

HABIBMETRO



HABIBMETRO

ANNUAL  
REPORT  
2022



هَذَا فَضْلُكَ

# OUR VISION

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



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# OUR VALUES

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## **RESPECT**

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

## **INTEGRITY**

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

## **TEAMWORK**

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

## **RESPONSIBILITY**

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

## **COMMITMENT**

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

## **TRUST**

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



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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

Hamza Habib

Rashid Ahmed Jafer

#### CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

Rashid Ahmed Jafer

#### HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohamedali R. Habib

Tahira Raza

#### SHARIAH BOARD

Tan Sri Dr. Mohd. Daud Bakar - Chairman

Mufti Abdul Sattar Laghari - Member

Mufti Khawaja Noor ul Hassan - Resident Member

#### COMPANY SECRETARY

Ather Ali Khan

#### REGISTERED OFFICE

Ground Floor, HABIBMETRO Head Office

I. I. Chundrigar Road,

Karachi - 74200, Pakistan

#### INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

#### SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B,

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

Karachi - 74400



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## OUR BOARD OF DIRECTORS



**Mr. Mohamedali R. Habib**  
Chairman

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



**Mr. Muhammad H. Habib**  
Director

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



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

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



**Mr. Anjum Z. Iqbal**  
Director

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

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



**Mr. Rashid Ahmed Jafer**  
Director

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



**Mr. Mohomed Bashir**  
Director

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



**Mr. Firasat Ali**  
Director

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



**Mr. Hamza Habib**  
Director

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

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



**Ms. Tahira Raza**  
Director

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

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## OUR MANAGEMENT





**Asad Ali**  
Head of Human Resources

**Haris Ahmed**  
Joint Head Commercial North

**Saleemullah Shaikh**  
Head of Islamic Banking

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

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

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



**Mohsin Ali Nathani**  
President & Chief Executive

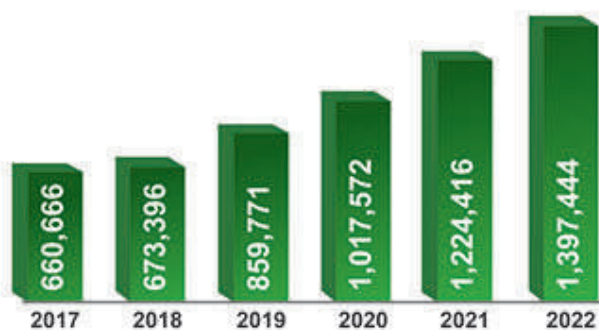
**Zulfiqar Alavi**  
Chief Risk Officer

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

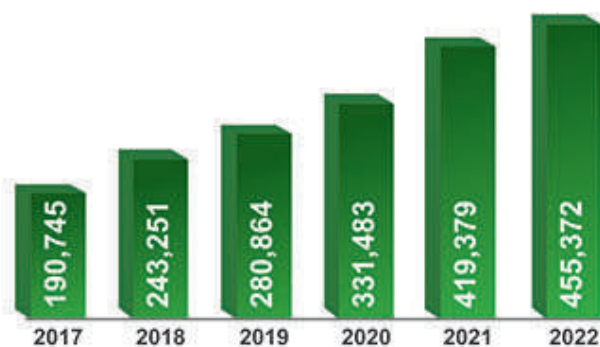
# FINANCIAL HIGHLIGHTS

(In Rs. '000)

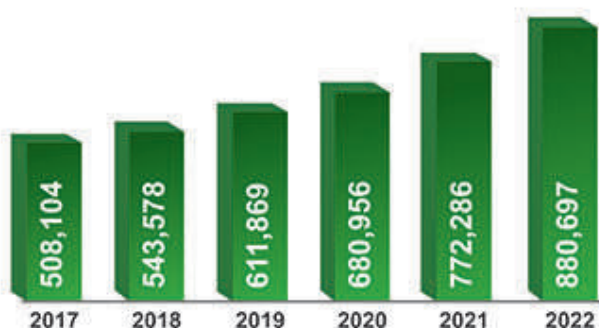
### Total Assets



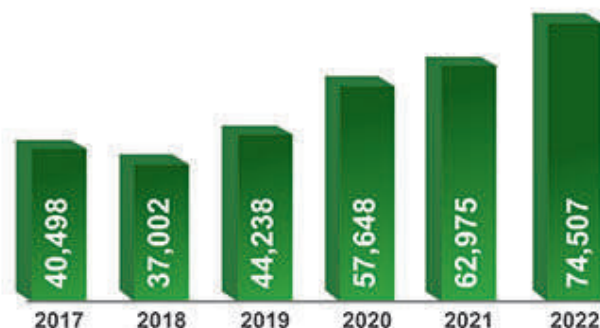
### Advances - Gross



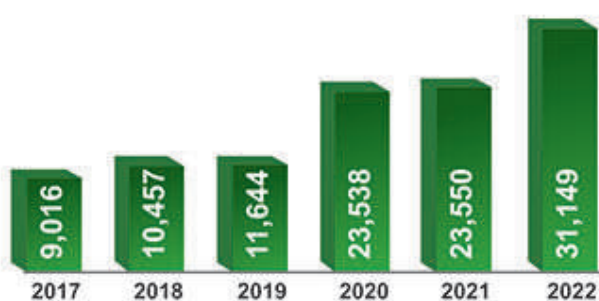
### Total Deposits



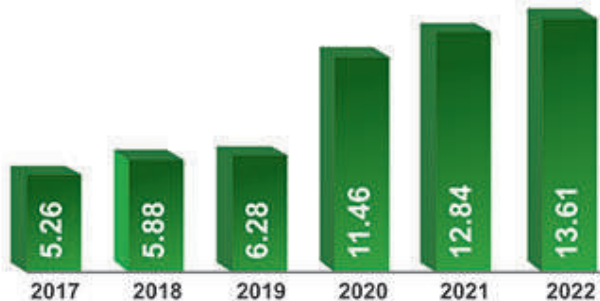
### Shareholder's Equity



### Operating Profit



### EPS (In Rs.)





# AWARDS AND ACCOLADES



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

Islamic Retail  
Banking Awards

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

Global Transaction  
Banking Innovation Awards

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

CFA Pakistan  
Awards

## CHAIRMAN'S REVIEW



Dear Shareholders,

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

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

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

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

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

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

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

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



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

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

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

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

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

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

On behalf of the Board

**MOHAMEDALI R. HABIB**  
Chairman

Karachi: 24 February 2023



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## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

