	2021
		Rupees in '000	
Cash and balances with treasury banks	6	54,747,065	83,385,865
Balances with other banks	7	22,452,296	2,995,850
Overdrawn nostro accounts	16	(1,338,871)	(29,749)
		<u>75,860,490</u>	<u>86,351,966</u>

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

	2022		
	Other liabilities	Equity Reserves	Unappropriated profit
	Rupees in '000		
Balance as at 1 January	55,044,575	22,679,604	30,198,569
Changes from financing cash flow			
Dividend paid	—	—	(4,233,724)
Other Changes:			
Liability related			
- Cash based	21,770,528	—	—
- Non-cash based	913,081	—	—
- Dividend payable	1,005,433	—	(1,005,433)
Transfer of profit to statutory reserve	—	2,852,145	(2,852,145)
Total liability related other changes	23,689,042	2,852,145	(3,857,578)
Equity related	—	3,168	14,357,056
Balance as at 31 December	<u>78,733,617</u>	<u>25,534,917</u>	<u>36,464,323</u>
	2021		
	Other liabilities	Equity Reserves	Unappropriated profit
	Rupees in '000		
Balance as at 1 January	61,824,409	19,986,241	24,018,848
Changes from financing cash flow			
Dividend paid	—	—	(4,692,365)
Other Changes:			
Liability related			
- Cash based	(3,046,489)	—	—
- Non-cash based	(3,756,222)	—	—
- Dividend payable	22,877	—	(22,877)
Transfer of profit to statutory reserve	—	2,691,715	(2,691,715)
Total liability related other changes	(6,779,834)	2,691,715	(2,714,592)
Equity related	—	1,648	13,586,678
Balance as at 31 December	<u>55,044,575</u>	<u>22,679,604</u>	<u>30,198,569</u>

	2022	2021
	Number	
<b>34. STAFF STRENGTH</b>		
Permanent	5,457	5,022
Temporary	579	540
Bank's own staff strength at end of the year	<u>6,036</u>	<u>5,562</u>

**34.1** In addition to the above, 879 (2021: 848) employees of outsourcing services companies were assigned to the Bank as at 31 December 2022 to perform services other than guarding and janitorial services.

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

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

	2022	2021
	Number	
<b>35.2 Number of employees under the scheme</b>		
Gratuity fund	<u>5,443</u>	<u>4,990</u>

### 35.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2022 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2022	2021
Discount rate - percent per annum	14.25	12.50
Expected rate of return on plan assets - percent per annum	12.50	10.25
Expected long term rate of salary increase - percent per annum	13.75	12.00
Mortality rates (for death in service)	Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005

	Note	2022	2021
		Rupees in '000	
<b>35.4 Reconciliation of payable to defined benefit plan</b>			
Fair value of plan assets	35.6	1,988,918	1,709,898
Present value of defined benefit obligation	35.5	<u>(2,021,227)</u>	<u>(1,760,171)</u>
Payable		<u>(32,309)</u>	<u>(50,273)</u>

### 35.5 Movement in payable to defined benefit plan

	2022	2021
Obligations at the beginning of the year	1,760,171	1,614,211
Current service cost	235,102	166,967
Past service cost	65,925	-
Interest cost	209,522	157,559
Benefits due but not paid (payables)	(4,498)	(6,734)
Benefits paid by the Bank	(163,530)	(147,363)
Re-measurement gain	(81,465)	(24,469)
Obligations at the end of the year	<u>2,021,227</u>	<u>1,760,171</u>

	Note	2022	2021
		Rupees in '000	
<b>35.6 Movement in fair value of plan assets</b>			
Fair value at the beginning of the year		1,709,898	1,600,643
Interest income on plan assets		203,519	156,513
Contribution by the Bank		307,030	168,013
Benefits paid		(163,530)	(147,363)
Benefits due but not paid		(4,498)	(6,734)
Re-measurements: net return on plan assets over interest income loss	35.8.2	(63,501)	(61,174)
Fair value at the end of the year		<u>1,988,918</u>	<u>1,709,898</u>
<b>35.7 Movement in payable under defined benefit schemes</b>			
Opening balance		50,273	13,568
Charge for the year		307,030	168,013
Contribution by the Bank		(307,030)	(168,013)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	(17,964)	36,705
Closing balance		<u>32,309</u>	<u>50,273</u>
<b>35.8 Charge for defined benefit plans</b>			
<b>35.8.1 Cost recognised in profit and loss</b>			
Past service cost		65,925	–
Current service cost		235,102	166,967
Net interest on defined benefit asset		6,003	1,046
		<u>307,030</u>	<u>168,013</u>
<b>35.8.2 Re-measurements recognised in OCI during the year</b>			
Gain on obligation			
- Financial assumptions		4,210	5,024
- Experience adjustment		(85,675)	(29,493)
		<u>(81,465)</u>	<u>(24,469)</u>
Return on plan assets over interest income		63,501	61,174
Total re-measurements recognised in OCI		<u>(17,964)</u>	<u>36,705</u>
<b>35.9 Components of plan assets</b>			
PLS Saving Account	35.9.1	238,351	134,104
Term Deposit Certificates	35.9.1	77,528	252,191
Federal Government Securities			
Defense Saving Certificates		1,114,000	1,022,300
Special Saving Certificates		51,967	47,519
Market treasury bills		15,000	–
Pakistan Investment Bonds		492,072	253,784
		<u>1,988,918</u>	<u>1,709,898</u>

**35.9.1** The amount represents balance which is deposited with the branches of the Bank. Further, the funds primarily invested in Government securities do not carry any credit risk however these are subject to interest rate risk based on market movements and 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:

	2022 Rupees in '000
1% increase in discount rate	(183,915)
1% decrease in discount rate	213,196
1% increase in expected future increment in salary	213,815
1% decrease in expected future increment in salary	(187,614)
10% increase in expected withdrawal rate	750
10% decrease in expected withdrawal rate	(783)
1% increase in expected mortality rate	1,353
1% decrease in expected mortality rate	(1,249)

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 fund in the next financial year

273,351

## 35.12 Expected charge for the next financial year

273,351

## 35.13 Maturity profile

The weighted average duration of the obligation is 10.4 years

## 35.14 Funding Policy

The Bank 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 14.25% 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 AND COMPENSATED ABSENCES

### 36.1 Provident fund

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

Number of the members participating in the fund at the end of the year 30 June 2022 as per accounts are 4,517 (2021: 4,128).

### 36.2 Compensated absences

The Bank maintains a non-funded scheme for compensated absences. These can be accumulated up to 60 days. Liability as of the year-end was Rs. 269,345 thousand (2021: Rs. 264,715 thousand) and was determined through an actuarial valuation carried out under the 'Projected Unit Credit Method'. Valuation was carried out by a qualified actuary. Charge for the year amounting to Rs. 101,326 thousand (2021: Rs. 84,629 thousand) has been recognised to the profit and loss account.

## 37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 37.1 Total compensation expense

	2022					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	6,200	-	-	-	-
Managerial remuneration						
Fixed	-	-	19,968	137,543	337,053	709,548
Charge for defined benefit plan			329	5,502	12,321	26,173
Contribution to defined contribution plan	-	-	345	5,700	12,765	25,077
Security charges and vehicle maintenance	6,108	-	-	-	-	-
Utilities	335	-	-	2,593	-	-
	<u>6,443</u>	<u>6,200</u>	<u>20,642</u>	<u>151,338</u>	<u>362,139</u>	<u>760,798</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>17</u>	<u>106</u>
2021						
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	7,600	-	-	-	-
Managerial remuneration						
Fixed	-	-	14,344	134,048	304,037	623,346
Charge for defined benefit plan			164	3,446	7,962	15,273
Contribution to defined contribution plan	-	-	103	5,529	13,170	22,246
Security charges and vehicle maintenance	5,568	-	-	-	-	-
Utilities	259	-	-	1,509	-	-
	<u>5,827</u>	<u>7,600</u>	<u>14,611</u>	<u>144,532</u>	<u>325,169</u>	<u>660,865</u>
Number of persons	<u>1</u>	<u>4</u>	<u>6</u>	<u>1</u>	<u>18</u>	<u>119</u>

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

**37.1.2** In addition to above, bonus paid to the chief executive, members of Shari'ah board, Key management personnel and other material risk taker / controller of the Bank amounted to Rs. 52,500 thousand (2021: Rs. 51,250 thousand), Rs. 1,059 thousand (2021: Rs. 510 thousand), Rs. 75,560 thousand (2021: Rs. 61,168 thousand) and Rs. 122,086 thousand (2021: Rs. 81,535 thousand) respectively.

**37.1.3** The total amount of deferred bonus as at 31 December 2022 for the President / CEO, members of Shari'ah board, key management personnel and other material risk takers / material risk controllers is Rs. 101,149 thousand (31 December 2021: Rs. 69,563 thousand). The deferred bonus is held in a trust fund.

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

		2022					
		Meeting fees and allowances paid					
		For Board committees					Total amount paid
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	
Rupees in '000							
1	Mohamedali R. Habib	—	—	—	—	—	—
2	Anjum Z. Iqbal	—	—	—	—	—	—
3	Firasat Ali	800	—	300	300	600	2,000
4	Hamza Habib	—	—	—	—	—	—
5	Mohomed Bashir	800	—	—	—	—	800
6	Muhammed H. Habib	—	—	—	—	—	—
7	Rashid Ahmad Jaffer	800	800	—	—	—	1,600
8	Tahira Raza	800	—	—	400	600	1,800
		3,200	800	300	700	1,200	6,200
		2021					
		Meeting fees and allowances paid					
		For Board committees					Total amount paid
Sr. no.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	
Rupees in '000							
1	Mohamedali R. Habib	—	—	—	—	—	—
2	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

### 37.3 Remuneration paid to Shari'ah Board Members

	2022			2021		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
	Rupees in '000					
Managerial remuneration						
Fixed	6,317	7,567	6,084	3,853	6,686	3,805
Charge for defined benefit plan	–	329	–	–	164	–
Contribution to defined contribution plan	–	345	–	–	103	–
	<u>6,317</u>	<u>8,241</u>	<u>6,084</u>	<u>3,853</u>	<u>6,953</u>	<u>3,805</u>
Total number of person	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>

In addition to above, bonus paid to resident member amounted to Rs. 1,059 thousand (2021: Rs. 510 thousand).

