

HABIBMETRO

THIRD QUARTER ACCOUNTS

2020



[Subsidiary of Habib Bank AG Zurich]



هَذَا فَرْضُكَ

OUR VISION

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

DIRECTORS

Anjum Z. Iqbal

Firasat Ali

Hamza Habib

Mohomed Bashir

Muhammad H. Habib

Rashid Ahmed Jafer

Tahira Raza

BOARD COMMITTEES

AUDIT

Anjum Z. Iqbal

Rashid Ahmed Jafer

CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohsin A. Nathani

Tahira Raza

COMPANY SECRETARY

Ather Ali Khan

REGISTERED OFFICE

Ground Floor, Spencer's Building

I I Chundrigar Road

Karachi – 74200, Pakistan

INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B

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

Karachi - 74400

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the un-audited accounts for the nine months ended 30 September 2020.

The outlook for economic growth improved in the quarter under review as COVID-19 spread was contained and timely measures were taken by the Government and the State Bank of Pakistan (SBP).

The SBP's monetary relief measures injected an estimated stimulus of Rs. 1.58 trillion (around 3.8 percent of GDP) in the economy. In addition, the Government also provided support through the Ehsaas emergency cash program, commodity financing - a risk-sharing facility for SMEs, and acceleration of tax refunds.

Supply-side pressures have caused a rise in inflation forecast. Inflationary pressures will primarily be driven by food prices, due to flood-related impact and potential locust attacks. Oil prices are also expected to contribute to the domestic inflation outlook.

Low global oil prices and subdued domestic demand contributed towards continued reduction in current account deficit during the period under review. Moreover, recovery is anticipated in exports due to supportive policy, relief measures and exchange rate levels, and uptick in global economic activity. Going forward, the current account deficit is expected to remain at around 2 percent of GDP.

Remittances provided support in the current account and a boost in foreign exchange reserves resulting in restoration of Pakistan's reserve adequacy to the global benchmark of 3 months' of import cover.

Fiscal deficit for FY20 (8.1 percent; Rs. 3.3 trillion) was lower than FY19 (8.9 percent; Rs. 3.4 trillion) due to the surplus in the first nine months of FY20, which provided comfort during the pandemic. Tax revenues increased by 1.2 percent year-on-year in the first two months of FY21, after double-digit reduction observed during the last quarter of FY20. Federal development spending almost doubled during Jul-Aug 2020 compared to the same period last year.

Going forward, economic growth is projected to recover slightly above 2 percent in FY21, after falling to negative 0.4 percent last year. The recovery is expected to be driven mainly by manufacturing-related activities.

The SBP kept the policy rate unchanged at 7 percent to continue providing support for economic recovery and financial stability.

By the Grace of Allah, HabibMetro's operating profit for the nine months increased by 75% amounting to Rs. 15,808 million compared to 9,012 million in the corresponding period last year. This is a result of strong performance on core interest margins and foreign exchange earnings. The Bank's after tax profit increased by 65% from the corresponding period last year to Rs. 8,268 million which translates into earnings per share of Rs. 7.89, after accounting for higher provisioning as a prudent measure.

The Board of Directors has declared an interim cash dividend of Rs 2 per share (20%) for the year ending 31 December 2020.

During the period under review, in line with the strategy, the Bank's current deposits increased by 20% to Rs. 211,351 million. Total non-fund income increased by a healthy 21 percent and amounted to Rs. 6,988 million.

Investments increased by 24% and amounted to Rs. 554,648 million compared to Rs. 448,910 million at 31 December 2019. Deposits and Net Advances both increased by 7 percent over 31 December 2019 and stood at Rs. 654,428 million and Rs. 281,747 million respectively.

The Bank's Net Equity stands at Rs. 57,747 million (inclusive of surplus on revaluation of assets of Rs. 4,976 million) with a strong capital adequacy level of 19.2 percent.

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

With a network of 402 branches in 138 cities across Pakistan, including 31 Islamic banking branches, and 266 Islamic banking windows, HabibMetro provides a comprehensive spectrum of banking services and products. These include specialized trade finance products and an array of digital products and services including secured Mobile, Internet & SMS Banking services, globally accepted Visa Cards and nationwide network of ATMs.

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, during the nine months, extended assistance in two major areas i.e. COVID-19 relief / healthcare and education. These voluntary contributions amount to Rs. 84.2 million.

The Bank promoted SBP Re-finance & Debt Relief Schemes for the support of businesses affected by the pandemic. Operational measures to reduce physical interaction at branches, including cheque collection through drop boxes were also initiated, in line with the SBP directives. In addition to this, the Bank promoted online and over-the-counter donation collections for the PM's COVID-19 Relief Fund.

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

On behalf of the Board

MOHSIN A. NATHANI

President & Chief Executive Officer

Karachi: 22 October 2020

سرماہ کاری کا حجم 24 فیصد بڑھ کر 554,648 ملین روپے ہو گیا جو کہ 31 دسمبر 2019 کو 448,910 ملین روپے تھا۔ ڈپازٹس اور خالص ایڈوانسز 31 دسمبر 2019 کے مقابلے میں 7 فیصد سے بڑھ گئے اور بالترتیب 654,428 ملین روپے اور 281,747 ملین روپے رہے۔

بینک کی خالص ایکویٹی 57,747 ملین روپے (بشمول اثاثہ جات کاری ویلیو ایڈجسٹمنٹ سرپلس 4,976 ملین روپے) کے ساتھ 19.2 فیصد کی انتہائی مستحکم سرمائے کی سطح پر ہے۔

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

پاکستان بھر میں 138 شہروں میں 402 شاخوں بشمول 31 اسلامک بینکنگ کی شاخوں اور 266 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بہترین، وسیع تر اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کرتا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس، ڈیجیٹل پروڈکٹس اور خدمات بشمول محفوظ موبائل، انٹرنیٹ ایڈ SMS بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کے لئے ATM میٹ ورک شامل ہیں۔

بحیثیت ایک ذمہ دار اور فعال کارپوریٹ شہری آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں سے بخوبی آگاہ ہے اور سماجی اداروں میں معاونت کرتا ہے۔ بینک نے 2020 کے 9 ماہ کے دوران دو نمایاں شعبوں میں COVID-19 کی ریلیف/ہیلتھ کیئر اور تعلیم کے شعبوں میں معاونت فراہم کی۔ یہ رضا کارانہ عطیات 84.2 ملین روپے کے تھے۔

بینک نے وہائی صورتحال سے متاثر ہونے والے کاروباروں کی معاونت کیلئے ایس بی بی ری۔ فنانسنگ اور ڈیپٹ ریلیف اسکیم کو بھی فروغ دیا۔ ایس بی بی کی ہدایات کے مطابق، ہر انچوں میں صارفین کی ذاتی موجودگی میں کی کرنے کیلئے آپریشنل اقدامات بشمول چیک کلکیشن بذریعہ روپ بکس کا آغاز کیا گیا۔ اس کے علاوہ بینک نے وزیراعظم COVID-19 ریلیف فنڈ میں عطیات کی وصولی کو فروغ دینے کیلئے آن لائن اور بذریعہ کاؤنٹر کی سہولیات فراہم کیں۔

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

منجانب بورڈ

محسن اے۔ ناتھانی
صدر و چیف ایگزیکٹو آفیسر

کراچی: 22 اکتوبر 2020

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2020 کو ختم ہونے والی تیسری سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

زیر جائزہ سہ ماہی میں COVID-19 کی روک تھام اور حکومت اور اسٹیٹ بینک آف پاکستان (ایس بی پی) کی جانب سے بروقت ریلیف کے اقدامات کے باعث معاشی شرح نمو کی صورتحال میں بہتری آئی۔

ایس بی پی کے ماہیتری ریلیف کے اقدامات کے تحت ملکی معیشت میں اندازاً 1.58 ٹریلین روپے (جی ڈی پی کا تقریباً 3.8 فیصد) کی امدادی ترغیبات شامل کی گئی۔ اس کے علاوہ حکومت نے احساس ایمرجنسی کیش پروگرام، کموڈیٹی فنانسنگ، ایس ایم ایز کے لئے رسک میں تعاون اور ٹیکس ری فنڈز میں تیزی کے ذریعے معاونت فراہم کی۔

سپلائی پر دباؤ افراط زر کے تخمینے میں اضافے کا سبب بنا ہے۔ سیلابی صورتحال اور ٹی ڈی دل کے حملوں کے باعث اشیائے خورد و نوش کے نرخوں میں اضافہ افراط زر پر دباؤ کے بنیادی محرکات ہوں گے۔ تیل کے نرخ بھی متوقع طور پر ملکی افراط زر کی صورتحال میں اہم کردار ادا کریں گے۔