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

### ECONOMIC AND BANKING REVIEW

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

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

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

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

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

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

### BANK'S PERFORMANCE DURING THE YEAR

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

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

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

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

## COMMITMENTS

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

## CREDIT RATING

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

## ENHANCED REACH TO OUR CUSTOMERS

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

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

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

## DIGITAL CHANNELS

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

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

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

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

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

## HUMAN RESOURCES

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

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

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

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

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

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

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

## **CORPORATE SOCIAL RESPONSIBILITY**

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

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

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

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

## **GREEN BANKING INITIATIVES**

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

- **Environmental & Social Risk Management**

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

- **Business Facilitation**

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

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

- **Own Impact Reduction**

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

- **Capacity Building**

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

## CUSTOMER GRIEVANCES HANDLING

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

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

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

## CORPORATE GOVERNANCE

### BOARD MEETINGS

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

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

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

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## BOARD REMUNERATION POLICY

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

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

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

## COMPOSITIONS OF THE BOARD AND BOARD COMMITTEES

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

## PATTERN OF SHAREHOLDING

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

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

## AUDITORS

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

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

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

Rs. in millions

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

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

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

## RISK MANAGEMENT

### STATEMENT ON RISK MANAGEMENT FRAMEWORK

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

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

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

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

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## CREDIT RISK

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

HABIBMETRO is in the process of implementing the IFRS-9 standards. IFRS 9 replaces the existing guidelines of the IAS 39 Financial Instruments: Recognition and Measurement and includes revised standards on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Bank is aligning its implementation with the SBP timelines issued from time to time.

## MARKET / LIQUIDITY RISK

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

## STRESS TESTING

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

## CAPITAL MANAGEMENT

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

## OPERATIONAL RISK

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

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

## **FRAUD RISK**

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

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

## **BUSINESS CONTINUITY RISK**

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

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

## **INFORMATION SECURITY RISK**

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

## **COMPLIANCE**

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

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

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



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

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

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

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

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

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

## **CONTROLS**

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

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

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

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

## INTERNAL AUDIT

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

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

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

## FUTURE OUTLOOK

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

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

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

## ACKNOWLEDGEMENTS

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

On behalf of the Board

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

**MOHAMEDALI R. HABIB**  
Chairman

Karachi: 24 February 2023

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## CORPORATE GOVERNANCE

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

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

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

#### Board Audit Committee (BAC)

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

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

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

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

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

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

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

#### Board Credit Committee (BCC)

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

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

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

#### Board Information Technology Committee (BITC)

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

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

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

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

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

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

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

## Appointment of the Shariah Board Members

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

## Profile of Shariah Board Members

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

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

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

### Mufti Abdul Sattar Laghari, Member Shariah Board

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Board Remuneration Policy**

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

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

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

Following are the main objectives of Remuneration Framework:

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

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

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

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

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

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

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

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

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

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

Gender	Number
Male	7
Female	1

2. The composition of board is as follows:

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

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

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

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

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

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

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

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



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

On behalf of the Board

**MOHSIN A. NATHANI**

President & Chief Executive Officer

Karachi: 24 February 2023

**MOHAMEDALI R. HABIB**

Chairman

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Metropolitan Bank Limited

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

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

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

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

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

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

Karachi: 06 March 2023  
UDIN: CR202210201etUprNuWB

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

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## STATEMENT OF INTERNAL CONTROLS

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

### MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2021/22, management considers that, the existing system of internal controls is adequate and has been effectively implemented and monitored.

**NAJEEB GILANI**  
Head of Internal Audit

**SYED HASNAIN HAIDER RIZVI**  
Head of Compliance

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President and CEO

Karachi: 24 February 2023

## REPORT OF SHARI'AH BOARD

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

Following is an overview for the year 2022:

### 1. Islamic Business

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

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

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

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

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

### 3. Islamic Products & Related Documentation

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

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

### 4. Shariah Compliance and Shariah Audit

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

### 5. Charity Amounts

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

## 6. Training & Capacity Building

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

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

### Shariah Board's Opinion

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

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

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

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

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## Recommendations

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

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

### And Allah Subhanahu knows the Best.

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

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

Chairman Shari'ah Board

**MUFTI KHAWAJA NOOR UL HASSAN**

Resident Shari'ah Board Member

**MUFTI ABDUL SATTAR LAGHARI**

Member Shari'ah Board

## INDEPENDENT AUDITOR'S REPORT

### To the members of Habib Metropolitan Bank Limited

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

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matter

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

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
<b>1</b>	<b>PROVISION AGAINST ADVANCES</b>	
	<p>Refer notes 4.5 and 10 to the unconsolidated financial statements for accounting policy and particulars of provision against advances.</p> <p>Bank's net advances to the customers at 31 December 2022 amounted to Rs. 433.503 billion and represents 31.02% of its total assets. These are stated net of provision.</p> <p>The Provision against advances was identified as a key focus area in our audit as it involves a considerable degree of management judgment and estimation uncertainty along with compliance with the regulatory requirements.</p>	<p>Our audit procedures to verify provision against advances included:</p> <ul style="list-style-type: none"> <li>Assessed the design and tested the operating effectiveness of key controls established by the Bank for provisioning required against non-performing loans.</li> <li>We have performed following procedures on a sample basis: <ul style="list-style-type: none"> <li>verified repayments of loan / mark-up installments and checked that borrowers have been correctly classified and categorized based on the basis of number of overdue days;</li> </ul> </li> </ul>



S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>– where the management has not identified as displaying indicators of impairment, challenged the management's assessment by comparing the historical performance, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present; and</li> <li>– where the management has identified as displaying indicators of impairment, assessed the number of overdue days and factors used for calculation of provision in accordance with the Prudential Regulations.</li> </ul>