## 38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment in subsidiaries and those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiaries, 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 Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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



### 38.2 Fair value of non-financial assets

2022				
Carrying / notional value	Fair value			
	Level 1	Level 2	Level 3	Total
Rupees in '000				
<b>Non-financial assets measured at fair value</b>				
- Fixed assets	10,735,947	-	10,735,947	10,735,947
- Non-banking assets acquired in satisfaction of claim	4,299,840	-	4,299,840	4,299,840
	<u>15,035,787</u>	<u>-</u>	<u>15,035,787</u>	<u>15,035,787</u>
2021				
Carrying / notional value	Fair value			
	Level 1	Level 2	Level 3	Total
Rupees in '000				
<b>Non-financial assets measured at fair value</b>				
- Fixed assets	-	-	-	-
- Non-banking assets acquired in satisfaction of claim	4,546,895	-	4,546,895	4,546,895
	<u>4,546,895</u>	<u>-</u>	<u>4,546,895</u>	<u>4,546,895</u>

### 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 other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters website.
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

Fixed assets and non-banking assets acquired in satisfaction of claim	<p>Fixed assets and non-banking assets are valued by professionally qualified valuers. The valuation is based on their assessment of the market value of the assets. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.</p> <p>The fair value is subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.</p>
---	---

## 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	31 December 2022			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
<b>Profit and Loss</b>				
Net mark-up / return / profit	68,757,937	(28,099,803)	(47,444)	40,610,690
Inter segment revenue - net	(66,138,216)	41,912,492	24,225,724	-
Non mark-up / return / interest income	5,297,640	799,040	7,118,538	13,215,218
Total Income	7,917,361	14,611,729	31,296,818	53,825,908
Segment direct expenses	(317,727)	-	-	(317,727)
Inter segment expense allocation	-	(6,841,037)	(15,518,432)	(22,359,469)
Total expenses	(317,727)	(6,841,037)	(15,518,432)	(22,677,196)
Provisions	(236,225)	(169,415)	(3,125,813)	(3,531,453)
Profit before tax	7,363,409	7,601,277	12,652,573	27,617,259
<b>Balance Sheet</b>				
Cash and bank balances	22,394,553	24,181,637	30,623,171	77,199,361
Investments	723,578,560	-	-	723,578,560
Net inter segment lending	-	375,829,199	215,798,022	591,627,221
Lendings to financial institutions	76,331,607	-	-	76,331,607
Advances - performing	-	14,993,766	418,728,647	433,722,413
Advances - non-performing	-	150,844	21,498,912	21,649,756
Provision against advances	-	(191,334)	(21,677,921)	(21,869,255)
Others	17,425,602	9,167,187	60,238,689	86,831,478
<b>Total Assets</b>	<b>839,730,322</b>	<b>424,131,299</b>	<b>725,209,520</b>	<b>1,989,071,141</b>
Borrowings	205,645,702	-	138,322,066	343,967,768
Deposits and other accounts	-	389,001,497	491,695,286	880,696,783
Net inter segment borrowing	591,627,221	-	-	591,627,221
Others	2,870,186	12,950,323	82,451,536	98,272,045
<b>Total liabilities</b>	<b>800,143,109</b>	<b>401,951,820</b>	<b>712,468,888</b>	<b>1,914,563,817</b>
<b>Net Assets</b>	<b>39,587,213</b>	<b>22,179,479</b>	<b>12,740,632</b>	<b>74,507,324</b>
<b>Equity</b>				<b>74,507,324</b>
<b>Contingencies and Commitments</b>	<b>236,024,551</b>	<b>61,978</b>	<b>293,523,813</b>	<b>529,610,342</b>



	31 December 2021			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
<b>Profit and Loss</b>				
Net mark-up/return/profit	42,468,652	(12,537,083)	(434,756)	29,496,813
Inter segment revenue - net	(34,257,977)	21,083,020	13,174,957	–
Non mark-up / return / interest income	466,507	575,042	10,098,578	11,140,127
Total Income	8,677,182	9,120,979	22,838,779	40,636,940
Segment direct expenses	(284,650)	–	–	(284,650)
Inter segment expense allocation	–	(4,666,110)	(12,136,193)	(16,802,303)
Total expenses	(284,650)	(4,666,110)	(12,136,193)	(17,086,953)
Provisions	1,113	(23,024)	(1,987,373)	(2,009,284)
Profit before tax	8,393,645	4,431,845	8,715,213	21,540,703
<b>Balance Sheet</b>				
Cash and bank balances	2,649,703	34,684,524	49,047,488	86,381,715
Investments - net	667,995,813	–	–	667,995,813
Net inter segment lending	–	305,348,808	160,736,928	466,085,736
Lendings to financial institutions	3,941,284	–	–	3,941,284
Advances - performing	–	7,405,032	395,085,834	402,490,866
Advances - non-performing	–	46,465	16,841,239	16,887,704
Provision against advances	–	(67,479)	(20,929,169)	(20,996,648)
Others	14,155,052	3,400,723	50,159,931	67,715,706
<b>Total Assets</b>	<b>688,741,852</b>	<b>350,818,073</b>	<b>650,942,251</b>	<b>1,690,502,176</b>
Borrowings	185,880,952	–	130,285,560	316,166,512
Deposits and other accounts	–	321,412,476	450,873,581	772,286,057
Net inter segment borrowing	466,085,736	–	–	466,085,736
Others	3,170,266	10,164,454	59,654,499	72,989,219
<b>Total liabilities</b>	<b>655,136,954</b>	<b>331,576,930</b>	<b>640,813,640</b>	<b>1,627,527,524</b>
<b>Net Assets</b>	<b>33,604,898</b>	<b>19,241,143</b>	<b>10,128,611</b>	<b>62,974,652</b>
<b>Equity</b>				<b>62,974,652</b>
<b>Contingencies and Commitments</b>	<b>402,981,660</b>	<b>10,555,599</b>	<b>306,189,250</b>	<b>719,726,509</b>

## 40. TRUST ACTIVITIES

The Bank 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 Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in table below:

		2022			
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuks	Market treasury bills	Total
		Rupees in '000			
Assets management companies	53	3,940,500	37,500	118,489,725	122,467,725
Corporates	70	4,131,000	–	21,411,000	25,542,000
Individual	159	2,404,400	5,000	3,810,560	6,219,960
Insurance companies	2	130,000	–	–	130,000
NGO / Charitable organisation	16	250,000	–	758,100	1,008,100
Employee funds	159	4,335,300	150,000	5,546,005	10,031,305
Others	4	–	275,000	177,000	452,000
		<u>15,191,200</u>	<u>467,500</u>	<u>150,192,390</u>	<u>165,851,090</u>
2021					
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuks	Market treasury bills	Total
		Rupees in '000			
Assets management companies	9	795,500	30,000	–	825,500
Corporates	58	6,475,500	–	12,444,685	18,920,185
Individual	109	3,984,100	–	2,787,066	6,771,166
Insurance companies	4	216,500	–	–	216,500
NGO / Charitable organisation	8	1,141,000	–	115,000	1,256,000
Employee funds	81	1,848,800	130,000	551,840	2,530,640
Others	3	–	275,000	135,000	410,000
		<u>14,461,400</u>	<u>435,000</u>	<u>16,033,591</u>	<u>30,929,991</u>

#### 41. 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.

The Banks enters into transactions with related parties in the ordinary course of business. Contributions / charge for employees' retirement benefits are made in accordance with actuarial valuation / terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with terms of their employment. Other transactions are at agreed terms.

Details of transactions and balances with related parties are as follows:

	2022						
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	466,178	-	486,624	-	-	-	952,802
<b>Investments</b>							
Opening balance	-	3,930,000	-	-	-	-	3,930,000
Investment made during the year	-	18,200,000	-	-	-	-	18,200,000
Investment redeemed / disposed off during the year	-	(17,250,000)	-	-	-	-	(17,250,000)
Closing balance	-	4,880,000	-	-	-	-	4,880,000
<b>Advances</b>							
Opening balance	-	-	5,272,235	195,796	-	-	5,468,031
Addition during the year	-	-	90,501,046	119,557	-	-	90,620,603
Repaid during the year	-	-	(90,849,969)	(82,940)	-	-	(90,932,909)
Closing balance	-	-	4,923,312	232,413	-	-	5,155,725
<b>Other Assets</b>							
Mark-up / return / interest receivable	-	54,347	70,410	-	-	-	124,757
Prepayments / Advance deposits / Other Receivable	468	-	54,848	-	-	-	55,316
	468	54,347	125,258	-	-	-	180,073
<b>Deposits</b>							
Opening balance	174,007	786,214	25,194,705	313,576	813,302	1,770,568	29,052,372
Received during the year	8,400,291	156,565,186	2,316,963,650	2,682,881	3,310,088	5,387,239	2,493,309,335
Withdrawn during the year	(8,388,267)	(156,071,169)	(2,320,218,582)	(2,600,870)	(3,419,996)	(6,018,384)	(2,496,717,268)
Closing balance	186,031	1,280,231	21,939,773	395,587	703,394	1,139,423	25,644,439
<b>Other liabilities</b>							
Mark-up / return / interest payable	-	12,269	133,672	5,911	5,245	11,889	168,986
Management fee payable for technical and consultancy services *	504,927	-	-	-	-	-	504,927
Other payables	-	-	611	-	745	32,309	33,665
	504,927	12,269	134,283	5,911	5,990	44,198	707,578
<b>Contingencies and commitments</b>							
Transaction-related contingent liabilities	-	-	16,461,354	-	-	-	16,461,354
Trade-related contingent liabilities	-	-	7,564,523	-	-	-	7,564,523
	-	-	24,025,877	-	-	-	24,025,877