عالمی سطح پر تیل کے کم نرخ اور مقامی طلب میں کمی نے زیر جائزہ مدت میں کم ہوتے ہوئے کرنٹ اکاؤنٹ خسارے میں کردار ادا کیا۔ مزید برآں معاہداتی پالیسی، امدادی اقدامات اور زرمبادلہ کی شرح اور عالمی معاشی سرگرمیوں میں اضافے کے رجحان کے باعث برآمدات میں اضافے کی توقع ہے۔ آئندہ عرصے میں کرنٹ اکاؤنٹ خسارہ جی ڈی پی کا 2 فیصد رہنے کی توقع ہے۔

ترسیلات زر نے کرنٹ اکاؤنٹ اور زرمبادلہ کے ذخائر میں اضافے میں معاونت کی۔ جس کے نتیجے میں ملک کے زرمبادلہ کے ذخائر 3 ماہ کی درآمدی لاگت کے عالمی معیار پر بحال ہوئے۔

مالی سال 2020 کے پہلے 9 ماہ میں سرپلس کے باعث مالی سال 2020 کے لئے مالیاتی خسارہ (8.1 فیصد 3.3 ٹریلین روپے) مالیاتی سال 2019 (8.9 فیصد 3.4 ٹریلین روپے) سے کم تھا جس کے باعث وہابی صورتحال میں سہولت ہوئی۔ ٹیکس وصولیوں میں مالی سال 2021 کے پہلے 2 ماہ میں 1.2 فیصد سال پہ سال اضافہ ہوا جس میں مالی سال کی آخری سہ ماہی میں 2 ہندسوں پر مشتمل کمی ہوئی تھی۔ جولائی - اگست 2020 کے عرصے میں وفاقی ترقیاتی اخراجات گزشتہ سال کی اسی مدت کے مقابلے میں ڈگنے رہے۔

آئندہ عرصے میں معاشی شرح نمو گزشتہ سال منفی 0.4 فیصد تک گرنے کے بعد مالی سال 2021 میں 2 فیصد سے کچھ زیادہ ہونے کے امکانات ہیں۔ اس بحالی کے امکانات میں بینکنگ سیکٹر کے متعلق سرگرمیوں میں تیزی آنے کے باعث ہیں۔

ایس بی پی نے اقتصادی سرگرمیوں کی بحالی اور مالیاتی استحکام میں معاونت کی غرض سے شرح سود کو تبدیل کئے بغیر 7 فیصد پر برقرار رکھا ہے۔

اللہ تعالیٰ کے فضل و کرم سے 2020 کے 9 ماہ میں حبیب میٹرو کا آپریٹنگ منافع 75 فیصد بڑھ کر 15,808 ملین روپے ہو گیا جو کہ گزشتہ سال کی اسی مدت میں 9,012 ملین روپے تھا۔ یہ انٹرسٹ مارجن اور زرمبادلہ آمدنی کی مستحکم کارکردگی کا نتیجہ ہے۔ بینک کا بعد از ٹیکس منافع، اضافی پروڈیگنگ کے دانشمند اقدام کے بعد، گزشتہ سال کی اسی مدت کے مقابلے میں 65 فیصد بڑھ کر 8,268 ملین روپے رہا، اس منافع کے نتیجے میں فی شیئر آمدنی 7.89 روپے ہو گئی۔

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2020 کو ختم ہونے والے سال کیلئے 2 روپے فی شیئر (20 فیصد) کے عبوری نقد منافع کا اعلان کیا ہے۔

زیر جائزہ مدت کے دوران، حکمت عملی کے مطابق، بینک کے کرنٹ ڈپازٹس 9 ماہ کے دوران 20 فیصد بڑھ کر 211,351 ملین روپے ہو گئے۔ نان - فنڈ آمدنی 21 فیصد کے نمایاں اضافے کے بعد 6,988 ملین روپے رہی۔

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	56,106,310	70,713,603
Balances with other banks	7	4,164,382	1,865,528
Lendings to financial institutions	8	3,000,000	22,197,303
Investments	9	554,648,291	448,909,727
Advances	10	281,747,340	263,948,473
Fixed assets	11	8,640,787	8,306,783
Intangible assets	12	81,256	66,462
Deferred tax assets	13	66,367	3,712,435
Other assets	14	34,347,456	39,854,208
		<u>942,802,189</u>	<u>859,574,522</u>
LIABILITIES			
Bills payable	15	13,663,691	11,541,474
Borrowings	16	172,359,108	144,464,063
Deposits and other accounts	17	654,428,325	611,869,248
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	44,603,695	47,462,207
		<u>885,054,819</u>	<u>815,336,992</u>
NET ASSETS		<u>57,747,370</u>	<u>44,237,530</u>
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		19,238,075	17,584,517
Surplus / (deficit) on revaluation of assets - net of tax	19	4,976,490	(2,885,060)
Unappropriated profit		23,054,490	19,059,758
		<u>57,747,370</u>	<u>44,237,530</u>
CONTINGENCIES AND COMMITMENTS	20		

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

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

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Note	30 September 2020		30 September 2019	
		Quarter ended	Nine months ended	Quarter ended	Nine months ended
		Rupees in '000			
Mark-up / return / interest earned	22	18,986,330	59,443,730	20,411,548	51,085,549
Mark-up / return / interest expensed	23	(10,070,443)	(39,810,174)	(16,130,213)	(38,198,685)
Net mark-up / interest income		8,915,887	19,633,556	4,281,335	12,886,864
NON MARK-UP / INTEREST INCOME					
Fee and commission income	24	1,420,244	3,892,119	1,263,302	3,871,752
Dividend income		23,579	128,023	20,779	56,948
Foreign exchange income		1,022,621	3,029,153	1,321,760	2,680,476
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	(248,948)	(99,826)	(144,323)	(863,057)
Other income	26	20,837	38,032	11,366	42,102
Total non mark-up / interest income		2,238,333	6,987,501	2,472,884	5,788,221
Total income		11,154,220	26,621,057	6,754,219	18,675,085
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	3,619,710	10,460,626	3,262,454	9,439,750
Workers' welfare fund		172,000	320,000	62,000	172,000
Other charges	28	2,740	31,980	10,045	51,340
Total non-mark-up / interest expenses		(3,794,450)	(10,812,606)	(3,334,499)	(9,663,090)
Profit before provisions		7,359,770	15,808,451	3,419,720	9,011,995
(Provisions) / reversal and write offs - net	29	(396,213)	(1,996,560)	(402,764)	(295,907)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		6,963,557	13,811,891	3,016,956	8,716,088
Taxation	30	(2,814,555)	(5,543,950)	(1,184,115)	(3,707,648)
PROFIT AFTER TAXATION		4,149,002	8,267,941	1,832,841	5,008,440
Rupees					
Basic and diluted earnings per share	31	3.96	7.89	1.75	4.78

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

	30 September 2020		30 September 2019	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation	4,149,002	8,267,941	1,832,841	5,008,440
Other comprehensive income				
Items that may be reclassified to profit and loss in subsequent periods:				
Effect of translation of net investment in an offshore branch	37	(30)	–	–
Movement in surplus / (deficit) on revaluation of investments - net of tax	(4,011,088)	7,864,142	1,480,245	925,247
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	17,841	(2,634)	34,564	50,982
Total comprehensive income	155,792	16,129,419	3,347,650	5,984,669

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

		Reserves					Surplus / (deficit) on revaluation			
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments	Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Balance as at 1 January 2019	10,478,315	2,550,985	240,361	1,500,000	11,976,447	–	(5,753,117)	179,461	15,829,504	37,001,956
Profit after taxation	–	–	–	–	–	–	–	–	5,008,440	5,008,440
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	925,247	–	50,982	976,229
Total comprehensive income for the period	–	–	–	–	–	–	925,247	–	5,059,422	5,984,669
Transfer to statutory reserve	–	–	–	–	1,001,688	–	–	–	(1,001,688)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(2,148)	2,148	–
Transactions with owners, recorded directly in equity	–	–	–	–	–	–	–	–	–	–
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2018	–	–	–	–	–	–	–	–	(2,095,663)	(2,095,663)
Balance as at 30 September 2019	10,478,315	2,550,985	240,361	1,500,000	12,978,135	–	(4,827,870)	177,313	17,793,723	40,890,962
Profit after taxation	–	–	–	–	–	–	–	–	1,575,041	1,575,041
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	28	1,717,379	48,840	5,280	1,771,527
Total comprehensive income for the period	–	–	–	–	–	28	1,717,379	48,840	1,580,321	3,346,568
Transfer to statutory reserve	–	–	–	–	315,008	–	–	–	(315,008)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(722)	722	–
Balance as at 31 December 2019	10,478,315	2,550,985	240,361	1,500,000	13,293,143	28	(3,110,491)	225,431	19,059,758	44,237,530
Profit after taxation	–	–	–	–	–	–	–	–	8,267,941	8,267,941
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	(30)	7,864,142	–	(2,634)	7,861,478
Total comprehensive income for the period	–	–	–	–	–	(30)	7,864,142	–	8,265,307	16,129,419
Transfer to statutory reserve	–	–	–	–	1,653,588	–	–	–	(1,653,588)	–
Transfer from surplus on revaluation of assets to unappropriated profit	–	–	–	–	–	–	–	–	–	–
- net of tax	–	–	–	–	–	–	–	(2,592)	2,592	–
Transactions with owners, recorded directly in equity	–	–	–	–	–	–	–	–	–	–
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2019	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)
Balance as at 30 September 2020	10,478,315	2,550,985	240,361	1,500,000	14,946,731	(2)	4,753,651	222,839	23,054,490	57,747,370