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

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

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

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

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

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

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

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. STATUS AND NATURE OF BUSINESS

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

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

### 2. BASIS OF PRESENTATION

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

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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

#### 2.2 Statement of Compliance

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

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

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

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



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The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. Furthermore, the SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Classification and measurement

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

### Equity securities

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

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

### Debt securities and loans and advances

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

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

### Impairment

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

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

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

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

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

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

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

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

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

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

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

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

## **Presentation and disclosure**

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

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

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

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

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

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

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

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

## **Impact on regulatory capital**

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

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

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
Classification of Liabilities as Current or Non-current - amendments to IAS 1	1 January 2024
Non-current Liabilities with Covenants - amendment to IAS 1	1 January 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - amendments to IFRS 10 and IAS 28	Not yet finalized

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

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

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

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

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

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

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

## 2.6 Changes in accounting policies

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

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

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

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

## 3. BASIS OF MEASUREMENT

### Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, certain classes of fixed assets and non-banking assets in satisfaction of claims are stated at revalued amount less accumulated depreciation and derivative financial instruments are carried at fair value as disclosed in notes 4.4, 4.8 and 4.9 respectively.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.2 Cash and cash equivalents

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

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### 4.3 Lendings to / borrowings from financial institutions

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

#### Purchase under resale agreement (reverse repo)

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

#### Sale under repurchase agreement (repo)

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

#### Bai muajjal

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

#### Musharaka / Mudaraba

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

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

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

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

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

### 4.4 Investments

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

## 4.4.2 Other investments are classified as follows:

### Held-for-trading

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

### Held-to-maturity

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

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

### Available-for-sale

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

## 4.4.3 Initial measurement

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

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

### Subsequent measurement

#### Held-for-trading

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

#### Held-to-maturity

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

#### Available-for-sale

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



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## **Impairment**

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

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

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

### **4.5.1 Loans and advances**

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

### **4.5.2 Finance lease receivables**

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

### **4.5.3 Islamic finance and related assets**

#### **Ijarah**

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

#### **Diminishing musharaka**

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

## Running musharaka

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

## Istisna

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

## Al-Bai

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

## Murabaha

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

## Salam

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

## 4.6 Fixed assets

### 4.6.1 Capital work-in-progress

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

### 4.6.2 Property and equipment (Owned)

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amount, less any applicable accumulated depreciation and accumulated impairment losses (if any). Land and buildings are stated at revalued amount less accumulated depreciation (in case of buildings) and accumulated impairment losses, if any.

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

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

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

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

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

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

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

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

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

The Bank recognizes a right-of-use asset and lease liability (note 4.14) at the lease commencement date. The right-of-use asset is initially measured at amount equal to present value of lease liability, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term.

### **4.7 Intangible assets**

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

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

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

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

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

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

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

## **4.9 Derivative financial instruments**

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

## **4.10 Provisions**

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

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

## **4.11 Taxation**

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

### **4.11.1 Current**

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

### **4.11.2 Deferred**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4.15 Revenue recognition**

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

##### **4.15.1 Advances and investments**

- Mark-up / return / interest on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are

purchased at premium or discount, the same is amortised through the profit and loss account using the effective interest rate method.

- Mark-up / return / interest recoverable on classified loans and advances and investments is recognised on receipt basis. mark-up / return / interest on classified rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Gains and losses on sale of investments are recognised in the profit and loss account.
- Income on bills discounted are recognised over the period of the bill.

#### **4.15.2 Lease financing / Ijarah contracts**

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

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

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

#### **4.15.3 Fees, commission and brokerage**

Fees, commission and brokerage income is recognized on an accrual basis, when services are rendered.

#### **4.16 Off setting**

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

#### **4.17 Foreign currencies**

##### **4.17.1 Foreign currency transactions**

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Gains or losses on above translation are included in profit and loss account.

##### **4.17.2 Offshore branch operations**

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

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#### 4.17.3 Contingencies and commitments

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

#### 4.18 Segment reporting

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

##### 4.18.1 Business segments

a) Trading and sales

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

b) Retail banking

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

c) Commercial banking

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

##### 4.18.2 Geographical segments

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

#### 4.19 Dividend distribution and appropriations

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

#### 4.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Diluted earnings per share is not calculated separately, as the Bank does not have any convertible instruments in issue.

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

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

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

## 4.22 Acceptances

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

## 4.23 Financial instruments

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

## 5. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

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

**6.3** These represent accounts maintained with the SBP to comply with the cash reserve requirement against foreign currency deposits.



- 6.4** This represents account maintained with the SBP to comply with the special cash reserve requirement against foreign currency deposits. The maintenance of such deposit, has been relaxed by the SBP till 05 January 2023 (in case of conventional operations no such maintenance was required up to the date mentioned). The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2022, carries mark-up at the rate of 3.14% (2021: 0%) per annum.

## 7. BALANCES WITH OTHER BANKS

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

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

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

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

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

### 8.1 Particulars of lendings

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

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

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

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

**8.3.1** Face value in respect of Market treasury bills is Rs. 33,950,000 thousand (2021: Nil) and of Pakistan investment bonds is Rs. 41,400,000 thousand (2021: Nil).

**8.3.2** These carry profit / return ranging from 15.00% to 16.25% (2021: Nil) per annum with maturity upto 06 January 2023 (2021: Nil).

## 9. INVESTMENTS

### 9.1 Investments by types

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

### 9.2 Investment in subsidiaries - incorporated in Pakistan

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

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

### 9.3 Investments by segments

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

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

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

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

## 9.4 Provision for diminution in value of investments

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

## 9.4.2 Particulars of provision against debt securities

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

## 9.5 Quality of available-for-sale securities

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

### Federal Government Securities - Government guaranteed

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

### Shares

#### Listed companies

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

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

Note

2022

2021

Cost / amortised cost

— Rupees in '000 —

## Non-government debt securities

### Listed

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

### Unlisted

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

### Mutual funds

Unrated	16,949	30,140
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### Real estate investment trust

#### Listed

AAA (rr)	831,780	672,739
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#### Unlisted

RM 3+	700,000	–
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## 9.6 Particulars relating to held-to-maturity securities are as follows:

### Federal government securities - Government guaranteed

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

### Non-government debt securities - unlisted

Certificates of investment - unrated	9.6.1	4,050,000	5,100,000
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**9.6.1** This represents certificates of investment (musharaka) carrying expected profit rate ranging from 15.75% to 16.25% (2021: 7.40% to 11.75%) per annum with maturity upto 28 March 2023 (2021: 02 March 2022).