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

	2021					
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
<b>Balances with other banks</b>						
In current accounts	184,060	–	217,741	–	–	–
<b>Investments</b>						
Opening balance	–	2,505,000	–	–	–	–
Investment made during the year	–	11,625,000	–	–	–	–
Investment redeemed / disposed off during the year	–	(10,200,000)	–	–	–	–
Closing balance	–	3,930,000	–	–	–	–
<b>Advances</b>						
Opening balance	–	–	4,592,651	195,938	–	–
Addition during the year	–	–	50,576,167	72,882	–	–
Repaid during the year	–	–	(49,896,583)	(73,024)	–	–
Closing balance	–	–	5,272,235	195,796	–	–
<b>Other Assets</b>						
Mark-up / return / interest receivable	–	34,156	12,176	–	–	–
Dividend receivable	–	–	–	–	–	–
Prepayments / Advance deposits / Other Receivable	468	175	53,123	–	–	–
	468	34,331	65,299	–	–	–
<b>Deposits</b>						
Opening balance	213,306	761,695	8,616,374	282,595	661,230	1,583,951
Received during the year	16,783,470	137,039,859	2,471,984,583	2,073,559	4,685,345	6,965,148
Withdrawn during the year	(16,822,769)	(137,015,340)	(2,455,406,252)	(2,042,578)	(4,533,273)	(6,778,531)
Closing balance	174,007	786,214	25,194,705	313,576	813,302	1,770,568
<b>Other liabilities</b>						
Mark-up / return / interest payable	–	3,530	140,634	1,977	3,248	9,993
Management fee payable for technical and consultancy services *	76,826	–	–	–	–	–
Other payables	–	–	470	–	670	50,273
	76,826	3,530	141,104	1,977	3,918	60,266
<b>Contingencies and commitments</b>						
Transaction-related contingent liabilities	–	–	7,353,818	–	–	–
Trade-related contingent liabilities	–	–	3,929,204	–	–	–
	–	–	11,283,022	–	–	–

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

## Transactions during the period

	2022					
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
<b>Income</b>						
Mark-up / return / interest earned	<u>-</u>	<u>552,045</u>	<u>328,363</u>	<u>13,730</u>	<u>-</u>	<u>894,138</u>
Fee and commission income	<u>1,410</u>	<u>978</u>	<u>216,023</u>	<u>-</u>	<u>206</u>	<u>218,617</u>
Dividend income	<u>-</u>	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,100</u>
Rent income	<u>5,616</u>	<u>5,156</u>	<u>9,427</u>	<u>-</u>	<u>-</u>	<u>20,199</u>
<b>Expense</b>						
Mark-up / return / interest expensed	<u>-</u>	<u>104,978</u>	<u>1,624,773</u>	<u>29,864</u>	<u>49,303</u>	<u>94,441</u>
Commission / brokerage / bank charges expense	<u>260</u>	<u>899</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>1,305</u>
Salaries and allowances	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,523</u>	<u>-</u>	<u>707,523</u>
Directors' fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,643</u>	<u>12,643</u>
Charge to defined benefit plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,030</u>
Contribution to defined contribution plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,055</u>
Insurance premium expenses	<u>-</u>	<u>-</u>	<u>20,943</u>	<u>-</u>	<u>-</u>	<u>20,943</u>
Management fee expense for technical and consultancy services *	<u>798,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>798,133</u>
Donation	<u>-</u>	<u>-</u>	<u>26,920</u>	<u>-</u>	<u>-</u>	<u>26,920</u>

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

## Transactions during the period

	2021						
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Income</b>							
Mark-up / return / interest earned	–	195,730	55,112	10,647	–	–	261,489
Fee and commission income	1,943	1,243	227,832	–	97	–	231,115
Dividend income	–	7,200	–	–	–	–	7,200
Rent income	5,616	5,406	7,677	–	–	–	18,699
<b>Expenses</b>							
Mark-up / return / interest expensed	–	41,557	798,980	14,882	28,387	176,492	1,060,298
Commission / brokerage / bank charges paid	1,067	177	1,707	–	–	–	2,951
Salaries and allowances	–	–	–	588,160	–	–	588,160
Directors' fees	–	–	–	–	13,427	–	13,427
Charge to defined benefit plan	–	–	–	–	–	168,013	168,013
Contribution to defined contribution plan	–	–	–	–	–	243,831	243,831
Insurance premium expense	–	–	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 holding company.

## 42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) Capital	72,103,977	61,269,601
Eligible additional tier 1 (ADT 1) Capital	–	–
Total eligible tier 1 capital	72,103,977	61,269,601
Eligible tier 2 capital	5,234,756	4,961,773
Total eligible capital (Tier 1 + Tier 2)	77,338,733	66,231,374
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	441,448,612	396,800,985
Market risk	4,592,034	7,211,352
Operational risk	83,146,710	65,559,513
Total	529,187,356	469,571,850
Common equity tier 1 capital adequacy ratio	13.63%	13.05%
Tier 1 capital adequacy ratio	13.63%	13.05%
Total capital adequacy ratio	14.61%	14.10%
<b>Minimum capital requirements prescribed by SBP</b>		
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%	11.50%
Banks uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	72,103,977	61,269,601
Total exposures	1,767,075,083	1,567,049,462
Leverage ratio	4.08%	3.91%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	499,913,538	526,946,577
Total net cash outflow	304,953,563	238,721,264
Liquidity coverage ratio	164%	221%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	838,059,737	673,882,160
Total required stable funding	554,156,981	357,301,438
Net stable funding ratio	151%	189%

**42.1** The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time are placed on the bank's 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 Bank's strategy, organization structure and processes. The Bank 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 Bank. 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 Bank's 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 Bank.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 441,448,612 thousand (2021: Rs. 396,800,985 thousand) as depicted in note 42.

The Bank'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 Bank, 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 Bank's 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 centre staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

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

The Bank continually assesses and monitors credit exposures. The Bank 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 Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

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

#### Types of exposures and ECAI's used

Exposures	2022				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–

#### Credit exposures subject to Standardised Approach

Exposures	Rating category	2022			2021		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	113,473,456	17,132,295	96,341,161	97,298,752	3,142,469	94,156,283
	2	124,108,694	3,290,673	120,818,021	116,298,021	2,309,210	113,988,811
	3,4	19,774,413	–	19,774,413	21,987,779	–	21,987,779
Claims on banks with original maturity of 3 months or less		50,965,641	35,103,923	15,861,718	10,367,693	–	10,367,693
Retail		27,533,865	5,447,818	22,086,047	30,230,682	7,477,143	22,753,539
Public sector entities	1	17,894,289	99,902	17,794,387	13,707,900	2,359	13,705,541
	2,3	1,780,414	70,979	1,709,435	2,721,727	39	2,721,688
Others		909,392,337	46,347,547	863,044,790	804,400,353	10,000,000	794,400,353
Unrated		261,628,508	42,884,576	218,743,932	251,140,009	42,104,293	209,035,716

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

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank'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 Bank'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 bank'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	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Public / Government	41,555,925	-	-	-	-	-
Private	34,775,682	3,941,284	-	-	-	-
	<u>76,331,607</u>	<u>3,941,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 43.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Chemical and Pharmaceuticals	16,050	16,050	16,050	16,050	16,050	16,050
Engineering	373,585	494,735	-	-	-	-
Electronics and electrical appliances	-	21,138	-	21,138	-	21,138
Financial	9,147,835	9,310,183	-	-	-	-
Power (electricity), gas, water, sanitary	6,247,800	6,244,875	-	-	-	-
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, storage and communication	64,946	68,866	64,946	68,866	64,946	68,866
Others	702,843,933	649,054,037	-	-	-	-
	<u>718,703,649</u>	<u>665,219,384</u>	<u>90,496</u>	<u>115,554</u>	<u>90,496</u>	<u>115,554</u>

### Credit risk by public / private sector

Public / Government	709,091,733	655,298,912	-	-	-	-
Private	9,611,916	9,920,472	90,496	115,554	90,496	115,554
	<u>718,703,649</u>	<u>665,219,384</u>	<u>90,496</u>	<u>115,554</u>	<u>90,496</u>	<u>115,554</u>