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	30 September 2020	30 September 2019
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		13,811,891	8,716,088
Less: Dividend income		(128,023)	(56,948)
		13,683,868	8,659,140
Adjustments			
Depreciation on operating fixed assets		799,245	718,733
Depreciation on right-of-use assets		582,351	561,306
Depreciation on non-banking assets		9,050	8,411
Amortization		48,123	76,070
Mark-up / return / interest expensed on lease liability against right-of-use assets		395,142	326,915
Provisions / (reversals) and write offs excluding recovery of written off bad debts	29	2,011,579	303,240
Unrealised gain on securities - held-for-trading		(522)	4,035
Net gain on sale of fixed assets		(15,461)	(13,263)
Provision against workers' welfare fund		320,000	172,000
Provision against compensated absences		56,250	49,183
Provision against defined benefit plan		130,380	130,388
		4,336,137	2,337,018
		18,020,005	10,996,158
(Increase) / decrease in operating assets			
Lendings to financial institutions		19,197,303	(5,222,508)
Advances		(21,870,684)	(33,669,338)
Other assets (excluding current taxation)		5,466,024	(2,938,612)
		2,792,643	(41,830,458)
Increase / (decrease) in operating liabilities			
Bills payable		2,122,217	(2,185,340)
Borrowings from financial institutions		29,818,617	115,329,442
Deposits and other accounts		42,559,077	57,320,450
Other liabilities (excluding current taxation)		(5,390,376)	5,540,194
		69,109,535	176,004,746
		89,922,183	145,170,446
Payment against compensated absences		(33,479)	(35,511)
Income tax paid		(2,128,778)	(3,082,923)
		87,759,926	142,052,012
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in held-for-trading securities		(8,168,988)	(21,728,733)
Net investments in available-for-sale securities		(91,489,196)	(110,164,440)
Net investments in held-to-maturity securities		5,842,061	681,638
Dividend received		126,410	51,052
Investments in fixed assets		(1,175,632)	(1,100,865)
Investments in intangibles assets		(62,917)	(25,365)
Proceeds from sale of fixed assets		19,982	18,474
Effect of translation of net investment in an offshore branch		(30)	-
		(94,908,310)	(132,268,239)
Net cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,607,003)	(2,091,371)
Payment of lease against right-of-use assets		(629,480)	(594,588)
Net cash flows from financing activities		(3,236,483)	(2,685,959)
Increase in cash and cash equivalents		(10,384,867)	7,097,814
Cash and cash equivalents at beginning of the period		68,472,282	46,103,870
Cash and cash equivalents at end of the period		58,087,415	53,201,684

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

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 372 (31 December 2019: 362) branches, including 31 (31 December 2019: 31) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (31 December 2019: 30) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

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

2. BASIS OF PRESENTATION

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

2.2 Statement of Compliance

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

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

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

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements

of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 by the State Bank of Pakistan. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of the application of IFRS 9 on the Bank's financial statements is being assessed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5. RISK MANAGEMENT

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

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

- Reduction in the Policy Rate by 625 basis points since the beginning of the year;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and / or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

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

Credit Risk

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

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

Liquidity Risk

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

The Asset and Liability Committee (ALCO) of the Bank is also continuously monitoring 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.

Equity Risk

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

Operational Risk

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

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

Capital Adequacy Ratio

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

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

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,947,976	7,400,310
Foreign currencies		1,243,282	1,289,049
		<u>9,191,258</u>	<u>8,689,359</u>
With State Bank of Pakistan in			
Local currency current account		28,212,756	37,267,692
Foreign currency current account		41,935	64,248
Foreign currency deposit accounts			
– cash reserve account		5,778,861	5,663,551
– special cash reserve account		11,101,067	16,348,050
		<u>45,134,619</u>	<u>59,343,541</u>
With National Bank of Pakistan in			
Local currency current account		1,767,228	2,558,634
National Prize Bonds		13,205	122,069
		<u>56,106,310</u>	<u>70,713,603</u>
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		96,694	146,324
In deposit accounts		8,035	310,468
		<u>104,729</u>	<u>456,792</u>
Outside Pakistan			
In current accounts		4,059,653	1,408,736
		<u>4,164,382</u>	<u>1,865,528</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Musharaka placements	8.1	3,000,000	7,190,000
Bai-muajjal receivable with the State Bank of Pakistan		–	7,507,303
Letter of placement		–	7,500,000
		<u>3,000,000</u>	<u>22,197,303</u>

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

9. INVESTMENTS

9.1 Investments by types

	30 September 2020 (Un-Audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Held-for-trading securities								
Federal government securities	8,168,988	-	522	8,169,510	-	-	-	-
Available-for-sale securities								
Federal government securities	485,198,391	-	7,106,469	492,304,860	401,765,140	-	(4,916,665)	396,848,475
Shares	1,213,539	(453,626)	296,513	1,056,426	682,760	(333,784)	106,775	455,751
Non-government debt securities	10,786,209	(124,007)	(82,220)	10,579,982	9,383,743	(130,559)	(39,636)	9,213,548
Mutual funds	6,088,930	(9,647)	(2,095)	6,077,188	29,702	(9,647)	9,656	29,711
Real estate investment trust	387,869	-	(5,357)	382,512	387,869	-	54,499	442,368
	503,674,938	(587,280)	7,313,310	510,400,968	412,249,214	(473,990)	(4,785,371)	406,989,853
Held-to-maturity securities								
Federal government securities	34,347,813	-	-	34,347,813	36,089,874	-	-	36,089,874
Non-government debt securities	900,000	-	-	900,000	5,000,000	-	-	5,000,000
	35,247,813	-	-	35,247,813	41,089,874	-	-	41,089,874
Subsidiaries	830,000	-	-	830,000	830,000	-	-	830,000
Total Investments	<u>547,921,739</u>	<u>(587,280)</u>	<u>7,313,832</u>	<u>554,648,291</u>	<u>454,169,088</u>	<u>(473,990)</u>	<u>(4,785,371)</u>	<u>448,909,727</u>

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

9.1.1 Investments given as collateral against repo borrowing

Federal government securities

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

9.2 Provision for diminution in value of investments

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

9.2.2 Particulars of provision against debt securities

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

9.3 The market value of securities classified as held-to-maturity is Rs. 35,368,036 thousand (31 December 2019: Rs 39,168,228 thousand).

10. ADVANCES

	Performing		Non-Performing		Total	
	30 September 2020 (Un-Audited)	31 December 2019 (Audited)	30 September 2020 (Un-Audited)	31 December 2019 (Audited)	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.						
In Pakistan	202,804,294	199,539,259	13,715,060	14,554,885	216,519,354	214,094,144
Islamic financing and related assets	32,674,889	22,193,648	852,337	853,946	33,527,226	23,047,594
Bills discounted and purchased	48,629,711	41,598,380	1,363,207	2,124,307	49,992,918	43,722,687
Advances - gross	284,108,894	263,331,287	15,930,604	17,533,138	300,039,498	280,864,425
Provision against non-performing advances						
- specific	-	-	(13,903,511)	(15,294,415)	(13,903,511)	(15,294,415)
- general	(4,388,647)	(1,621,537)	-	-	(4,388,647)	(1,621,537)
	<u>(4,388,647)</u>	<u>(1,621,537)</u>	<u>(13,903,511)</u>	<u>(15,294,415)</u>	<u>(18,292,158)</u>	<u>(16,915,952)</u>
Advances - net of provisions	<u>279,720,247</u>	<u>261,709,750</u>	<u>2,027,093</u>	<u>2,238,723</u>	<u>281,747,340</u>	<u>263,948,473</u>

10.1 Particulars of advances - gross

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
In local currency	262,981,209	239,106,297
In foreign currencies	37,058,289	41,758,128
	<u>300,039,498</u>	<u>280,864,425</u>