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

## 10. ADVANCES

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

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

	2022			2021		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Rupees in '000						
Lease rentals receivable	64,036	72,305	136,341	56,873	91,219	148,092
Residual value	77,345	28,655	106,000	86,669	39,777	126,446
Minimum lease payments	141,381	100,960	242,341	143,542	130,996	274,538
Financial charges for future periods	(18,226)	(9,235)	(27,461)	(14,239)	(9,967)	(24,206)
Present value of minimum lease payments	123,155	91,725	214,880	129,303	121,029	250,332

### 10.2 Particulars of advances - gross

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



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

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

#### 10.4 Particulars of provision against advances

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

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

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

#### 10.4.3 Particulars of provision against advances

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

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

In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the bank has availed the benefit of Forced Sale Value (FSV) of certain collaterals against non-performing loans. Had this benefit of FSV not been taken by the bank, specific provision against non-performing advances would have been higher by Rs. 2,617,170 thousand (2021: Rs. 208,257 thousand) and profit after tax would have been lower by Rs. 1,334,757 thousand (2021: Rs. 127,036 thousand). This amount of Rs. 1,334,757 thousand (2021: Rs. 127,036 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

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

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2022 is enclosed as Annexure I. However, this write off does not affect the Bank's right to recover the debts from these customers.

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

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

## 11.2 Property and equipment

	2022									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
<b>At 1 January 2022</b>										
Cost / Revalued amount	1,386,858	99,340	356,349	2,712,785	837,506	4,628,341	237,173	4,437,472	8,121,258	22,817,082
Accumulated depreciation	-	(4,719)	(216,826)	(1,179,847)	(439,612)	(3,362,508)	(108,894)	(3,057,600)	(2,613,373)	(10,983,379)
Net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>Year ended December 2022</b>										
Opening net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
Additions	498,278	268,667	-	-	223,985	1,040,279	92,479	681,834	-	2,805,522
Additions to right-of-use assets	-	-	-	-	-	-	-	-	2,575,654	2,575,654
Movement in surplus on assets revalued during the year	1,070,460	2,335,148	404,431	2,985,926	-	-	-	-	-	6,795,965
Disposals	-	-	-	-	(1,162)	(1,578)	(41,204)	-	(58,269)	(102,213)
Depreciation charge	-	-	(29,499)	(203,179)	(111,259)	(705,277)	(47,473)	(451,719)	(1,289,677)	(2,838,083)
Exchange rate adjustments	-	-	-	5,091*	350*	242*	8*	-	-	5,691
Reclassification / accumulated depreciation due to revaluation / transfer from non-banking assets	90,194**	1,321,954**	(90,194)**	(1,075,270)**	-	-	-	-	-	246,684
Closing net book value	3,045,790	4,020,390	424,261	3,245,506	509,808	1,599,499	132,089	1,609,987	6,735,593	21,322,923
<b>At 31 December 2022</b>										
Cost / Revalued amount	3,045,790	4,020,390	447,516	3,403,561	1,048,449	5,612,516	240,159	5,119,306	10,126,510	33,064,197
Accumulated depreciation	-	-	(23,255)	(158,055)	(538,641)	(4,013,017)	(108,070)	(3,509,319)	(3,390,917)	(11,741,274)
Net book value	3,045,790	4,020,390	424,261	3,245,506	509,808	1,599,499	132,089	1,609,987	6,735,593	21,322,923
<b>Rate of depreciation (percentage)</b>	-	-	4	4	15	25	20	20		

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

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

	2021									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
<b>At 1 January 2021</b>										
Cost / Revalued amount	59,871	99,340	356,349	2,711,067	623,748	3,965,950	176,523	3,437,791	5,772,084	17,202,723
Accumulated depreciation	-	(3,609)	(204,522)	(1,078,644)	(364,181)	(2,893,791)	(68,089)	(2,663,190)	(1,578,030)	(8,854,056)
Net book value	59,871	95,731	151,827	1,632,423	259,567	1,072,159	108,434	774,601	4,194,054	8,348,667
<b>Year ended December 2021</b>										
Opening net book value	59,871	95,731	151,827	1,632,423	259,567	1,072,159	108,434	774,601	4,194,054	8,348,667
Additions	1,326,987	-	-	-	225,806	773,217	68,199	999,681	-	3,393,890
Additions to right-of-use assets	-	-	-	-	-	-	-	-	2,349,174	2,349,174
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,082)	(1,536)	(4,653)	-	-	(7,271)
Depreciation charge	-	(1,110)	(12,304)	(101,203)	(86,533)	(578,125)	(43,704)	(394,410)	(1,035,343)	(2,252,732)
Exchange rate adjustments	-	-	-	1,718 *	136 *	118 *	3 *	-	-	1,975
Closing net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>At 31 December 2021</b>										
Cost / Revalued amount	1,386,858	99,340	356,349	2,712,785	837,506	4,628,341	237,173	4,437,472	8,121,258	22,817,082
Accumulated depreciation	-	(4,719)	(216,826)	(1,179,847)	(439,612)	(3,362,508)	(108,894)	(3,057,600)	(2,613,373)	(10,983,379)
Net book value	1,386,858	94,621	139,523	1,532,938	397,894	1,265,833	128,279	1,379,872	5,507,885	11,833,703
<b>Rate of depreciation (percentage)</b>	-	1.49	4	4	15	25	20	20		