### 43.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Agriculture, forestry, hunting and fishing	2,594,718	4,517,000	4,332	–	4,332	–
Automobile and transportation equipment	2,944,654	4,380,778	–	1,426,895	–	1,426,895
Basic metals & metal products	11,775,553	14,741,737	238,415	41,654	183,650	41,654
Cement	10,275,030	6,793,142	–	–	–	–
Chemicals and pharmaceuticals	31,064,306	24,400,518	517,147	376,403	191,343	372,013
Commercial trade	17,151,011	18,722,586	701,504	731,043	498,782	637,550
Commodity finance	24,000,000	15,000,000	–	–	–	–
Construction and real estate	7,093,646	7,939,395	69,122	58,892	55,588	50,901
Edibles	40,336,442	38,329,926	1,389,032	1,104,136	1,051,507	866,019
Electronics and electrical appliances	18,054,165	11,610,298	37,700	293,243	7,700	293,243
Financial	1,645,540	3,743,704	–	–	–	–
Footwear and leather garments	3,040,474	1,934,300	11,907	11,907	11,907	11,907
Individuals	15,144,631	7,451,497	150,844	42,231	132,069	42,231
Mining and quarrying	33,569	60,014	–	–	–	–
Power (electricity), gas, water, sanitary	41,063,522	45,022,335	4,661,259	4,896,047	4,661,259	4,385,123
Services	14,944,128	11,418,216	395,556	140,452	115,850	140,452
Sugar	7,352,519	3,158,794	99,340	116,337	99,340	116,337
Textile	193,437,669	181,699,088	12,980,326	6,713,497	9,950,073	6,662,045
Transport, storage and communication	2,540,687	2,354,065	26,483	26,483	26,483	26,483
Others	10,879,905	16,101,177	366,789	908,484	259,867	827,977
	<u>455,372,169</u>	<u>419,378,570</u>	<u>21,649,756</u>	<u>16,887,704</u>	<u>17,249,750</u>	<u>15,900,830</u>
Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Public / Government	45,669,433	35,976,271	–	–	–	–
Private	<u>409,702,736</u>	<u>383,402,299</u>	<u>21,649,756</u>	<u>16,887,704</u>	<u>17,249,750</u>	<u>15,900,830</u>
	<u>455,372,169</u>	<u>419,378,570</u>	<u>21,649,756</u>	<u>16,887,704</u>	<u>17,249,750</u>	<u>15,900,830</u>

	2022	2021
	Rupees in '000	
<b>43.1.4 Contingencies and commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry, hunting and fishing	1,042,687	5,173,786
Automobile and transportation equipment	28,202,063	21,313,373
Basic metals & metal products	7,112,449	10,567,268
Cement	6,652,464	9,463,252
Chemicals and pharmaceuticals	30,124,663	30,711,674
Commercial trade	29,645,816	33,654,515
Construction & real estate	6,501,012	6,790,317
Edibles	39,943,856	29,607,968
Electronics and electrical appliances	7,337,494	7,664,647
Financial	194,712,676	347,199,743
Footwear and leather garments	557,508	650,922
Individual	61,978	10,952,143
Mining and quarrying	270,949	87,512
Power (electricity), gas, water, sanitary	21,538,553	33,047,980
Services	21,285,995	17,731,959
Sugar	3,499,614	2,268,701
Textile	91,150,364	133,046,380
Transport, storage and communication	2,769,642	2,244,564
Others	37,200,559	17,549,805
	<u>529,610,342</u>	<u>719,726,509</u>
<b>Credit risk by public / private sector</b>		
Public / Government	42,372,380	63,471,079
Private	487,237,962	656,255,430
	<u>529,610,342</u>	<u>719,726,509</u>

#### 43.1.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 174,760,738 thousand (2021: Rs. 105,364,342 thousand) are as following:

Funded	111,544,626	63,897,290
Non-Funded	63,216,112	41,467,052
Total Exposure	<u>174,760,738</u>	<u>105,364,342</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 221,661,400 thousand (2021: Rs. 124,439,374 thousand).

### 43.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2022						
	Disburse-ments	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
		Rupees in '000					
Punjab	348,935,316	341,076,100	6,754,537	–	–	1,104,680	–
Sindh	495,625,891	18,858,512	454,635,231	1,444,644	20,687,504	–	–
KPK including FATA	4,932,117	–	–	4,932,117	–	–	–
Balochistan	41,198	–	–	–	41,198	–	–
Islamabad	11,071,717	–	–	–	–	11,071,717	–
AJK including Gilgit-Baltistan	1,164,245	–	–	–	–	–	1,164,245
	<u>861,770,484</u>	<u>359,934,612</u>	<u>461,389,768</u>	<u>6,376,761</u>	<u>20,728,702</u>	<u>12,176,397</u>	<u>1,164,245</u>
2021							
Province / region	Disburse-ments	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
		Rupees in '000					
Punjab	412,700,035	395,398,026	16,010,383	–	–	1,291,626	–
Sindh	643,686,583	19,065,697	587,738,729	2,349,992	34,532,165	–	–
KPK including FATA	5,361,443	–	–	5,361,443	–	–	–
Balochistan	46,598	–	–	–	46,598	–	–
Islamabad	10,928,631	16,000	–	–	–	10,912,631	–
AJK including Gilgit-Baltistan	1,041,484	–	–	–	–	–	1,041,484
	<u>1,073,764,774</u>	<u>414,479,723</u>	<u>603,749,112</u>	<u>7,711,435</u>	<u>34,578,763</u>	<u>12,204,257</u>	<u>1,041,484</u>

## 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, and equity prices as well as their correlations and volatilities. Market Risk performs risk measurement, monitoring, and control functions through the use of various risk procedures and tools.

The Bank has a comprehensive Board approved market risk management policy wherein the governance structure for managing market risk, methods to control market risk, measurement tools used, the market risk exposure limits and the tolerance levels have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital base. This structure is reviewed, adjusted and approved periodically.

The Board of Directors oversees the Bank's strategy for market risk exposures. The Bank's Market Risk Management governance structure consists of the Risk & Compliance Committee (BR&CC) of the Board, Investment Committee and Asset & Liability Committee (ALCO) and is assisted by the independent Market Risk function with reporting line to the Risk Management Division.

The asset and Liability Committee (ALCO) which comprises senior management oversees the financial position of the Bank, assesses the impact of the interest rate change on the Bank's investment portfolio through sensitivity analysis, duration and performs an oversight function to ensure sound asset quality, liquidity and pricing considering the current interest rate environment. The investment policy amongst other aspects covers the Bank asset allocation guidelines.

Market Risk function seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors, and regulators.

In line with the regulatory requirements, Bank performs the impact of changes in the market factors on the Bank's earnings through regular stress testing and Internal Capital Adequacy Assessment Processes .

## 43.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	54,747,065	–	54,747,065	83,385,865	–	83,385,865
Balances with other banks	22,452,296	–	22,452,296	2,995,850	–	2,995,850
Lendings to financial institutions	76,331,607	–	76,331,607	3,941,284	–	3,941,284
Investments	723,578,560	–	723,578,560	667,995,813	–	667,995,813
Advances	433,502,914	–	433,502,914	398,381,922	–	398,381,922
Fixed assets	21,663,890	–	21,663,890	12,014,494	–	12,014,494
Intangible assets	97,968	–	97,968	120,689	–	120,689
Deferred tax assets	5,061,251	–	5,061,251	3,216,521	–	3,216,521
Other assets	60,008,369	–	60,008,369	52,364,002	–	52,364,002
	<u>1,397,443,920</u>	<u>–</u>	<u>1,397,443,920</u>	<u>1,224,416,440</u>	<u>–</u>	<u>1,224,416,440</u>

## 43.2.2 Foreign exchange risk

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

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

	2022			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
United States Dollar	75,002,935	(111,766,854)	34,134,796	(2,629,123)
Euro	7,555,673	(2,597,588)	(4,998,158)	(40,073)
Great Britain Pound	4,324,831	(6,587,238)	2,313,982	51,575
Asian Currency unit	522,699	(895,687)	–	(372,988)
Japanese Yen	101,840	(115)	(101,102)	623
Arab Emirates Dirham	195,379	(2,211)	(184,957)	8,211
Canadian Dollar	135,970	–	(125,312)	10,658
Australian Dollar	53,260	–	(53,740)	(480)
Saudi Riyal	124,142	–	(120,410)	3,732
Chinese Yuan	376,018	–	(358,223)	17,795
Other Currencies	390,642	–	(369,112)	21,530
	<u>88,783,389</u>	<u>(121,849,693)</u>	<u>30,137,764</u>	<u>(2,928,540)</u>

	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
	<u>72,774,055</u>	<u>(112,726,404)</u>	<u>33,940,306</u>	<u>(6,012,043)</u>

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(14,936)	–	(36,673)	–
- Other comprehensive income	–	–	–	–

### 43.2.3 Equity position risk

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

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	(26,304)	–	(24,844)	–
- Other comprehensive income	(59,956)	–	(29,557)	–



#### 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 bank's fixed income portfolio. Optimization of yield is achieved through the Bank'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 Bank are repriced on a periodic basis based on interest rates scenario.

	2022		2021	
	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	(2,523,201)	-	(1,898,022)	-

#### 43.2.5 Mismatch of interest rate sensitive assets and liabilities

	Exposed to yield / interest risk									
	Effective yield / interest rate					Rupees in '000				
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
<b>On-balance sheet financial instruments</b>										
<b>Assets</b>										
Cash and balances with treasury banks	54,747,065	564,907	-	-	-	-	-	-	-	54,182,158
Balances with other banks	22,452,296	552	-	-	-	-	-	-	-	22,451,744
Lendings to financial institutions	76,331,607	75,197,987	1,133,620	-	-	-	-	-	-	-
Investments	723,578,560	166,518,320	74,482,064	154,484,365	166,431,885	87,289,670	14,839,449	53,999,172	568,228	4,965,407
Advances	433,502,914	35,113,657	315,812,157	14,515,394	291,682	629,355	820,544	4,220,136	45,317,780	-
Other assets	55,587,265	-	-	-	-	-	-	-	-	55,587,265
	1,366,199,707	277,395,423	391,427,841	168,998,759	166,723,567	87,919,025	15,659,993	58,219,308	45,886,008	137,186,574
<b>Liabilities</b>										
Bills payable	19,538,428	-	-	-	-	-	-	-	-	19,538,428
Borrowings	343,967,768	136,945,105	140,696,684	9,139,087	82,358	85,546	323,594	3,556,225	41,253,319	1,338,871
Deposits and other accounts	880,696,783	197,756,468	52,664,910	204,582,152	45,846,889	3,677,106	7,886,527	11,253,388	2,163,293	354,866,050
Other liabilities	72,397,698	-	-	-	-	-	-	-	-	72,397,698
	1,316,600,677	334,701,573	193,361,594	213,721,239	45,929,247	3,762,652	8,210,121	14,809,613	43,416,612	448,141,047
On-balance sheet gap	49,599,030	(57,306,150)	198,066,247	(44,721,480)	120,794,320	84,156,373	7,449,872	43,409,695	2,469,396	6,235,230
<b>Off-balance sheet financial instruments</b>										
Commitments in respect of:										
Forward foreign exchange contracts	236,024,551	-	-	-	-	-	-	-	-	236,024,551
Syndicate financing	1,165,004	-	-	-	-	-	-	-	-	1,165,004
Letters of credit	157,455,041	-	-	-	-	-	-	-	-	157,455,041
Acquisition of fixed assets	466,206	-	-	-	-	-	-	-	-	466,206
<b>Off-balance sheet gap</b>	395,110,802	-	-	-	-	-	-	-	-	395,110,802
<b>Total Yield / Interest Risk Sensitivity Gap</b>	444,709,832	(57,306,150)	198,066,247	(44,721,480)	120,794,320	84,156,373	7,449,872	43,409,695	2,469,396	6,235,230
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>	444,709,832	(57,306,150)	140,760,097	96,038,617	216,832,937	300,989,310	308,439,182	351,848,877	354,318,273	360,553,503