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

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

10.3 Particulars of provision against advances

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,294,415	1,621,537	16,915,952	15,324,500	1,236,190	16,560,690
Charge for the period / year	1,437,753	2,767,110	4,204,863	1,179,540	385,347	1,564,887
Reversals for the period / year	(2,370,046)	–	(2,370,046)	(1,197,378)	–	(1,197,378)
Net (reversal) / charge for the period / year	(932,293)	2,767,110	1,834,817	(17,838)	385,347	367,509
Amount written off	(458,611)	–	(458,611)	(12,247)	–	(12,247)
Closing balance	<u>13,903,511</u>	<u>4,388,647</u>	<u>18,292,158</u>	<u>15,294,415</u>	<u>1,621,537</u>	<u>16,915,952</u>

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

10.3.2 Particulars of provision against advances

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	13,438,213	4,388,647	17,826,860	14,877,139	1,621,537	16,498,676
In foreign currencies	465,298	–	465,298	417,276	–	417,276
	<u>13,903,511</u>	<u>4,388,647</u>	<u>18,292,158</u>	<u>15,294,415</u>	<u>1,621,537</u>	<u>16,915,952</u>

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

During the current year, the Bank availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 239,975 thousand (31 December 2019: 315,348 thousand). Further, as of 30 September 2020, had the benefit of FSVs (including those availed into previous year) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 830,990 thousand (31 December 2019: Rs. 1,598,972 thousand) and accumulated profit would have been lower by Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand). This amount of Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
11. FIXED ASSETS			
Capital work-in-progress	11.1	673,069	343,734
Property and equipment		4,179,438	4,136,907
Right-of-use assets		3,788,280	3,826,142
		<u>8,640,787</u>	<u>8,306,783</u>
11.1 Capital work-in-progress			
Civil works		457,785	243,323
Advance to suppliers		215,284	100,411
		<u>673,069</u>	<u>343,734</u>
		Nine months ended	
		30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress additions / (transfer to fixed assets) - net		329,335	154,751
Property and equipment			
Leasehold land		—	91,851
Building on leasehold land		—	158,523
Furniture and fixture		84,615	47,957
Electrical, office and computer equipment		449,390	522,212
Vehicles		17,284	28,422
Lease hold improvement		295,008	97,149
		<u>846,297</u>	<u>946,114</u>
Right-of-use assets		544,489	249,562
Total		<u>1,720,121</u>	<u>1,350,427</u>
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		106	93
Electrical, office and computer equipment		704	588
Vehicles		3,711	4,530
Total		<u>4,521</u>	<u>5,211</u>

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	———— Rupees in '000 ————	
12. INTANGIBLE ASSETS		
Computer Software	<u>81,256</u>	<u>66,462</u>
	<u>Nine months ended</u>	
	30 September 2020 (Un-Audited)	30 September 2019
	———— Rupees in '000 ————	
12.1 The following additions have been made to intangible assets during the period:		
- directly purchased	<u>62,917</u>	<u>25,365</u>
	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	———— Rupees in '000 ————	
13. DEFERRED TAX ASSETS		
Deductible temporary differences		
Provision for diminution in value of investments	205,548	165,897
Provision for non-performing loans and advances and off - balance sheet items	2,507,912	2,024,464
Deficit on revaluation of investments	—	1,674,880
Deferred liability on defined benefit plan	<u>40,412</u>	<u>40,412</u>
	<u>2,753,872</u>	<u>3,905,653</u>
Taxable temporary differences		
Surplus on revaluation of investments	(2,559,659)	—
Surplus on revaluation of non-banking assets	(119,991)	(121,385)
Accelerated depreciation	(7,855)	(71,833)
	<u>(2,687,505)</u>	<u>(193,218)</u>
Net deferred tax asset	<u>66,367</u>	<u>3,712,435</u>

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency		9,049,835	12,529,140
Income / mark-up / profit accrued in foreign currencies		18,505	43,085
Advances, deposits and other prepayments		301,748	225,452
Advance taxation (payments less provision)		–	647,808
Non-banking assets acquired in satisfaction of claims		2,649,180	417,244
Branch adjustment account		–	58
Mark-to-market gain on forward foreign exchange contracts		2,392,946	4,458,787
Acceptances		19,348,722	20,971,205
Receivable from the SBP against encashment of government securities		36,152	55,080
Stationery and stamps on hand		114,561	88,551
Dividend receivable		1,613	–
Others		301,364	280,982
		34,214,626	39,717,392
Provision against other assets		(210,000)	(210,000)
Other assets (net of provision)		34,004,626	39,507,392
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	342,830	346,816
		34,347,456	39,854,208
15. BILLS PAYABLE			
In Pakistan		13,663,691	11,541,474

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
16. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	55,555,266	36,842,480
Under long term financing facility - renewable energy	957,736	884,970
Under long term financing facility - locally manufactured plant and machinery	14,412,091	10,466,484
Under refinance for payment of wages and salaries	14,269,095	–
Under temporary economic refinance facility	855,837	–
	<u>86,050,025</u>	<u>48,193,934</u>
Repurchase agreement borrowings (Repo)	83,125,806	89,397,739
Due against bills rediscounting	–	2,765,541
	<u>169,175,831</u>	<u>140,357,214</u>
Unsecured		
Call borrowing	1,000,000	–
Overdrawn nostro accounts	2,183,277	4,106,849
	<u>172,359,108</u>	<u>144,464,063</u>

17. DEPOSITS AND OTHER ACCOUNTS

	30 September 2020 (Un-Audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current accounts (non-remunerative)	174,454,599	34,341,109	208,795,708	146,378,657	26,743,116	173,121,773
Savings deposits	156,943,143	20,136,740	177,079,883	135,390,427	19,016,742	154,407,169
Term deposits	190,076,357	53,466,437	243,542,794	165,375,671	55,096,182	220,471,853
Others	13,362,510	1,047	13,363,557	10,525,924	979	10,526,903
	<u>534,836,609</u>	<u>107,945,333</u>	<u>642,781,942</u>	<u>457,670,679</u>	<u>100,857,019</u>	<u>558,527,698</u>
Financial institutions						
Current deposits (non-remunerative)	1,382,830	1,172,843	2,555,673	1,354,816	1,019,552	2,374,368
Savings deposits	7,223,008	–	7,223,008	46,908,562	–	46,908,562
Term deposits	1,862,620	5,082	1,867,702	4,058,620	–	4,058,620
	<u>10,468,458</u>	<u>1,177,925</u>	<u>11,646,383</u>	<u>52,321,998</u>	<u>1,019,552</u>	<u>53,341,550</u>
	<u>545,305,067</u>	<u>109,123,258</u>	<u>654,428,325</u>	<u>509,992,677</u>	<u>101,876,571</u>	<u>611,869,248</u>

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,901,138	9,633,242
Mark-up / return / interest payable in foreign currencies		361,076	396,052
Unearned commission and income on bills discounted		271,718	200,295
Accrued expenses		1,331,301	819,184
Current taxation (provision less payments)		3,355,835	–
Acceptances		19,348,722	20,971,205
Unclaimed dividend		80,833	68,257
Branch adjustment account		1,129	–
Mark to market loss on forward foreign exchange contracts		3,118,999	7,716,740
Provision for compensated absences		249,188	226,417
Deferred liability on defined benefit plan		245,527	112,513
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund	18.2	1,480,189	1,160,189
Charity fund		2,242	2,137
Excise duty payable		1,522	907
Locker deposits		855,975	817,043
Advance against diminishing musharakah		17,759	90,548
Advance rental for ijarah		1,910	1,859
Security deposits against leases / ijarah		209,655	205,188
Sundry creditors		933,725	425,001
Lease liability against right-of-use assets		4,137,101	3,826,950
Withholding tax / duties		480,494	400,373
Others		103,941	274,391
		<u>44,603,695</u>	<u>47,462,207</u>
18.1 Provision against off-balance sheet obligations			
Opening balance		113,716	113,716
Charge for the period / year		–	–
Closing balance		<u>113,716</u>	<u>113,716</u>

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

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

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

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

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Non-banking assets		342,830	346,816
- Available-for-sale securities	9.1	7,313,310	(4,785,371)
		7,656,140	(4,438,555)
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Non-banking assets		119,991	121,385
- Available-for-sale securities		2,559,659	(1,674,880)
		(2,679,650)	1,553,495
		4,976,490	(2,885,060)
20. CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	85,507,734	81,881,337
Commitments	20.2	539,621,274	661,159,612
Other contingent liabilities	20.3	4,924,809	25,646,157
		630,053,817	768,687,106
20.1 Guarantees			
Financial Guarantees		42,799,055	27,956,898
Performance Guarantees		26,795,473	40,518,388
Other guarantees		15,913,206	13,406,051
		85,507,734	81,881,337
20.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		127,814,946	119,552,974
Commitments in respect of:			
Forward exchange contracts	20.2.1	409,672,484	538,997,600
Forward lendings	20.2.2	1,838,349	2,168,630
Acquisition of operating fixed assets		295,495	440,408
		539,621,274	661,159,612
20.2.1 Commitments in respect of forward exchange contracts			
Purchase		232,040,988	290,279,554
Sale		177,631,496	248,718,046
		409,672,484	538,997,600