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

## 11.3 Revaluation of properties

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

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

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

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

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

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

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

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

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

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

## 12. INTANGIBLE ASSETS

### At 1 January

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

### At 31 December

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

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

## 13. DEFERRED TAX ASSETS

### Deductible temporary differences on

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

### Taxable temporary differences on

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

2022			
Balance as at January 01, 2022	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2022
Rupees in '000			
197,524	50,814	—	248,338
2,561,945	363,018	—	2,924,963
193,885	141,794	—	335,679
20,096	—	(13,150)	6,946
1,121,362	—	2,492,362	3,613,724
4,094,812	555,626	2,479,212	7,129,650
(877,238)	10	201,564	(675,664)
—	69,030	(1,458,046)	(1,389,016)
(1,053)	—	(2,666)	(3,719)
(878,291)	69,040	(1,259,148)	(2,068,399)
3,216,521	624,666	1,220,064	5,061,251

### Deductible temporary differences on

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

### Taxable temporary differences on

Surplus on revaluation of non-banking assets
Exchange translation reserve

2021			
Balance as at January 01, 2021	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2021
Rupees in '000			
177,655	19,869	—	197,524
2,555,455	6,490	—	2,561,945
87,150	(87,150)	—	—
34,593	159,292	—	193,885
5,781	—	14,315	20,096
(1,584,604)	—	2,705,966	1,121,362
1,276,030	98,501	2,720,281	4,094,812
(119,521)	96,218	(853,935)	(877,238)
—	—	(1,053)	(1,053)
(119,521)	96,218	(854,988)	(878,291)
1,156,509	194,719	1,865,293	3,216,521

## 14. OTHER ASSETS

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

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

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

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

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

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

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

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

#### 15. BILLS PAYABLE

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



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

## 16.1 Particulars of borrowings in respect of currencies

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

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

**16.3** These borrowings have been obtained from the SBP under a scheme for providing financing facilities to customers against renewable energy plants. These carry mark-up at rates ranging from 2% to 3% per annum (2021: 2.00% per annum) and are due to mature latest by 31 May 2034.

**16.4** These borrowings have been obtained from the SBP under a scheme for providing concessionary financing facilities to the industry for purchase of new locally manufactured plant and machinery. These carry mark-up at rates ranging from 10% to 11.5% per annum (2021: 2.00% to 3.50% per annum) and are due to mature latest by 28 November 2032.

**16.5** These borrowings have been obtained from the SBP under a scheme for providing financing facilities to help businesses in payment of wages and salaries to their employees during the pandemic and thereby support continued employment. These carry mark-up at rate of 0% per annum (2021: 0% per annum) and are due to mature latest by 03 January 2023.

**16.6** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries during the pandemic. These carry mark-up at rate of 1% per annum (2021: 1.00% per annum) and are due to mature latest by 31 December 2032.

**16.7** These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of 2% per annum (2021: 2.00% per annum) and are due to mature latest by 21 February 2032.

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

## 17. DEPOSITS AND OTHER ACCOUNTS

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

### 17.1 Composition of deposits

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

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

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

## 18.1 Provision against off-balance sheet obligations

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

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

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

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

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

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

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

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

## 19. SHARE CAPITAL

### 19.1 Authorised capital

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

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

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

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

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

### 20.1 Fixed assets

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

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

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

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

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

### 21.2.2 Commitments in respect of forward lendings

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

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

### 21.3 Other contingent liabilities

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

**21.3.1** These mainly represent counter claims by borrowers for damages and other claims against the Bank Management is confident that the matters will be decided in the Bank's favour. Accordingly, no provision has been made in these unconsolidated financial statements.

#### 21.3.2 Foreign exchange repatriation case

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

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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



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

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

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

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

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

#### 28.4 Auditors' remuneration

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

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

### 33. CASH AND CASH EQUIVALENTS

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

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

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

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

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

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

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

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

### 35.3 Principal actuarial assumptions

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

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

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

### 35.5 Movement in payable to defined benefit plan

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

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

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



## 35.10 Sensitivity analysis

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

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

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

## 35.11 Expected contributions to be paid to the fund in the next financial year

273,351

## 35.12 Expected charge for the next financial year

273,351

## 35.13 Maturity profile

The weighted average duration of the obligation is 10.4 years

## 35.14 Funding Policy

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

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

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The duration of the liabilities is 10 Years. Based on the weighted average duration of this plan and guidance from Pakistan Society of Actuaries ("PSOA"), the discount rate used for the calculations is 14.25% per annum.
Inflation risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Mortality rate	The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
Withdrawal rate	The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

## 36. DEFINED CONTRIBUTION PLAN AND COMPENSATED ABSENCES

### 36.1 Provident fund

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

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

### 36.2 Compensated absences

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

## 37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 37.1 Total compensation expense

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

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

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

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

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

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

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

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

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

## 38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment in subsidiaries and those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

### 38.1 Fair value of financial assets

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

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

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

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



### 38.2 Fair value of non-financial assets

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

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

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

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

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

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



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

## 40. TRUST ACTIVITIES

The Bank undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in table below:

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

#### 41. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

## Transactions during the period

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

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

## Transactions during the period

	2021						
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Income</b>							
Mark-up / return / interest earned	–	195,730	55,112	10,647	–	–	261,489
Fee and commission income	1,943	1,243	227,832	–	97	–	231,115
Dividend income	–	7,200	–	–	–	–	7,200
Rent income	5,616	5,406	7,677	–	–	–	18,699
<b>Expenses</b>							
Mark-up / return / interest expensed	–	41,557	798,980	14,882	28,387	176,492	1,060,298
Commission / brokerage / bank charges paid	1,067	177	1,707	–	–	–	2,951
Salaries and allowances	–	–	–	588,160	–	–	588,160
Directors' fees	–	–	–	–	13,427	–	13,427
Charge to defined benefit plan	–	–	–	–	–	168,013	168,013
Contribution to defined contribution plan	–	–	–	–	–	243,831	243,831
Insurance premium expense	–	–	14,518	–	–	–	14,518
Software maintenance	9,163	–	–	–	–	–	9,163
Management fee expense for technical and consultancy services *	534,114	–	–	–	–	–	534,114
Donation	–	–	26,920	–	–	–	26,920