## 2021

Effective yield / interest rate	Exposed to yield / interest risk									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments										
Assets										
0.00%	83,385,865	10,110,791	-	-	-	-	-	-	-	73,275,074
0.00%	2,995,850	967	-	-	-	-	-	-	-	2,994,883
10.70%	3,941,284	3,941,284	-	-	-	-	-	-	-	-
9.66%	667,995,813	51,450,960	174,006,299	242,779,049	126,094,222	649,371	53,682,729	16,441,200	-	2,891,983
6.12%	398,381,922	19,431,055	308,334,843	8,577,723	11,856,315	1,867,494	1,649,774	6,502,817	38,181,233	1,980,668
	47,807,028	-	-	-	-	-	-	-	-	47,807,028
	1,204,507,762	84,935,057	482,341,142	251,356,772	137,950,537	2,516,865	55,332,503	22,944,017	38,181,233	1,980,668
Liabilities										
	17,944,644	-	-	-	-	-	-	-	-	17,944,644
7.12%	316,166,512	141,558,724	107,273,558	8,565,458	11,788,376	1,408,554	1,178,142	6,241,951	37,636,706	485,294
4.67%	772,286,057	217,544,084	57,761,217	152,773,398	46,724,644	4,256,739	4,417,693	1,090,482	-	287,717,800
	50,367,357	-	-	-	-	-	-	-	-	50,367,357
	156,764,570	359,102,808	165,034,775	161,338,856	58,513,020	5,665,293	5,595,835	7,332,433	37,636,706	485,294
	47,743,192	(274,167,751)	317,306,367	90,017,916	79,437,517	(3,148,428)	49,736,668	15,611,584	544,527	(229,090,582)
Off-balance sheet financial instruments										
Commitments in respect of:										
	402,981,660	-	-	-	-	-	-	-	-	402,981,660
	1,902,213	-	-	-	-	-	-	-	-	1,902,213
	198,716,273	-	-	-	-	-	-	-	-	198,716,273
	135,456	-	-	-	-	-	-	-	-	135,456
	603,735,602	-	-	-	-	-	-	-	-	603,735,602
Total yield / interest risk sensitivity gap										
	651,478,794	(274,167,751)	317,306,367	90,017,916	79,437,517	(3,148,428)	49,736,668	15,611,584	544,527	374,645,020
Cumulative yield / interest risk sensitivity gap										
	651,478,794	(274,167,751)	43,138,616	133,156,532	212,594,049	209,445,621	259,182,289	274,793,873	275,338,400	374,645,020

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

	2022	2021	2022	2021
	Rupees in '000		Rupees in '000	
Reconciliation to total assets			Reconciliation to total liabilities	
Total financial assets	1,366,199,707	1,204,507,762	Total financial liabilities	1,316,600,677
Add: Non financial assets			Add: Non financial liabilities	6,335,919
Operating fixed assets	21,663,890	12,014,494	Other liabilities	4,677,218
Intangible assets	97,968	120,689		
Deferred tax asset	5,061,251	3,216,521		
Other assets	4,421,104	4,556,974		
	31,244,213	19,908,678		
Balance as per statement of financial position	1,397,443,920	1,224,416,440	Balance as per statement of financial position	1,322,936,596
				1,161,441,788

### 43.3 Operational Risk

The Bank 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 Bank's strategy is to further strengthen operational risk management system along new industry standards.

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

The Bank'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 Bank'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, Bank wide policies, procedures, frameworks and product programs are also being evaluated from operational risk perspective aiming to beef up control environment.

The Bank'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 bank remain operational and any contingency arising is dealt appropriately. The Bank's operational risk management governance has been further strengthened through the establishment of a separate operational risk and control committee.

The Bank 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 Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 6,651,737 thousand (2021: Rs. 5,244,761 thousand).

### 43.4 Liquidity Risk

Liquidity risk is the risk that the Bank 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 Bank 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 Bank. The management of liquidity risk within the Bank is undertaken within limits and other parameters set by the BoD. The Bank's treasury function has the primary responsibility for assessing, monitoring and managing the Bank's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of the Bank'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 Bank 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 Bank.

---

Habib Metro's strong deposit base backed by continued customer confidence and holding of government securities has enabled the bank to maintain a robust liquidity profile, also depicted through a strong LCR ratio.

### **Funding Strategy**

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. Further, the Bank can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The Bank 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, Bank also prepares the maturity profile of assets and liabilities to keep track of liquidity gaps over different time buckets. The Bank 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 for the Bank.

### **Contingency Funding Plan**

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Bank which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Bank 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 of the Bank

2022

Rupees in '000												
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
<b>Assets</b>												
Cash and balances with treasury banks	54,747,065	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	22,452,296	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	76,331,607	74,429,587	-	768,400	-	1,133,620	-	-	-	-	-	-
Investments	723,578,560	-	-	5,248,595	16,570,060	31,595,554	109,355,543	108,557,418	114,346,169	139,963,190	75,701,738	90,059,455
Advances	433,502,914	8,312,453	8,899,003	73,641,723	27,505,814	102,147,463	58,192,263	7,892,284	2,909,575	3,842,879	1,378,704	5,710,190
Fixed assets	21,663,890	16,404	114,831	278,876	156,645	156,646	469,544	454,240	454,240	1,632,218	1,382,924	1,731,625
Intangible assets	97,968	232	1,388	3,366	5,545	6,121	16,798	15,316	148,12	27,719	5,473	-
Deferred tax assets	5,061,251	40,358	282,508	686,091	626,684	626,685	814,977	252,764	252,761	634,679	355,441	394,091
Other assets	60,008,369	1,752,547	12,267,831	29,793,303	407,102	407,103	227,539	2,190,614	2,190,615	37,921	15,900	9,219
	1,397,443,920	93,599,098	36,403,755	110,420,354	45,271,850	136,073,192	169,076,664	119,362,636	120,168,172	146,138,606	78,840,180	97,904,580
												87,732,735
<b>Liabilities</b>												
Bills payable	19,538,428	-	-	-	-	-	-	-	-	-	-	-
Borrowings	343,967,768	104,004,858	528,218	8,664,914	50,651,971	90,044,713	9,139,087	5,000	77,358	85,546	323,594	3,556,225
Deposits and other accounts	880,696,783	29,380,931	20,103,375	44,665,921	20,508,682	35,591,328	47,290,079	20,773,814	25,579,952	3,879,168	7,888,577	11,253,388
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	78,733,617	9,447,654	11,022,263	26,768,352	6,524,719	6,524,717	212,049	3,777,707	3,777,707	2,412	7,819,279	980,495
	1,322,936,596	142,833,443	31,653,856	80,099,187	77,685,372	132,160,758	56,641,215	24,556,521	29,435,017	3,967,126	16,031,450	15,790,108
												54,265,243
<b>Net assets</b>	<b>74,507,324</b>	<b>(501,365,202)</b>	<b>4,749,899</b>	<b>30,321,167</b>	<b>(32,413,522)</b>	<b>3,912,434</b>	<b>112,435,449</b>	<b>94,806,115</b>	<b>90,733,155</b>	<b>142,171,480</b>	<b>62,808,730</b>	<b>82,114,472</b>
Share capital	104,78,315											
Reserves	25,534,917											
Surplus / (Deficit) on revaluation of assets	2,029,769											
Unappropriated profit	36,464,323											
	74,507,324											

## 2021

[illegible]