20.2.2 Commitments in respect of forward lendings

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

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		Rupees in '000	
Commitments in respect of syndicate financing		<u>1,838,349</u>	<u>2,168,630</u>
20.3 Other contingent liabilities			
Claims against bank not acknowledged as debt		4,818,753	25,540,101
Foreign exchange repatriation case	20.3.1	<u>106,056</u>	<u>106,056</u>
		<u>4,924,809</u>	<u>25,646,157</u>

20.3.1 Foreign exchange repatriation case

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

		Nine months ended	
		30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
22.	MARK-UP / RETURN / INTEREST EARNED		
	Loans and advances	18,988,153	19,253,650
	Investments	38,685,379	27,394,624
	Lending with financial institutions	1,749,659	4,417,387
	Balance with other banks	20,539	19,888
		<u>59,443,730</u>	<u>51,085,549</u>
23.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	25,835,793	28,722,263
	Borrowings	9,337,930	4,898,200
	Foreign currency swap cost	4,241,309	4,251,307
	Lease liability against right-of-use assets	395,142	326,915
		<u>39,810,174</u>	<u>38,198,685</u>
24.	FEE & COMMISSION INCOME		
	Branch banking customer fees	407,207	394,373
	Credit related fees	34,846	42,431
	Card related fees	183,435	281,191
	Commission on trade	2,744,797	2,665,951
	Commission on guarantees	338,804	330,943
	Commission on remittances including home remittances	29,597	21,313
	Commission on bancassurance	96,572	77,174
	Others	56,861	58,376
		<u>3,892,119</u>	<u>3,871,752</u>
25.	GAIN / (LOSS) ON SECURITIES		
	Realised		
	Federal government securities	(328,576)	(877,169)
	Mutual funds	198,002	18,147
	Shares	25,274	-
	Term finance certificate, sukuk certificates and bonds	4,952	-
	Unrealised - held-for-trading		
	Federal government securities	522	(4,035)
		<u>(99,826)</u>	<u>(863,057)</u>
26.	OTHER INCOME		
	Rent on properties	9,851	26,018
	Gain on sale of fixed assets - net	15,461	13,263
	Gain on sale of ijarah assets - net	11,699	148
	Staff notice period and other recoveries	1,021	2,673
		<u>38,032</u>	<u>42,102</u>

27. OPERATING EXPENSES

	Nine months ended	
	30 September 2020	30 September 2019
	(Un-Audited)	
	Rupees in '000	
Total compensation expense	4,779,819	4,341,260
Property expense		
Rent and taxes	345,879	238,633
Insurance	3,960	3,159
Utilities cost	312,421	303,348
Security	340,964	277,382
Repair and maintenance	253,035	199,296
Depreciation	900,420	856,338
	2,156,679	1,878,156
Information technology expenses		
Software maintenance	123,102	81,900
Hardware maintenance	117,031	108,146
Depreciation	142,377	112,053
Amortisation	48,123	76,070
Network charges	165,399	145,401
	596,032	523,570
Other operating expenses		
Directors' fees and allowances	8,300	11,965
Fees and allowances to Shariah Board	7,747	7,553
Legal & professional charges	105,040	119,017
Outsourced services costs	220,315	195,112
Travelling & conveyance	145,551	184,738
Operating lease rental	-	10,492
NIFT clearing charges	50,200	54,469
Depreciation	338,799	311,648
Depreciation - non-banking assets	9,050	8,411
Training and development	9,034	20,254
Postage and courier charges	64,123	73,647
Communication	76,968	74,657
Subscription	144,197	112,601
Repair and maintenance	83,335	74,814
Brokerage and commission	156,647	87,468
Stationery and printing	162,162	178,274
Marketing, advertisement and publicity	83,932	81,470
Management fee	368,875	297,767
Insurance	434,448	389,422
Donations	84,240	75,600
Auditors' remuneration	9,175	12,264
Others	365,958	315,121
	2,928,096	2,696,764
	10,460,626	9,439,750

		Nine months ended	
	Note	30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
28. OTHER CHARGES			
Penalties imposed by the SBP		31,980	51,340
29. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments - net	9.2.1	176,762	58,731
Provision / (reversal) of provision against loan & advances - net	10.3	1,834,817	244,509
Recovery of written off bad debts		(15,019)	(7,333)
		1,996,560	295,907
30. TAXATION			
Current		6,132,421	3,014,620
Prior year		-	300,546
Deferred		(588,471)	392,482
		5,543,950	3,707,648
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		8,267,941	5,008,440
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		7.89	4.78

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

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

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

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

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

On balance sheet financial instruments

	30 September 2020 (Un-Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rupees in '000				
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	8,169,510	-	8,169,510	-	8,169,510
- Available-for-sale securities					
Federal government securities	492,304,860	-	492,304,860	-	492,304,860
Sukuk certificates and bonds	7,783,373	-	7,783,373	-	7,783,373
Ordinary shares of listed companies	1,000,982	1,000,982	-	-	1,000,982
Mutual funds - open end	5,685,086	-	5,685,086	-	5,685,086
- close end	392,102	392,102	-	-	392,102
Real estate investment trust	382,512	382,512	-	-	382,512
Listed term finance certificates	2,796,609	-	2,796,609	-	2,796,609
Financial assets not measured at fair value					
- Cash and balances with treasury banks	56,106,310	-	-	-	-
- Balances with other banks	4,164,382	-	-	-	-
- Lendings to financial institutions	3,000,000	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	34,347,813	-	-	-	-
Certificates of investments	900,000	-	-	-	-
- Subsidiaries					
Ordinary shares of unlisted companies	830,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	281,747,340	-	-	-	-
- Other assets	31,149,137	-	-	-	-
	<u>930,815,460</u>	<u>1,775,596</u>	<u>516,739,438</u>	<u>-</u>	<u>518,515,034</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	2,992,010	-	2,992,010	-	2,992,010
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	232,040,988	-	230,590,799	-	230,590,799
- Forward sale of foreign exchange contracts	177,631,496	-	178,355,632	-	178,355,632

On balance sheet financial instruments

31 December 2019 (Audited)

	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	-	-	-	-	-
- Available-for-sale securities					
Federal government securities	396,848,475	-	396,848,475	-	396,848,475
Sukuk certificates and bonds	6,109,534	-	6,109,534	-	6,109,534
Ordinary shares of listed companies	400,307	400,307	-	-	400,307
Mutual funds - open end	18,573	-	18,573	-	18,573
- close end	11,138	11,138	-	-	11,138
Real estate investment trust	442,368	442,368	-	-	442,368
Listed term finance certificates	3,095,455	-	3,095,455	-	3,095,455
Unlisted term finance certificates	8,559	-	8,559	-	8,559

Financial assets not measured at fair value

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

Non-financial assets measured at fair value

- Non-banking assets acquired in satisfaction of claim	764,060	-	764,060	-	764,060
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Off-balance sheet financial instruments measured at fair value

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

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

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

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 September 2020 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / profit	27,992,400	(11,131,057)	2,772,213	19,633,556
Inter segment revenue - net	(21,319,715)	14,976,198	6,343,517	-
Non mark-up / return / interest income	(159,977)	198,074	6,949,404	6,987,501
Total income	6,512,708	4,043,215	16,065,134	26,621,057
Segment direct expenses	(247,659)	-	-	(247,659)
Inter segment expense allocation	-	(3,174,544)	(7,390,403)	(10,564,947)
Total expenses	(247,659)	(3,174,544)	(7,390,403)	(10,812,606)
Provisions	(176,762)	2,383	(1,822,181)	(1,996,560)
Profit before tax	6,088,287	871,054	6,852,550	13,811,891
Balance Sheet				
Cash and bank balances	4,059,653	24,175,156	32,035,883	60,270,692
Investments	554,648,291	-	-	554,648,291
Lendings to financial institutions	3,000,000	-	-	3,000,000
Advances - performing	-	3,685,096	280,423,798	284,108,894
Advances - non-performing	-	18,948	15,911,656	15,930,604
Provision against advances	-	(16,089)	(18,276,069)	(18,292,158)
Net inter segment lending	-	277,552,690	168,461,279	446,013,969
Others	4,689,874	2,657,753	35,788,239	43,135,866
Total assets	566,397,818	308,073,554	514,344,786	1,388,816,158
Borrowings	86,309,083	-	86,050,025	172,359,108
Subordinated debt	-	-	-	-
Deposits and other accounts	-	281,980,890	372,447,435	654,428,325
Net inter segment borrowing	446,013,969	-	-	446,013,969
Others	3,339,651	9,283,049	45,644,686	58,267,386
Total liabilities	535,662,703	291,263,939	504,142,146	1,331,068,788
Equity	30,735,115	16,809,615	10,202,640	57,747,370
Total equity & liabilities	566,397,818	308,073,554	514,344,786	1,388,816,158
Contingencies & commitments	409,672,484	-	220,381,333	630,053,817