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

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

	2022	2021
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) Capital	72,103,977	61,269,601
Eligible additional tier 1 (ADT 1) Capital	–	–
Total eligible tier 1 capital	72,103,977	61,269,601
Eligible tier 2 capital	5,234,756	4,961,773
Total eligible capital (Tier 1 + Tier 2)	77,338,733	66,231,374
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	441,448,612	396,800,985
Market risk	4,592,034	7,211,352
Operational risk	83,146,710	65,559,513
Total	529,187,356	469,571,850
Common equity tier 1 capital adequacy ratio	13.63%	13.05%
Tier 1 capital adequacy ratio	13.63%	13.05%
Total capital adequacy ratio	14.61%	14.10%
<b>Minimum capital requirements prescribed by SBP</b>		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%
Banks uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	72,103,977	61,269,601
Total exposures	1,767,075,083	1,567,049,462
Leverage ratio	4.08%	3.91%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	499,913,538	526,946,577
Total net cash outflow	304,953,563	238,721,264
Liquidity coverage ratio	164%	221%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	838,059,737	673,882,160
Total required stable funding	554,156,981	357,301,438
Net stable funding ratio	151%	189%

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



## 43. RISK MANAGEMENT

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

### 43.1 Credit Risk

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

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

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

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

Centralized Credit and Trade processing centre staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

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

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

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

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

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

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

#### Credit exposures subject to Standardised Approach

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

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

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

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

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

## 43.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Public / Government	41,555,925	-	-	-	-	-
Private	34,775,682	3,941,284	-	-	-	-
	<u>76,331,607</u>	<u>3,941,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 43.1.2 Investment in debt securities

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

### Credit risk by public / private sector

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

### 43.1.3 Advances

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

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

## 43.1.5 Concentration of advances

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

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

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

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

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

## 43.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, and equity prices as well as their correlations and volatilities. Market Risk performs risk measurement, monitoring, and control functions through the use of various risk procedures and tools.

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

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

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

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

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

## 43.2.1 Balance sheet split by trading and banking books

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

## 43.2.2 Foreign exchange risk

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

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

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

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

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

### 43.2.3 Equity position risk

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

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



#### 43.2.4 Yield / interest rate risk in the banking book (IRRBB)-Basel II specific

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

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on	Rupees in '000			
- Profit and loss account	-	-	-	-
- Other comprehensive income	(2,523,201)	-	(1,898,022)	-

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

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

2021										
Effective yield / interest rate	Exposed to yield / interest risk									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	83,385,865	10,110,791	-	-	-	-	-	-	-	73,275,074
Balances with other banks	2,995,850	967	-	-	-	-	-	-	-	2,994,883
Lendings to financial institutions	3,941,284	3,941,284	-	-	-	-	-	-	-	-
Investments	667,995,813	51,450,960	174,006,299	242,779,049	126,094,222	649,371	53,682,729	16,441,200	-	2,891,983
Advances	398,381,922	19,431,055	308,334,843	8,577,723	11,856,315	1,867,494	1,649,774	6,502,817	38,181,233	1,980,668
Other assets	47,807,028	-	-	-	-	-	-	-	-	47,807,028
	1,204,507,762	84,935,057	482,341,142	251,356,772	137,950,537	2,516,865	55,332,503	22,944,017	38,181,233	126,968,968
Liabilities										
Bills payable	17,944,644	-	-	-	-	-	-	-	-	17,944,644
Borrowings	316,166,512	141,558,724	107,273,558	8,565,458	11,788,376	1,408,554	1,178,142	6,241,951	37,636,706	29,749
Deposits and other accounts	772,286,057	217,544,084	57,761,217	152,773,398	46,724,644	4,256,739	4,417,693	1,090,482	-	287,717,800
Other liabilities	50,367,357	-	-	-	-	-	-	-	-	50,367,357
	156,764,570	359,102,808	165,034,775	161,338,856	58,513,020	5,665,293	5,595,835	7,332,433	37,636,706	356,059,550
On-balance sheet gap	47,743,192	(274,167,751)	317,306,367	90,017,916	79,437,517	(3,148,428)	49,736,668	15,611,584	544,527	(229,090,582)
Off-balance sheet financial instruments										
Commitments in respect of:										
Forward foreign exchange contracts	402,981,660	-	-	-	-	-	-	-	-	402,981,660
Syndicate financing	1,902,213	-	-	-	-	-	-	-	-	1,902,213
Letters of credit	198,716,273	-	-	-	-	-	-	-	-	198,716,273
Acquisition of fixed assets	135,456	-	-	-	-	-	-	-	-	135,456
Off-balance sheet gap	603,735,602	-	-	-	-	-	-	-	-	603,735,602
Total yield / interest risk sensitivity gap	651,478,794	(274,167,751)	317,306,367	90,017,916	79,437,517	(3,148,428)	49,736,668	15,611,584	544,527	374,645,020
Cumulative yield / interest risk sensitivity gap	651,478,794	(274,167,751)	43,138,616	133,156,532	212,594,049	209,445,621	259,182,289	274,793,873	275,338,400	374,645,020
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities										
Rupees in '000										
Reconciliation to total assets										
Total financial assets	1,366,199,707	1,204,507,762	Total financial liabilities							
Add: Non financial assets			Add: Non financial liabilities							
Operating fixed assets	21,663,890	12,014,494	Other liabilities							
Intangible assets	97,968	120,689								
Deferred tax asset	5,061,251	3,216,521								
Other assets	4,421,104	4,556,974								
Balance as per statement of financial position	31,244,213	19,908,678	Balance as per statement of financial position							
	1,397,443,920	1,224,416,440	1,322,936,596							
			1,161,441,788							

### 43.3 Operational Risk

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

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

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

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

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 6,651,737 thousand (2021: Rs. 5,244,761 thousand).