### 43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2022

	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										
<b>Assets</b>										
Cash and balances with treasury banks	54,747,065	54,747,065	-	-	-	-	-	-	-	-
Balances with other banks	22,452,296	22,452,296	-	-	-	-	-	-	-	-
Lendings to financial institutions	76,331,607	75,197,987	1,133,620	-	-	-	-	-	-	-
Investments	723,578,560	28,903,405	48,165,614	109,355,543	222,903,587	139,963,190	75,701,738	90,059,455	7,496,028	1,030,000
Advances	433,502,914	159,479,759	129,653,277	58,192,263	10,801,859	3,842,879	1,378,704	5,710,190	45,348,306	19,095,677
Fixed assets	21,663,890	508,538	313,291	469,544	908,480	1,632,218	1,382,924	1,731,625	4,460,372	10,256,898
Intangible assets	97,968	6,184	11,666	16,798	30,128	27,719	5,473	-	-	-
Deferred tax assets	5,061,251	1,251,107	1,253,369	814,977	505,525	634,679	355,441	394,091	150,599	(298,537)
Other assets	60,008,369	54,328,964	814,205	227,539	4,381,229	37,921	15,900	9,219	-	193,392
	1,397,443,920	396,875,305	181,345,042	169,076,664	239,530,808	146,138,606	78,840,180	97,904,580	57,455,305	30,277,430
<b>Liabilities</b>										
Bills payable	19,538,428	19,538,428	-	-	-	-	-	-	-	-
Borrowings	343,967,768	138,283,976	140,696,684	9,139,087	82,358	85,546	323,594	3,556,225	41,253,319	10,546,979
Deposits and other accounts	880,696,783	220,813,866	174,892,881	139,149,898	106,960,873	64,791,090	69,000,511	72,367,378	32,720,286	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	78,733,617	48,812,878	13,049,436	212,049	7,555,414	2,412	7,819,279	980,495	301,654	-
	1,322,936,596	427,449,148	328,639,001	148,501,034	114,598,645	64,879,048	77,143,384	76,904,098	74,275,259	10,546,979
<b>Net assets</b>	<b>74,507,324</b>	<b>(30,573,843)</b>	<b>(147,293,959)</b>	<b>20,575,630</b>	<b>124,932,163</b>	<b>81,259,558</b>	<b>1,696,796</b>	<b>21,000,482</b>	<b>(16,819,954)</b>	<b>19,730,451</b>
Share capital	10,478,315									
Reserves	25,534,917									
Surplus / (Deficit) on revaluation of assets	2,029,769									
Unappropriated profit	36,464,323									
	74,507,324									

[illegible]



## 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 unconsolidated 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 24 February 2023 has proposed a final cash dividend of Rs. 3.25 per share amounting to Rs. 3,405,452 thousand (2021: final cash dividend of Rs. 3.00 per share amounting to Rs. 3,143,493 thousand) in addition to interim dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2021: 2,095,663 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

## 45. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 24 February 2023 by the Board of Directors of the Bank.

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

**ANNEXURE "I" AS REFERRED TO IN NOTE 10.6 OF THE UNCONSOLIDATED 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 2022**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1	Atlas Textile (Pvt) Limited Office At 9th Floor, Textile Plaza, Mumtaz Hassan Road, Off IJ Chundrigar Road, Karachi	S.Adeel Javed 42201-3385330-5 S.Arshad Javed 42201-0255323-3 S.Al-Aman Javed 42201-0430580-9 S.Danish Javed 42201-0255323-7	S.Arshad Javed S.Nazir Hussain S.Arshad Javed S.Arshad Javed	14,571	22,061	-	36,632	11,283	22,061	-	33,344
2	Autocity (Pvt) Limited Office Room No. 312-313, 3rd Floor, Mehboob Chamber, Abdullah Haroon Road, Saddar Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Abdul Ghaffar Dawood 42201-0776630-5 Bilal Yunus Dawood 42201-6642871-7 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Mohammad Yunus Dawood Mohammad Yunus Dawood Haji Abdullah	32,036	5,580	-	37,616	27,235	5,580	-	32,816
3	Baluchistan Engineering Works Limited Office No. 40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Abdul Ghaffar Dawood 42201-0776630-5 Amanullah H.Sattar 42201-1913101-0 Muhammad Zaheer 42201-1363084-1 Muhammad Anwer Fatani 42301-7575879-9 Muhammad Hanif 42000-0409397-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Ali Mohammad Dawood Haji Sattar Haji Abdullah Abdul Sattar Aba Ali Mohammad Yunus Dawood	637,972	34,144	-	672,116	637,972	34,144	-	672,116

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
4	DYL Motorcycles Limited Office No.40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Muhammad Zaheer 42201-1363084-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Haji Abdullah Mohammad Yunus Dawood	756,887	56,817	-	813,704	756,887	56,817	-	813,704
5	Micado (Pvt) Limited Office No.40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Muhammad Zaheer 42201-1363084-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Haji Abdullah Mohammad Yunus Dawood	38,072	757	-	38,829	38,072	757	-	38,829
6	TGL Limited Office No.40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 4230114260343 Abdul Ghaffar Dawood 42201-0776630-5 Iqbal Raza Qazi 42301-9515541-1 Bilal Yunus Dawood 42301-6642871-7 Amanullah H Sattar 42201-1913101-1 Anwar Fatani 42301-7575879-9 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Ali Mohammad Dawood Ahmed Ismail Mohammad Yunus Dawood Haji Sattar Abdul Sattar Haji Sattar	-	2,474	-	2,474	-	2,474	-	2,474
7	C.N.P.S Associates (Pvt) Limited 346 - G III, Johar Town, Lahore.	Abdul Ghaffar Dawood 42201-0776630-5 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Haji Sattar	-	1,031	-	1,031	-	1,031	-	1,031
8	FBB Group International 5/27, Arkay Square (Ext) New Challi, Shahrah-e-Liaquat, Karachi.	Mohammad Ather Ansari 42301-9217786-9	Afaq Ahmed Ansari	47,528	2,146	-	49,674	47,528	2,146	-	49,674

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year					Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
								Total				
				Principal	Interest / mark-up	Others						
1	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
9	New Allied Electronics Ind. (Pvt) Limited 7th Floor, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi.	Mian Pervaz Akhtar 42301-7176596-3 Abdul Rauf 42201-3539213-1 Muhammad Naeem 42000-2362272-3	Mian Muhammad Rafiq Abdul Ghafoor Ateeq Muhammad Ishaq	245,660	240,261	-	485,921	245,660	240,261	-	485,921	
10	New Allied Motors (Pvt) Limited 7th Floor, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi.	Abdul Rauf 42201-3539213-1 Muhammad Naeem 42000-2362272-3	Abdul Ghafoor Ateeq Muhammad Ishaq	6,315	-	-	6,315	6,315	-	-	6,315	
11	Al-Asif Textile Industries F/88-11, S.I.T.E., Karachi.	Asif Riaz 42101-6749694-7	Riaz Ahmed	52,344	46,361	-	98,705	-	-	31,497	31,497	
12	Al-Hadi Rice Mills (Pvt) Limited Sadiq Plaza, Office No. A-32, The Mall, Lahore.	Ali Ijaz 34101-3612789-7 Ghulam Mustafa 34101-6724125-3	Muhammad Ijaz Muhammad Aslam	151,305	20,817	-	172,122	151,305	20,817	-	172,122	
13	Pakistan Tube Mills (Pvt) Limited 99-Railway Road, Lahore.	Sheikh Muhammad Arshad 35202-6587643-7 Mrs. Zarina Begum 35201-7450131-6	Sheikh Muhammad Ashraf Sheikh Muhammad Arshad	57,571	-	-	57,571	57,571	-	-	57,571	
14	Sandal Dyestuff Industries Limited Room No. 305-308, 2nd Floor, The Business Center, 8/8 New Civil Lines, Faisalabad.	Saif-ud-Din Moazam 33100-6625922-7 Dr. Salah-ud-Din Monum 33100-6354145-3 Misbah-ud-Din Zaigham 33100-9822081-3 Ch. Usman Ali 35202-2495480-3 Mst. Sadaqat Begum 33100-6446163-8	Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Umar Ch. Muhammad Ali	309,919	106,321	-	416,240	309,919	106,321	-	416,240	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year					Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total					
								5				
1	2	3	4	Rupees in '000								
15	Taiyaba Enterprises Bhatti Arcade, 2-A, Mozang Road, Lahore.	Taha Mobeen Qureshi 35202-2922358-9 Waseem Tanseen Qureshi 35202-4844850-1	Muhamamd Ismail Qureshi  Muhamamd Ismail Qureshi	36,979	4,392	-	41,371	36,979	4,392	-	41,371	
16	Elahi Knits (Pvt) Limited 30-A, Block-L, Gulberg-III, Lahore.	Alamgir Elahi 35202-7255060-3 Niffer Alamgir 35202-9636634-4 Umer Elahi 35202-5072781-5	Ehsan Elahi  Alamgir Elahi  Alamgir Elahi	24,571	11,120	-	35,691	-	8,691	-	8,691	
17	Innovative Concrete Products (Pvt) Limited Suit No.413-414, 4th Floor, Al-Hafeez Business Center, 89-III, Gulberg-III, Lahore.	Mirza Ajmal Asghar Baig 35201-8197924-5 Hudais Qazalbash 35201-5217453-0 Sharjel Awan 35200-9110716-1 Shaher Bano Asghar 35201-3380332-4	Mirza Mehdi Hussain Baig  Mirza Ajmal Asghar Baig  Mushtaq Ahmed Nazi  Sharjel Awan	-	5,834	-	5,834	-	1,340	994	2,334	
18	Gulshan Weaving Mills Limited 2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lahore.	Jehangir Ahmad Shakoork 42201-0545325-7 Masood Ahmad 35202-6939908-5 Sheikh Sarfaraz Farooq Qadri 35202-2450924-9	Abdul Shakoork  Inayat Ullah  Sheikh Mazhar Farooq Qadri	181,412	24,376	-	205,788	177,005	24,376	-	201,381	
19	Punjab Polypropylene Industries (Pvt) Limited 8-9, Bolan Block, Fortress Stadium, Lahore.	Ch. Muhammad Azeem Saleemi 35201-0454392-1 Ch. Shayan Alam Saleemi 35201-7868693-9	Muhammad Alam  Ch. Muhammad Azeem Saleemi	9,766	4,384	-	14,150	-	3,649	-	3,649	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
				5	6	7	8				
1	2	3	4	Rupees in '000				9	10	11	12
20	A.B. Textile Corporation 606, A/1, Gulberg-III, Lahore.	Syed Hamid Hussain Sabzwari 35202-2781980-3	Syed Sharif Hussain Sabzwari	875	-	3,762	4,637	-	240	4,083	4,323
21	Nextel Communications P-110, Bukhari Plaza, Chinot Bazar, Faisalabad.	Shahid Mahmood 33100-3006222-3 Sadia Shahid 33100-5170313-0	Ch. Sultan Ali Shahid Mahmood	2,396	240	-	2,636	-	-	917	917
22	Bashir & Brothers Shop No. 62, Grain Market, Sargodha.	Bashir Ahmad (Deceased) 38403-2213530-7	Khuda Buksh	11,479	1,162	-	12,641	-	641	-	641
23	BSM Sports Nasir Road, Habib Chowk, Teshsil & District Sialkot.	Tariq Mahmood 34603-9785324-5 Khalid Pervaiz Cheema 34603-9478543-7 Abdul Rehman Cheema 34603-3068695-9	Mian Khan Cheema Mian Khan Cheema Khalid Pervaiz Cheema	24,996	3,077	-	28,073	-	2,073	5,039	7,112
24	Nadeem Industries Plot No.1-A, Annol Industrial Zone, Phase-2, Near Channu Shah Darbar, Bhamma Pind, Lahore.	Muhammad Naeem 35202-2860098-1	Muhamamd Suleman	5,992	-	934	6,926	-	-	826	826
25	Muhammad Ishaq Ganish Kalan, PO Karimabad, Tehsil Aliabad, District Hunza.	Muhammad Ishaq (Deceased) 37405-432221-7	Jabir Ansar	1,185	-	-	1,185	1,185	-	-	1,185
				2,649,831	593,355	4,696	3,247,882	2,504,916	537,811	43,356	3,086,084