	30 September 2019 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / profit	27,024,988	(16,976,041)	2,837,917	12,886,864
Inter segment revenue - net	(25,813,174)	20,825,868	4,987,306	-
Non mark-up / return / interest income	(624,764)	443,280	5,969,705	5,788,221
Total income	587,050	4,293,107	13,794,928	18,675,085
Segment direct expenses	(178,876)	-	-	(178,876)
Inter segment expense allocation	-	(3,387,807)	(6,096,407)	(9,484,214)
Total expenses	(178,876)	(3,387,807)	(6,096,407)	(9,663,090)
Provisions	(58,731)	(301)	(236,875)	(295,907)
Profit before tax	349,443	904,999	7,461,646	8,716,088

	31 December 2019 (Audited)			
Balance Sheet				
Cash and bank balances	1,408,736	29,210,677	41,959,718	72,579,131
Investments	448,909,727	-	-	448,909,727
Lendings to financial institutions	22,197,303	-	-	22,197,303
Advances - performing	-	3,416,247	259,915,040	263,331,287
Advances - non-performing	-	14,728	17,518,410	17,533,138
Provision against advances	-	(18,138)	(16,897,814)	(16,915,952)
Net inter segment lending	-	240,325,478	117,585,753	357,911,231
Others	13,083,500	2,467,871	36,388,517	51,939,888
Total assets	485,599,266	275,416,863	456,469,624	1,217,485,753
Borrowings	96,270,129	-	48,193,934	144,464,063
Subordinated debt	-	-	-	-
Deposits & other accounts	-	252,753,562	359,115,686	611,869,248
Net inter segment borrowing	357,911,231	-	-	357,911,231
Others	7,937,392	8,725,655	42,340,634	59,003,681
Total liabilities	462,118,752	261,479,217	449,650,254	1,173,248,223
Equity	23,480,514	13,937,646	6,819,370	44,237,530
Total equity & liabilities	485,599,266	275,416,863	456,469,624	1,217,485,753
Contingencies & commitments	538,997,600	-	229,689,506	768,687,106

34. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 September 2020 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Balances with other banks							
In current accounts	156,888	-	159,107	-	-	-	315,995
Investments							
Opening balance	-	5,830,000	-	-	-	-	5,830,000
Investment made during the period	-	3,750,000	-	-	-	-	3,750,000
Investment redeemed / disposed off during the period	-	(7,850,000)	-	-	-	-	(7,850,000)
Closing balance	-	1,730,000	-	-	-	-	1,730,000
Advances							
Opening balance	-	-	4,097,808	222,737	-	-	4,320,545
Addition during the period	-	-	26,093,483	11,449	-	-	26,104,932
Repaid during the period	-	-	(26,030,786)	(32,974)	-	-	(26,063,760)
Closing balance	-	-	4,160,505	201,212	-	-	4,361,717
Other Assets							
Mark-up / return / interest accrued	-	10,460	5,792	-	-	-	16,252
Prepayments / advance deposits / other receivables	-	-	8,324	-	-	-	8,324
	-	10,460	14,116	-	-	-	24,576
Deposits							
Opening balance	529,172	577,491	11,263,025	262,708	785,494	911,553	14,329,443
Received during the period	16,323,978	98,606,647	1,144,023,641	1,008,997	1,932,614	1,656,647	1,263,552,524
Withdrawn during the period	(16,578,244)	(97,989,195)	(1,141,304,168)	(976,283)	(2,035,137)	(1,184,466)	(1,260,067,493)
Closing balance	274,906	1,194,943	13,982,498	295,422	682,971	1,383,734	17,814,474
Other Liabilities							
Mark-up / return / interest payable	-	3,922	160,272	2,812	2,855	48,277	218,138
Management fee payable for technical and consultancy services *	447,994	-	-	-	-	-	447,994
Other payables	-	-	10,056	-	-	245,527	255,583
	447,994	3,922	170,328	2,812	2,855	293,804	921,715
Contingencies & commitments							
Transaction-related contingent liabilities	-	-	9,099,975	-	-	-	9,099,975
Trade-related contingent liabilities	-	-	2,137,609	-	-	-	2,137,609
	-	-	11,237,584	-	-	-	11,237,584

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

31 December 2019 (Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Balances with other banks							
In current accounts	111,070	–	79,224	–	–	–	190,294
Investments							
Opening balance	–	5,830,000	–	–	–	–	5,830,000
Investment made during the year	–	19,700,000	–	–	–	–	19,700,000
Investment redeemed / disposed off during the year	–	(19,700,000)	–	–	–	–	(19,700,000)
Closing balance	–	5,830,000	–	–	–	–	5,830,000
Advances							
Opening balance	–	31,606	2,787,011	115,507	–	–	2,934,124
Addition during the year	–	–	35,108,556	133,279	–	–	35,241,835
Repaid during the year	–	(31,606)	(33,797,759)	(26,049)	–	–	(33,855,414)
Closing balance	–	–	4,097,808	222,737	–	–	4,320,545
Other Assets							
Mark-up / return / interest accrued	–	97,528	14,298	–	–	–	111,826
Prepayments / advance deposits / other receivables	–	–	5,604	–	–	–	5,604
	–	97,528	19,902	–	–	–	117,430
Borrowings							
Opening balance	8,823	–	–	–	–	–	8,823
Borrowings during the year	–	–	–	–	–	–	–
Settled during the year	(8,823)	–	–	–	–	–	(8,823)
Closing balance	–	–	–	–	–	–	–
Deposits							
Opening balance	396,056	972,640	16,332,024	163,874	731,175	3,661,606	22,257,375
Received during the year	12,533,574	132,621,300	1,567,384,846	1,869,293	2,171,678	8,245,283	1,724,825,974
Withdrawn during the year	(12,400,458)	(133,016,449)	(1,572,453,845)	(1,770,459)	(2,117,359)	(10,995,336)	(1,732,753,906)
Closing balance	529,172	577,491	11,263,025	262,708	785,494	911,553	14,329,443
Other Liabilities							
Mark-up / return / interest payable	–	4,558	369,452	2,960	6,541	568,494	952,005
Management fee payable for technical and consultancy services*	188,163	–	–	–	–	–	188,163
Other payables	–	–	6,332	–	–	112,513	118,845
	188,163	4,558	375,784	2,960	6,541	681,007	1,259,013
Contingencies & commitments							
Transaction-related contingent liabilities	–	–	8,166,062	–	–	–	8,166,062
Trade-related contingent liabilities	–	–	1,387,860	–	–	–	1,387,860
	–	–	9,553,922	–	–	–	9,553,922

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

Transactions during the period

	For the nine months ended 30 September 2020 (Un-Audited)						Total
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000						
Income							
Mark-up / return / interest earned	–	164,030	96,050	9,674	–	–	269,754
Fee and commission income	2,600	515	219,739	–	60	–	222,914
Rent income	4,212	3,242	–	–	–	–	7,454
Expense							
Mark-up / return / interest expensed	–	46,148	676,406	15,959	48,433	89,499	876,445
Commission / brokerage / bank charges paid	803	–	1,215	–	–	–	2,018
Salaries and allowances	–	–	–	383,754	–	–	383,754
Directors' fees and allowances	–	–	–	–	8,300	–	8,300
Charge to defined benefit plan	–	–	–	–	–	130,380	130,380
Contribution to defined contribution plan	–	–	–	–	–	160,058	160,058
Operating lease rentals / rent expenses	–	–	10,996	–	–	–	10,996
Insurance premium expenses	–	–	7,671	–	–	–	7,671
Maintenance, electricity, stationery & entertainment	–	–	61,322	–	–	–	61,322
Management fee expense for technical and consultancy services *	368,875	–	–	–	–	–	368,875
Donation	–	–	12,440	–	–	–	12,440
Professional / other charges	–	–	1,842	–	–	–	1,842