### 43.4 Liquidity Risk

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

#### Governance of Liquidity risk management

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

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

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

### **Funding Strategy**

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

### **Liquidity Risk Mitigation techniques**

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

### **Liquidity Stress Testing**

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

### **Contingency Funding Plan**

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

### 43.4.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Bank

2022

Rupees in '000												
Total	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years
<b>Assets</b>												
Cash and balances with treasury banks	54,747,065	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	22,452,296	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	76,331,607	74,429,587	-	768,400	-	-	-	-	-	-	-	-
Investments	723,578,560	8,816,616	14,838,194	5,248,595	16,570,060	31,595,554	109,355,543	108,557,418	114,346,169	139,963,190	75,701,738	90,059,455
Advances	433,502,914	8,312,453	8,899,003	73,641,723	27,505,814	102,147,463	58,192,263	7,892,284	2,909,575	3,842,879	1,378,704	5,710,190
Fixed assets	21,663,890	16,404	114,831	278,876	156,645	156,646	469,544	454,240	454,240	1,632,218	1,382,924	1,731,625
Intangible assets	97,968	232	1,388	3,366	5,545	6,121	16,798	15,316	148,12	27,719	5,473	-
Deferred tax assets	5,061,251	40,358	282,508	686,091	626,684	626,685	814,977	252,764	252,761	634,679	355,441	394,091
Other assets	60,008,369	1,752,547	12,267,831	29,793,303	407,102	407,103	227,539	2,190,614	2,190,615	37,921	15,900	9,219
	1,397,443,920	93,599,098	36,403,755	110,420,354	45,271,850	136,073,192	169,076,664	119,362,636	120,168,172	146,138,606	78,840,180	97,904,580
												87,732,735
<b>Liabilities</b>												
Bills payable	19,538,428	-	-	-	-	-	-	-	-	-	-	-
Borrowings	343,967,768	104,004,858	528,218	8,664,914	50,651,971	90,044,713	9,139,087	5,000	77,358	85,546	323,594	3,556,225
Deposits and other accounts	880,696,783	29,380,931	20,103,375	44,665,921	20,508,682	35,591,328	47,290,079	20,773,814	25,579,952	3,879,168	7,888,577	11,253,388
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	78,733,617	9,447,654	11,022,263	26,768,352	6,524,719	6,524,717	212,049	3,777,707	3,777,707	2,412	7,819,279	980,495
	1,322,936,596	657,817,300	31,653,856	80,099,187	77,685,372	132,160,758	56,641,215	24,556,521	29,435,017	3,967,126	16,031,450	15,790,108
												54,265,243
	74,507,324	(501,365,202)	4,749,899	30,321,167	(32,413,522)	3,912,434	112,435,449	94,806,115	90,733,155	142,171,480	62,808,730	82,114,472
												33,467,492
<b>Net assets</b>												
Share capital	104,78,315											
Reserves	25,534,917											
Surplus / (Deficit) on revaluation of assets	2,029,769											
Unappropriated profit	36,464,323											
	74,507,324											

## 2021

[illegible]

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

2022

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





## 44. GENERAL

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

### **44.2 Non adjusting event after statement of financial position date**

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

## 45. DATE OF AUTHORISATION FOR ISSUE

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

**ANNEXURE "I" AS REFERRED TO IN NOTE 10.6 OF THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE**  
**PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2022**

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

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

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

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
15	Taiyaba Enterprises Bhatti Arcade, 2-A, Mozang Road, Lahore.	Taha Mobeen Qureshi 35202-292358-9 Waseem Tanveen Qureshi 35202-4844850-1	Muhamamd Ismail Qureshi Muhamamd Ismail Qureshi	36,979	4,392	-	41,371	36,979	4,392	-	41,371
16	Elahi Knits (Pvt) Limited 30-A, Block-L, Gulberg-III, Lahore.	Alamgir Elahi 35202-725060-3 Niffer Alamgir 35202-9636634-4 Umer Elahi 35202-5072781-5	Ehsan Elahi Alamgir Elahi Alamgir Elahi	24,571	11,120	-	35,691	-	8,691	-	8,691
17	Innovative Concrete Products (Pvt) Limited Suit No.413-414, 4th Floor, Al-Hafeez Business Center, 89-III, Gulberg-III, Lahore.	Mirza Ajmal Asghar Baig 35201-8197924-5 Hudais Qazalbash 35201-5217453-0 Sharjel Awan 35200-9110716-1 Shaher Bano Asghar 35201-3380332-4	Mirza Mehdi Hussain Baig Mirza Ajmal Asghar Baig Mushtaq Ahmed Nazi Sharjel Awan	-	5,834	-	5,834	-	1,340	994	2,334
18	Gulshan Weaving Mills Limited 2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lahore.	Jehangir Ahmad Shakoore 42201-0545325-7 Masood Ahmad 35202-6939908-5 Sheikh Sarfaraz Farooq Qadri 35202-2450924-9	Abdul Shakoore Inayat Ullah Sheikh Mazhar Farooq Qadri	181,412	24,376	-	205,788	177,005	24,376	-	201,381
19	Punjab Polypropylene Industries (Pvt) Limited 8-9, Bolan Block, Fortress Stadium, Lahore.	Ch. Muhammad Azeem Saleemi 35201-0454392-1 Ch. Shayan Alam Saleemi 35201-7868693-9	Muhammad Alam Ch. Muhammad Azeem Saleemi	9,766	4,384	-	14,150	-	3,649	-	3,649