## Annexure - II

### ISLAMIC BANKING BUSINESS

The bank is operating 61 (2021: 49) Islamic banking branches and 242 (2021: 218) Islamic banking windows at the end of the year.

	Note	2022 Rupees in '000	2021 Rupees in '000
<b>ASSETS</b>			
Cash and balances with treasury banks		7,799,004	8,065,686
Balances with other banks		—	—
Due from financial institutions	1	—	3,500,000
Investments	2	35,039,153	30,384,762
Islamic financing and related assets - net	3	106,613,906	78,657,185
Fixed assets	4	791,323	635,471
Intangible assets		—	—
Due from Head Office	5	7,364,959	4,178,774
Other assets		6,654,527	3,017,036
Total Assets		164,262,872	128,438,914
<b>LIABILITIES</b>			
Bills payable		1,690,942	1,445,125
Due to financial institutions		39,190,234	32,048,365
Deposits and other accounts	6	107,237,001	83,953,361
Due to Head Office		—	—
Subordinated debt		—	—
Other liabilities	7	5,162,216	2,731,703
		153,280,393	120,178,554
<b>NET ASSETS</b>		<b>10,982,479</b>	<b>8,260,360</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		9,005,661	7,504,413
Reserves		—	—
Deficit on revaluation of assets		(627,868)	(725,275)
Unappropriated profit	8	2,604,686	1,481,222
		10,982,479	8,260,360
<b>CONTINGENCIES AND COMMITMENTS</b>	9		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2022 is as follows:

	Note	2022	2021
		Rupees in '000	
Profit / return earned	10	13,609,478	6,654,512
Profit / return expensed	11	(7,776,455)	(3,981,163)
<b>Net Profit / return</b>		<b>5,833,023</b>	<b>2,673,349</b>
<b>Other income</b>			
Fee and Commission Income		482,267	375,140
Dividend Income		—	294
Foreign Exchange Income		113,758	103,780
Income / (loss) from derivatives		—	—
(Loss) / gain on securities		(17)	70,693
Other Income		4,325	5,210
<b>Total other income</b>		<b>600,333</b>	<b>555,117</b>
<b>Total Income</b>		<b>6,433,356</b>	<b>3,228,466</b>
<b>Other expenses</b>			
Operating expenses		1,397,216	911,598
Other charges		490	609
<b>Total other expenses</b>		<b>1,397,706</b>	<b>912,207</b>
Profit before provisions		5,035,650	2,316,259
Reversals / (Provisions) and (write offs) - net		71,577	111,973
<b>Profit before taxation</b>		<b>5,107,227</b>	<b>2,428,232</b>
Taxation		(2,502,541)	(947,010)
<b>Profit after taxation</b>		<b>2,604,686</b>	<b>1,481,222</b>

## 1. Due from financial institutions

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Unsecured</b>						
- Mudaraba placements	—	—	—	3,500,000	—	3,500,000

## 2. Investments by segments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Federal Government Securities</b>								
- Ijarah Sukuk	19,579,161	—	(372,602)	19,206,559	19,523,163	—	(396,332)	19,126,831
- Bai-muajjal	—	—	—	—	—	—	—	—
- Islamic naya Pakistan certificate mudaraba investment pool	4,681,209	—	—	4,681,209	730,711	—	—	730,711
	<b>24,260,370</b>	<b>—</b>	<b>(372,602)</b>	<b>23,887,768</b>	<b>20,253,874</b>	<b>—</b>	<b>(396,332)</b>	<b>19,857,542</b>



	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Non Government Debt Securities</b>								
- Listed	6,876,651	-	(255,266)	6,621,385	7,076,163	-	(336,554)	6,739,609
- Unlisted	4,530,000	-	-	4,530,000	3,780,000	-	7,611	3,787,611
	11,406,651	-	(255,266)	11,151,385	10,856,163	-	(328,943)	10,527,220
<b>Total Investments</b>	35,667,021	-	(627,868)	35,039,153	31,110,037	-	(725,275)	30,384,762

### 3. Islamic financing and related assets - net

	2022				2021			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	875,565	17,577	-	893,142	583,298	128,997	-	712,295
Ijarah - islamic long term financing facility	37,887	-	-	37,887	74,207	-	-	74,207
Murabaha	5,812,875	124,591	-	5,937,466	6,105,881	563,205	-	6,669,086
Working capital musharaka	31,411,281	-	-	31,411,281	21,050,328	-	-	21,050,328
Diminishing musharaka	15,714,076	1,392,381	-	17,106,457	11,736,112	377,959	-	12,114,071
Salam	22,000	53,000	-	75,000	128,000	-	-	128,000
Istisna	6,446,156	4,748,356	65	11,194,577	2,677,387	3,040,426	-	5,717,813
Al-bai	570,156	-	-	570,156	536,632	-	16,961	553,593
Diminishing musharaka								
Islamic long term financing facility	3,647,937	487,014	-	4,134,951	863,436	1,528,029	-	2,391,465
Islamic refinance scheme for payment of wages and salaries	13,980	93,534	-	107,514	1,046,640	93,534	-	1,140,174
Islamic financing facility for storage of agricultural produce	541,619	187,668	-	729,287	-	598,035	-	598,035
Islamic temporary economic refinance facility	11,652,266	2,026,743	-	13,679,009	422,229	13,064,204	-	13,486,433
Islamic financing facility for renewable energy	295,833	370,554	-	666,387	-	250,848	-	250,848
Islamic export refinance								
Murabaha	152,000	32,000	-	184,000	760,819	-	-	760,819
Working capital musharaka	12,188,026	-	-	12,188,026	10,257,000	-	-	10,257,000
Salam	-	75,000	-	75,000	60,000	61,920	-	121,920
Istisna	865,116	6,470,395	-	7,335,511	2,259,110	1,075,000	-	3,334,110
Al-bai	36,602	-	559,457	596,059	7,832	-	-	7,832
Gross islamic financing and related assets	90,283,375	16,078,813	559,522	106,921,710	58,568,911	20,782,157	16,961	79,368,029
Provision against non-performing islamic financings								
- Specific	(295,151)	-	-	(295,151)	(704,654)	-	-	(704,654)
- General	(12,653)	-	-	(12,653)	(6,190)	-	-	(6,190)
	(307,804)	-	-	(307,804)	(710,844)	-	-	(710,844)
Islamic financing and related assets - net of provision	89,975,571	16,078,813	559,522	106,613,906	57,858,067	20,782,157	16,961	78,657,185

### 3.1 Ijarah

	2022						
	Cost			Accumulated Depreciation			Book value
	As at 1 Jan 2022	Additions / (deletions)	As at 31 Dec 2022	As at 1 Jan 2022	Charge for the year / (deletions)	As at 31 Dec 2022	as at 31 Dec 2022
	Rupees in '000						
Plant & Machinery	146,534	185,086	331,620	100,200	44,059 (22,413)	121,846	209,774
Vehicles	706,705	226,186 (118,881)	814,010	95,534	23,490 (8,692)	110,332	703,678
Total	853,239	292,391	1,145,630	195,734	36,444	232,178	913,452

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

#### Future ijarah payments receivable

	2022				2021			
	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	238,647	309,856	22,365	570,868	175,196	349,795	30,733	555,724

	Note	2022	2021
		Rupees in '000	
<b>3.2 Murabaha</b>			
Murabaha financing	3.2.1	5,812,875	6,105,881
Advances for Murabaha		124,591	563,205
		<u>5,937,466</u>	<u>6,669,086</u>
<b>3.2.1</b> Murabaha receivable - gross	3.2.2	6,206,469	6,359,206
Less: Deferred murabaha income	3.2.4	(222,346)	(137,450)
Profit receivable shown in other assets		(171,248)	(115,875)
Murabaha financings		<u>5,812,875</u>	<u>6,105,881</u>
<b>3.2.2</b> The movement in murabaha financing during the year is as follows:			
Opening balance		6,359,206	5,295,597
Sales during the year		17,066,707	18,390,918
Adjusted during the year		(17,219,444)	(17,327,309)
Closing balance		<u>6,206,469</u>	<u>6,359,206</u>
<b>3.2.3</b> Murabaha sale price		17,066,707	18,390,918
Murabaha purchase price		(16,169,290)	(17,915,777)
		<u>897,417</u>	<u>475,141</u>
<b>3.2.4</b> Deferred murabaha income			
Opening balance		137,450	114,184
Arising during the year		897,417	475,141
Less: recognised during the year		(812,521)	(451,875)
Closing balance		<u>222,346</u>	<u>137,450</u>
<b>4.</b> Fixed assets included right-of-use assets of Rs. 615,872 thousand (2021: Rs. 545,830 thousand) and other liabilities included related lease liability of Rs. 710,395 thousand (2021: Rs. 615,776 thousand).			