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

Transactions during the period

	For the nine months ended 30 September 2019 (Un-Audited)						Total
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000						
Income							
Mark-up / return / interest earned	–	381,253	103,498	11,173	–	–	495,924
Fee and commission income	3,209	475	172,195	–	33	–	175,912
Rent income	4,212	3,180	–	–	–	–	7,392
Expenses							
Mark-up / return / interest expensed	–	29,594	1,101,782	17,602	52,726	377,788	1,579,492
Commission / brokerage / bank charges paid	477	14	1,016	–	–	–	1,507
Salaries and allowances	–	–	–	330,323	–	–	330,323
Directors' fees and allowances	–	–	–	–	11,965	–	11,965
Charge to defined benefit plan	–	–	–	–	–	130,388	130,388
Contribution to defined contribution plan	–	–	–	–	–	145,355	145,355
Operating lease rentals / rent expenses	–	10,492	10,445	–	–	–	20,937
Insurance premium expenses	–	–	9,410	–	–	–	9,410
Maintenance, electricity, stationery & entertainment	–	–	43,071	–	–	–	43,071
Management fee expense for technical and consultancy services *	297,767	–	–	–	–	–	297,767
Donation	–	–	8,440	–	–	–	8,440
Professional / other charges	–	–	1,564	–	–	–	1,564

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

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,478,315	10,478,315
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) capital	52,539,356	43,786,789
Eligible Additional Tier 1 (ADT 1) capital	–	–
Total eligible tier 1 capital	52,539,356	43,786,789
Eligible tier 2 capital	9,142,298	1,621,537
Total eligible capital (tier 1 + tier 2)	61,681,654	45,408,326
Risk Weighted Assets (RWAs):		
Credit risk	271,079,987	267,526,564
Market risk	8,635,943	1,694,641
Operational risk	42,106,000	42,106,000
Total	321,821,930	311,327,205
CET 1 capital adequacy ratio	16.33%	14.06%
Tier 1 capital adequacy ratio	16.33%	14.06%
Total capital adequacy ratio	19.17%	14.59%
Minimum capital requirements prescribed by SBP		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	12.50%
The Bank uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
Leverage Ratio (LR):		
Eligible tier 1 capital	52,539,356	43,786,789
Total exposures	1,199,316,321	1,093,901,591
Leverage ratio	4.38%	4.00%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	386,744,769	343,412,746
Total net cash outflow	172,340,435	174,022,506
Liquidity coverage ratio	224%	197%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	589,191,684	494,729,185
Total required stable funding	286,777,953	290,546,266
Net stable funding ratio	205%	170%

36. ISLAMIC BANKING BUSINESS

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

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

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

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

36.1 Due from financial institutions

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

36.2 Investments by segments:

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

30 September
2020
(Un-Audited)

31 December
2019
(Audited)

Rupees in '000

36.3 Islamic financing and related assets - net

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

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

36.4 Fixed assets and other liabilities

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

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
36.5 Deposits		
Customers		
Current deposits	17,475,574	15,229,020
Savings deposits	22,901,050	21,852,586
Term deposits	21,026,871	19,614,334
	61,403,495	56,695,940
Financial Institutions		
Current deposits	109,124	851
Savings deposits	1,296,869	4,040,132
Term deposits	-	525,000
	1,405,993	4,565,983
	62,809,488	61,261,923

36.6 Contingencies and commitments

Guarantees	4,532,212	4,646,271
Commitments	14,232,835	4,175,877
	18,765,047	8,822,148

		Nine months ended	
		30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
36.7	Profit / return earned on financing, investments and placement		
	Profit earned on:		
	Financing	1,621,914	1,390,314
	Investments	1,810,289	1,493,309
	Placements	480,098	580,168
		<u>3,912,301</u>	<u>3,463,791</u>
36.8	Profit on deposits and other dues expensed		
	Deposits and other accounts	2,548,881	2,118,964
	Due to financial institutions	123,668	62,556
	Discount expense on lease liability against right-of-use assets	43,963	47,785
		<u>2,716,512</u>	<u>2,229,305</u>
		30 September 2020	31 December 2019
		(Un-Audited)	(Audited)
		Rupees in '000	
36.9	Unappropriated profit		
	Opening balance	1,088,033	446,464
	Add: Islamic banking profit for the period	958,289	1,088,033
	Less: Transferred to head office	<u>(1,088,033)</u>	<u>(446,464)</u>
	Closing balance	<u>958,289</u>	<u>1,088,033</u>

37. GENERAL

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

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

38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on 22 October 2020 by the Board of Directors of the Bank.

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



Habib Metropolitan Bank Ltd.

[Subsidiary of Habib Bank AG Zurich]

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	56,106,719	70,713,833
Balances with other banks	7	4,591,492	2,691,101
Lendings to financial institutions	8	3,000,000	22,197,303
Investments	9	553,345,609	443,526,749
Advances	10	290,687,243	273,592,854
Fixed assets	11	8,711,071	8,381,391
Intangible assets	12	122,966	108,370
Deferred tax assets		62,902	3,710,134
Other assets	14	34,513,150	40,108,379
		<u>951,141,152</u>	<u>865,030,114</u>
LIABILITIES			
Bills payable	15	13,663,691	11,541,474
Borrowings	16	176,939,653	145,812,010
Deposits and other accounts	17	653,419,600	611,259,968
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	45,804,688	48,587,058
		<u>889,827,632</u>	<u>817,200,510</u>
NET ASSETS		<u><u>61,313,520</u></u>	<u><u>47,829,604</u></u>

REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		19,381,349	17,706,354
Surplus / (deficit) on revaluation of assets - net of tax	19	4,991,723	(2,873,134)
Unappropriated profit		23,251,036	19,224,491
		<u>58,102,423</u>	<u>44,536,026</u>
Non-controlling interest		3,211,097	3,293,578
		<u><u>61,313,520</u></u>	<u><u>47,829,604</u></u>

CONTINGENCIES AND COMMITMENTS

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

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

**CONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

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

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

**CONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

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

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

**CONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Reserves					Surplus / (deficit) on revaluation		Un-appropriated profit	Sub total	Non-controlling interest	Total	
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments					Non-banking assets
	Rupees in '000											
Balance as at 1 January 2019	10,478,315	2,550,985	240,361	1,500,000	12,080,082	-	(5,741,590)	179,461	15,950,329	37,237,943	3,214,407	40,452,350
Profit after taxation	-	-	-	-	-	-	-	-	5,042,615	5,042,615	238,013	5,280,628
Other comprehensive income - net of tax	-	-	-	-	-	-	913,401	-	50,944	964,345	(32,820)	931,525
Total comprehensive income for the period	-	-	-	-	-	-	913,401	-	5,093,559	6,006,960	205,193	6,212,153
Transfer to statutory reserve	-	-	-	-	1,019,891	-	-	-	(1,019,891)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(2,148)	2,148	-	-	-
Transactions with owners, recorded directly in equity												
Cash dividend (Rs.2.00 per share) for the year ended 31 December 2018	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)	-	(2,095,663)
Profit distribution by First Habib Modaraba(Rs. 1.40 per certificate) for the period ended 30 June 2019	-	-	-	-	-	-	-	-	-	-	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.275 per certificate) for the period ended 30 June 2019	-	-	-	-	-	-	-	-	-	-	(2,475)	(2,475)
Balance as at 30 September 2019	10,478,315	2,550,985	240,361	1,500,000	13,099,973	-	(4,828,189)	177,313	17,930,482	41,149,240	3,163,109	44,312,349
Profit after taxation	-	-	-	-	-	-	-	-	1,602,897	1,602,897	78,221	1,681,118
Other comprehensive income - net of tax	-	-	-	-	-	28	1,729,624	48,840	5,397	1,783,889	52,248	1,836,137
Total comprehensive income for the period	-	-	-	-	-	28	1,729,624	48,840	1,608,294	3,386,786	130,469	3,517,255
Transfer to statutory reserve	-	-	-	-	315,007	-	-	-	(315,007)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(722)	722	-	-	-
Balance as at 31 December 2019	10,478,315	2,550,985	240,361	1,500,000	13,414,980	28	(3,098,565)	225,431	19,224,491	44,536,026	3,293,578	47,829,604
Profit after taxation	-	-	-	-	-	-	-	-	8,321,191	8,321,191	206,177	8,527,368
Other comprehensive income - net of tax	-	-	-	-	-	(30)	7,867,449	-	(2,634)	7,864,785	(28,342)	7,836,443
Total comprehensive income for the period	-	-	-	-	-	(30)	7,867,449	-	8,318,557	16,185,976	177,835	16,363,811
Transfer to statutory reserve	-	-	-	-	1,675,025	-	-	-	(1,675,025)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(2,592)	2,592	-	-	-
Transactions with owners, recorded directly in equity												
Cash dividend (Rs.2.50 per share) for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)	-	(2,619,579)
Profit distribution by First Habib Modaraba (Rs. 1.40 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	-	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.07 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	-	(6,300)	(6,300)
Balance as at 30 September 2020	10,478,315	2,550,985	240,361	1,500,000	15,090,005	(2)	4,768,884	222,839	23,251,036	58,102,423	3,211,097	61,313,520

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

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. STATUS AND NATURE OF BUSINESS

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

Holding Company

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The holding company operates 372 (31 December 2019: 362) branches, including 31 (31 December 2019: 31) Islamic banking branches and an offshore branch (Karachi Export Processing Zone branch), and 30 (31 December 2019: 30) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the holding company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, II Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

Habib Metropolitan Modaraba Management Company (Private) Limited - 100% holding

Habib Metropolitan Modaraba Management Company (Private) Limited (Modaraba management company) was incorporated in Pakistan on 01 June 2015 as a private limited under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, II Chundrigar Road, Karachi.