## 5. Due from Head Office

Inter-branch transactions are made on Qard basis.

## 6. Deposits

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	29,171,602	5,494,270	34,665,872	23,212,725	4,463,870	27,676,595
Savings deposits	36,367,260	1,548,820	37,916,080	27,563,777	3,592,221	31,155,998
Term deposits	25,253,027	3,620,178	28,873,205	16,387,078	898,644	17,285,722
Others	2,474,491	–	2,474,491	1,675,068	–	1,675,068
	<u>93,266,380</u>	<u>10,663,268</u>	<u>103,929,648</u>	<u>68,838,648</u>	<u>8,954,735</u>	<u>77,793,383</u>
<b>Financial Institutions</b>						
Current deposits	118,177	249	118,426	65,030	2,277	67,307
Savings deposits	1,650,927	–	1,650,927	5,875,671	–	5,875,671
Term deposits	1,538,000	–	1,538,000	217,000	–	217,000
	<u>3,307,104</u>	<u>249</u>	<u>3,307,353</u>	<u>6,157,701</u>	<u>2,277</u>	<u>6,159,978</u>
	<u>96,573,484</u>	<u>10,663,517</u>	<u>107,237,001</u>	<u>74,996,349</u>	<u>8,957,012</u>	<u>83,953,361</u>

	2022	2021
	Rupees in '000	
<b>6.1 Composition of deposits</b>		
- Individuals	46,588,779	36,498,423
- Government / Public Sector Entities	3,678,886	3,906,109
- Banking Companies	3,224	3,002,984
- Non-Banking Financial Institutions	3,304,129	3,156,994
- Private Sector	53,661,983	37,388,851
	<u>107,237,001</u>	<u>83,953,361</u>

## 6.2 Particulars of deposits and other accounts

- In local currency	96,573,484	74,996,349
- In foreign currencies	10,663,517	8,957,012
	<u>107,237,001</u>	<u>83,953,361</u>

**6.3** This includes eligible deposits of Rs. 39,522,737 thousand which are covered under sharia compliant deposit protection mechanism as required by the Deposit Protection Corporation circular no 5 of 2018.

	2022	2021
	Rupees in '000	

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

### Charity fund

Opening balance	4	-
Additions during the period		
Received from customers on account of delayed payment	250	122
Dividend purification amount	-	-
Profit on charity saving account	-	-
	<u>250</u>	<u>122</u>
Payments / utilization during the period		
Education	-	(114)
Health	-	(4)
	<u>-</u>	<u>(118)</u>
Closing balance	<u>254</u>	<u>4</u>

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

## 8. Islamic Banking Business Unappropriated Profit

Opening balance	1,481,222	1,367,552
Add: Islamic banking profit for the period	2,604,686	1,481,222
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred to head office	(1,481,222)	(1,367,552)
Closing balance	<u>2,604,686</u>	<u>1,481,222</u>

	2022	2021
	Rupees in '000	
<b>9. Contingencies and commitments</b>		
Guarantees	9,539,409	8,252,346
Commitments	18,607,004	22,215,654
	<u>28,146,413</u>	<u>30,468,000</u>
<b>10. Profit / return earned</b>		
Profit earned on:		
Financing	9,510,625	4,265,981
Investments	3,893,709	2,186,307
Placements	205,144	202,224
	<u>13,609,478</u>	<u>6,654,512</u>
<b>11. Profit / return expensed</b>		
Deposits and other accounts	6,710,743	3,475,334
Due to financial institutions	976,701	448,812
Lease liability against right-of-use assets	89,011	57,017
	<u>7,776,455</u>	<u>3,981,163</u>
<b>12. Pool management</b>		

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

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Musharakah modes. Under the general deposits pools, the Bank accepts funds on Mudaraba basis from 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 the Bank's customers and liquidity management respectively under the Musharakah / Mudaraba modes. Further, the Bank also contributes its equity and becomes the capital provider, wherein 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 commingled 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 system.

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

### The Bank 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
					(Rupees in '000)	(Rupees in '000)		
General pool								
Islamic Export Refinance (IERS) Pool								
PKR Pool	Monthly	13.14%	50.00%	50.00%	1,501,050	6.31%	15.64%	162,550
USD Pool	Monthly	0.24%	90.00%	10.00%	4,547	0.57%	9.73%	400
Specific pools								
Islamic Export Refinance (IERS) Pool	Quarterly	10.12%	81.05%	18.95%	414,390	Nil	0.00%	–
Special Pool (Saving)	Monthly	12.94%	18.50%	81.50%	68,997	10.83%	28.97%	–
Special Pool (TDR)	Monthly	12.73%	6.52%	93.48%	94,997	12.15%	0.00%	–

## PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2022

Number of shareholders	Size of shareholding Rs. 10 each			Total shares held
307	1	to	100	6,926
351	101	to	500	125,673
235	501	to	1000	202,524
685	1001	to	5000	1,848,473
261	5001	to	10000	2,058,821
310	10001	to	15000	3,760,422
69	15001	to	20000	1,250,130
59	20001	to	25000	1,406,959
39	25001	to	30000	1,100,060
29	30001	to	35000	947,338
27	35001	to	40000	1,019,085
15	40001	to	45000	650,650
34	45001	to	50000	1,649,842
28	50001	to	60000	1,563,612
47	60001	to	80000	3,238,811
34	80001	to	100000	3,225,011
58	100001	to	150000	7,165,943
21	150001	to	200000	3,742,226
28	200001	to	250000	6,480,938
54	250001	to	500000	20,348,906
48	500001	to	1000000	35,109,675
17	1000001	to	1500000	19,349,233
14	1500001	to	2000000	23,803,719
23	2000001	to	3000000	51,915,917
10	3000001	to	4000000	35,340,305
14	4000001	to	10000000	84,287,005
8	10000000	to	52050000	201,839,222
1	534390001	to	534395000	534,394,054
2,826				1,047,831,480

## COMBINED PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2022

Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
<b>Directors and their spouse(s) and minor children</b>			
Mohamedali R. Habib	1	1,612,524	0.15
Anjum Zahoor Iqbal	1	500	0.00
Firasat Ali	1	500	0.00
Hamza Habib	1	1,000	0.00
Mohomed Bashir	1	16,340,985	1.56
Muhammad H. Habib	1	2,069,454	0.20
Rashid Ahmed Jafer	1	500	0.00
Tahira Raza	1	500	0.00
Mohsin Ali Nathani	1	3,661,000	0.35
Syeda Mohamedali R. Habib	1	805,065	0.08
Farah Fatima Habib	1	1,037,136	0.10
<b>Associated Companies, undertakings and related parties</b>			
Habib Bank AG Zurich	1	534,394,054	51.00
Habib Insurance Company Limited	1	6,305,924	0.60
<b>Executives</b>	5	376,750	0.04
<b>National Investment Trust</b>	1	37,174,607	3.55
<b>Banks Development Financial Institutions, Non Banking Financial Institutions</b>	6	15,679,619	1.50
<b>Insurance Companies</b>	7	18,332,590	1.75
<b>Modarabas and Mutual Funds</b>			
First Al-Noor Modaraba		125	0.00
CDC - Trustee MCB Pakistan Stock Market Fund		3,437,051	0.33
CDC - Trustee Pakistan Capital Market Fund		225,000	0.02
CDC - Trustee HBL Investment Fund		285,000	0.03
CDC - Trustee Atlas Stock Market Fund		3,986,000	0.38
CDC - Trustee AKD Index Tracker Fund		128,748	0.01
CDC - Trustee UBL Stock Advantage Fund		14,500	0.00
CDC - Trustee NBP Stock Fund		2,364,000	0.23
CDC - Trustee APF-Equity Sub Fund		231,000	0.02
CDC - Trustee HBL - Stock Fund		125,000	0.01
CDC - Trustee MCB Pakistan Asset Allocation Fund		340,000	0.03
CDC - Trustee Alfalah GHP Alpha Fund		61,891	0.01
CDC - Trustee NIT-Equity Market Opportunity Fund		516,000	0.05



Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
CDC - Trustee Al Habib Stock Fund		30,000	0.00
CDC - Trustee NBP Sarmaya Izafa Fund		62,000	0.01
CDC - Trustee NBP Financial Sector Fund		588,000	0.06
CDC - Trustee UBL Financial Sector Fund		1,312,500	0.13
CDC - Trustee Alfalah GHP Dedicated Equity Fund		2,909	0.00
CDC - Trustee MCB Pakistan Dividend Yield Plan		85,000	0.01
<b>General Public</b>			
a. Local	2,389	194,396,970	18.55
b. Foreign	251	8,706,850	0.83
<b>Foreign Companies</b>	18	98,464,771	9.40
<b>Others</b>	117	94,675,457	9.04
<b>Totals</b>	<b>2,826</b>	<b>1,047,831,480</b>	<b>100.00</b>

Share holders holding 10% or more	Shares Held	Percentage
Habib Bank AG Zurich	534,394,054	51.00

#### TRADE IN THE SHARES BY DIRECTORS & EXECUTIVES \* (INCLUDING THEIR SPOUSE & MINOR CHILDREN)

Name of Executive	Designation	Purchase	Sale
Mohsin Ali Nathani	President / CEO	561,000	–
Wahid Yunus Dada	Executive	32,500	–
Najeeb Gilani	Executive	11,750	–
Syed Hasnain Haider Rizvi	Executive	10,000	–
Farah Fatima Habib	Spouse	–	21

\* The expression "Executives" means as key management and includes all executives in direct reporting to CEO.