First Habib Modaraba - 10% holding

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

Habib Metro Modaraba - 70% holding

Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 3rd floor Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of ijarah / rental / musharaka or any other approved modes of financing. The holding company and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

2. BASIS OF PRESENTATION

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

2.2 Statement of Compliance

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY

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

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated condensed interim financial statements.

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

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

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFI's, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 by the State Bank of Pakistan. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of the application of IFRS 9 on the Group's financial statements is being assessed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5. RISK MANAGEMENT

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

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

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

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

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

Credit Risk

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

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

Liquidity Risk

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

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

Equity Risk

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

Operational Risk

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

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

Capital Adequacy Ratio

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

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

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

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

9. INVESTMENTS

9.1 Investments by types

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

30 September
2020
(Un-Audited)

31 December
2019
(Audited)

————— Rupees in '000 —————

9.1.1 Investments given as collateral

Federal government securities

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

9.2 Provision for diminution in value of investments

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

9.2.2 Particulars of provision against debt securities

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

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

10. ADVANCES

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

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

10.2 Particulars of advances - gross

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

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

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

10.4 Particulars of provision against advances

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

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

10.4.2 Particulars of provision against advances

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

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

During the current year, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 239,975 thousand (31 December 2019: Rs. 315,348 thousand). Further, as of 30 September 2020, had the benefit of FSVs (including those availed into previous year) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 830,990 thousand (31 December 2019: Rs. 1,598,972 thousand) and accumulated profit would have been lower by Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand). This amount of Rs. 540,143 thousand (31 December 2019: Rs. 1,039,332 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

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

12. INTANGIBLE ASSETS

Computer Software
Management rights

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

31 December
2019
(Audited)

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

Nine months ended

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

30 September
2019
(Audited)

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

- directly purchased

62,917	25,365
--------	--------

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

31 December
2019
(Audited)

13. DEFERRED TAX ASSETS

Deductible temporary differences

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

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

Taxable temporary differences

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

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

Net deferred tax asset

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

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

17. DEPOSITS AND OTHER ACCOUNTS

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

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

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

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

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

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

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

20.2.2 Commitments in respect of forward lendings

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

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

20.3 Other contingent liabilities

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

20.3.1 Foreign exchange repatriation case

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

27. OPERATING EXPENSES

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

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

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

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

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

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

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

On balance sheet financial instruments

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

Financial assets not measured at fair value

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

Non-financial assets measured at fair value

- Non-banking assets acquired in satisfaction of claim	2,992,010	-	2,992,010	-	2,992,010
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Off-balance sheet financial instruments measured at fair value

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

On balance sheet financial instruments

	31 December 2019 (Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	-	-	-	-	-
- Available-for-sale securities					
Federal government securities	396,946,920	-	396,946,920	-	396,946,920
Sukuk certificates and bonds	6,184,534	-	6,184,534	-	6,184,534
Ordinary shares of listed companies	673,884	673,884	-	-	673,884
Mutual funds - open end	18,573	-	18,573	-	18,573
- close end	11,138	11,138	-	-	11,138
Real estate investment trust	442,368	442,368	-	-	442,368
Listed term finance certificates	3,095,455	-	3,095,455	-	3,095,455
Unlisted term finance certificates	8,559	-	8,559	-	8,559
Financial assets not measured at fair value					
- Cash and balances with treasury banks	70,713,833	-	-	-	-
- Balances with other banks	2,691,101	-	-	-	-
- Lendings to financial institutions	22,197,303	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,089,874	-	-	-	-
Certificates of investments	-	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
- Advances	273,592,854	-	-	-	-
- Other assets	38,255,065	-	-	-	-
	<u>850,976,905</u>	<u>1,127,390</u>	<u>406,254,041</u>	<u>-</u>	<u>407,381,431</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	<u>764,060</u>	<u>-</u>	<u>764,060</u>	<u>-</u>	<u>764,060</u>
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	<u>303,454,611</u>	<u>-</u>	<u>283,969,816</u>	<u>-</u>	<u>283,969,816</u>
- Forward sale of foreign exchange contracts	<u>260,497,060</u>	<u>-</u>	<u>245,666,261</u>	<u>-</u>	<u>245,666,261</u>

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

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

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

30 September 2019 (Un-Audited)

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

31 December 2019 (Audited)

Balance Sheet				
Cash & bank balances	1,408,898	29,210,677	42,785,359	73,404,934
Investments	443,526,749	-	-	443,526,749
Lendings to financial institutions	22,197,303	-	-	22,197,303
Advances - performing	-	3,416,247	269,572,294	272,988,541
Advances - non-performing	-	14,728	17,518,410	17,533,138
Provision against advances	-	(18,138)	(16,910,687)	(16,928,825)
Net inter segment lending	-	240,325,478	117,585,753	357,911,231
Others	13,146,487	2,467,870	36,693,917	52,308,274
Total assets	480,279,437	275,416,862	467,245,046	1,222,941,345
Borrowings	97,618,076	-	48,193,934	145,812,010
Subordinated debt	-	-	-	-
Deposits & other accounts	-	252,753,562	358,506,406	611,259,968
Net inter segment borrowing	357,911,231	-	-	357,911,231
Others	8,106,382	8,725,655	43,296,495	60,128,532
Total liabilities	463,635,689	261,479,217	449,996,835	1,175,111,741
Equity	16,643,748	13,937,645	17,248,211	47,829,604
Total equity & liabilities	480,279,437	275,416,862	467,245,046	1,222,941,345
Contingencies & commitments	538,997,600	-	229,949,618	768,947,218

34. TRANSACTIONS WITH RELATED PARTIES

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

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions and accruals in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment.

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

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

31 December 2019 (Audited)

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

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

Transactions during the period

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

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

Transactions during the period

	For the period year ended 30 September 2019 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Income					
Mark-up / return / interest earned	23	103,669	11,173	–	–
Fee and commission income	6,286	172,195	–	33	–
Rent income	4,212	–	–	–	–
Expenses					
Mark-up / return / interest expensed	–	1,099,784	11,755	52,726	379,786
Commission / brokerage / bank charges paid	477	1,016	–	–	–
Salaries and allowances	–	–	330,323	–	–
Directors' fees and allowances	–	–	–	11,965	–
Charge to defined benefit plan	–	–	–	–	132,287
Contribution to defined contribution plan	–	–	–	–	147,694
Operating lease rentals / rent expenses	–	10,445	–	–	–
Insurance premium expenses	–	9,410	–	–	–
Maintenance, electricity, stationery & entertainment	–	43,071	–	–	–
Management fee expense for technical and consultancy services *	297,767	–	–	–	–
Donation	–	8,440	–	–	–
Professional / other charges	–	1,564	–	–	–

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

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

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

Leverage Ratio (LR):

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

36. ISLAMIC BANKING BUSINESS

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

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

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

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

36.1 Due from financial institutions

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

36.2 Investments by segments:

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

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

36.3 Islamic financing and related assets - net

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

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

36.4 Fixed assets and other liabilities

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

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
	Rupees in '000	
36.5 Deposits		
Customers		
Current deposits	17,475,574	15,229,020
Savings deposits	22,901,050	21,852,586
Term deposits	21,026,871	19,614,334
	61,403,495	56,695,940
Financial Institutions		
Current deposits	109,124	851
Savings deposits	1,296,869	4,040,132
Term deposits	-	525,000
	1,405,993	4,565,983
	62,809,488	61,261,923

36.6 Contingencies and commitments

Guarantees	4,532,212	4,646,271
Commitments	14,232,835	4,175,877
	18,765,047	8,822,148

		Nine months ended	
		30 September 2020	30 September 2019
		(Un-Audited)	
		Rupees in '000	
36.7	Profit / return earned on financing, investments and placement		
	Profit earned on:		
	Financing	1,621,914	1,390,314
	Investments	1,810,289	1,493,309
	Placements	480,098	580,168
		<u>3,912,301</u>	<u>3,463,791</u>

36.8 Profit on deposits and other dues expensed

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

		30 September 2020	31 December 2019
		(Un-Audited)	
		Rupees in '000	
36.9	Unappropriated profit		
	Opening balance	1,088,033	446,464
	Add: Islamic banking profit for the period / year	958,289	1,088,033
	Less: Transferred to head office	(1,088,033)	(446,464)
	Closing balance	<u>958,289</u>	<u>1,088,033</u>

37. GENERAL

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

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

38. DATE OF AUTHORISATION FOR ISSUE

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

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