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
				5	6	7	8				
1	2	3	4	Rupees in '000				9	10	11	12
20	A.B. Textile Corporation 606, A/1, Gulberg-III, Lahore.	Syed Hamid Hussain Sabzwari 35202-2781980-3	Syed Sharif Hussain Sabzwari	875	-	3,762	4,637	-	240	4,083	4,323
21	Nextel Communications P-110, Bukhari Plaza, Chinot Bazar, Faisalabad.	Shahid Mahmood 33100-3006222-3 Sadia Shahid 33100-5170313-0	Ch. Sultan Ali Shahid Mahmood	2,396	240	-	2,636	-	-	917	917
22	Bashir & Brothers Shop No. 62, Grain Market, Sargodha.	Bashir Ahmad (Deceased) 38403-2213530-7	Khuda Buksh	11,479	1,162	-	12,641	-	641	-	641
23	BSM Sports Nasir Road, Habib Chowk, Teshsil & District Sialkot.	Tariq Mahmood 34603-9785324-5 Khalid Pervaiz Cheema 34603-9478543-7 Abdul Rehman Cheema 34603-3068695-9	Mian Khan Cheema Mian Khan Cheema Khalid Pervaiz Cheema	24,996	3,077	-	28,073	-	2,073	5,039	7,112
24	Nadeem Industries Plot No.1-A, Annol Industrial Zone, Phase-2, Near Channu Shah Darbar, Bhamma Pind, Lahore.	Muhammad Naeem 35202-2860098-1	Muhamamd Suleman	5,992	-	934	6,926	-	-	826	826
25	Muhammad Ishaq Ganish Kalan, PO Karimabad, Tehsil Aliabad, District Hunza.	Muhammad Ishaq (Deceased) 37405-4322221-7	Jabir Ansar	1,185	-	-	1,185	1,185	-	-	1,185
				2,649,831	593,355	4,696	3,247,882	2,504,916	537,811	43,356	3,086,084

## Annexure - II

### ISLAMIC BANKING BUSINESS

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

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

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

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

## 1. Due from financial institutions

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

## 2. Investments by segments

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



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

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

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

### 3.1 Ijarah

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

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

#### Future ijarah payments receivable

	2022				2021			
	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total
	Rupees in '000							
Ijarah rental receivables	238,647	309,856	22,365	570,868	175,196	349,795	30,733	555,724

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

4. Fixed assets included right-of-use assets of Rs. 615,872 thousand (2021: Rs. 545,830 thousand) and other liabilities included related lease liability of Rs. 710,395 thousand (2021: Rs. 615,776 thousand).

## 5. Due from Head Office

Inter-branch transactions are made on Qard basis.

## 6. Deposits

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

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

## 6.2 Particulars of deposits and other accounts

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

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

	2022	2021
	Rupees in '000	

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

### Charity fund

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

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

## 8. Islamic Banking Business Unappropriated Profit

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

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

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

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

### **Following pools are being managed by IBD**

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

All the Mudaraba based remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBD's own share of equity, which is also commingled in the pool. The applications of these funds are on Islamic financing and related assets, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

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

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors:

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

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

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

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

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

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

### The Bank managed the following general and specific pools during the year:

General Remunerative / Specific Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio Mudarib Share / Fee	Profit sharing ratio Rabbul Maal Share	Mudarib share	Profit rate return distributed to remunerative deposits (savings)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)	(Rupees in '000)		
General pool								
Islamic Export Refinance (IERS) Pool								
PKR Pool	Monthly	13.14%	50.00%	50.00%	1,501,050	6.31%	15.64%	162,550
USD Pool	Monthly	0.24%	90.00%	10.00%	4,547	0.57%	9.73%	400
Specific pools								
Islamic Export Refinance (IERS) Pool	Quarterly	10.12%	81.05%	18.95%	414,390	Nil	0.00%	–
Special Pool (Saving)	Monthly	12.94%	18.50%	81.50%	68,997	10.83%	28.97%	–
Special Pool (TDR)	Monthly	12.73%	6.52%	93.48%	94,997	12.15%	0.00%	–

## PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2022

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

## COMBINED PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2022

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



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

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

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

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

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



# HABIB METROPOLITAN BANK LTD.

[ Subsidiary of Habib Bank AG Zurich ]

## CONSOLIDATED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Habib Metropolitan Bank Limited

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

#### Opinion

We have audited the annexed consolidated financial statements of Habib Metropolitan Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss account and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matter

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

Following is the Key Audit Matter:

S. No.	Key Audit Matters	How the matter was addressed in our audit
<b>1</b>	<b>PROVISION AGAINST ADVANCES</b>	
	<p>Refer notes 4.6 and 10 to the consolidated financial statements for accounting policy and particulars of provision against advances.</p> <p>Group's net advances to the customers at 31 December 2022 amounted to Rs. 451.471 billion and represents 31.98% of its total assets. These are stated net of provision.</p> <p>The provision against advances was identified as a key focus area in our audit as it involves a considerable degree of management judgment and estimation uncertainty along with compliance with the regulatory requirements.</p>	<p>Our audit procedures to verify provision against advances included:</p> <ul style="list-style-type: none"> <li>Assessed the design and tested the operating effectiveness of key controls established by the Bank for provisioning required against non-performing loans.</li> <li>We have performed following procedures on a sample basis: <ul style="list-style-type: none"> <li>verified repayments of loan / mark-up installments and checked that borrowers have been correctly classified and categorized based on the basis of number of overdue days;</li> </ul> </li> </ul>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>– where the management has not identified as displaying indicators of impairment, challenged the management's assessment by comparing the historical performance, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present; and</li> <li>– where the management has identified as displaying indicators of impairment, assessed the number of overdue days and factors used for calculation of provision in accordance with the Prudential Regulations.</li> </ul> <p>We issued instructions to the auditors of two scoped in components, highlighting 'Provision against advances' as a significant risk. The auditors of those components performed audit procedures to respond to the significant risk and reported the results thereof to us. We, as auditors of the Group, also evaluated the work performed by the component auditors through their files review and discussions with them.</p>

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Karachi: 06 March 2023

UDIN: AR202210201IWfpgtoRI

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	54,747,439	83,386,045
Balances with other banks	7	22,867,486	3,203,963
Lendings to financial institutions	8	76,331,607	3,941,284
Investments	9	719,303,291	664,937,053
Advances	10	451,471,275	411,792,976
Fixed assets	11	21,710,775	12,077,475
Intangible assets	12	140,407	163,187
Deferred tax assets	13	5,131,055	3,218,163
Other assets	14	60,180,778	52,471,202
		<u>1,411,884,113</u>	<u>1,235,191,348</u>
<b>LIABILITIES</b>			
Bills payable	15	19,538,428	17,944,644
Borrowings	16	354,018,407	322,779,155
Deposits and other accounts	17	879,652,325	771,649,729
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	79,947,447	55,928,557
		<u>1,333,156,607</u>	<u>1,168,302,085</u>
<b>NET ASSETS</b>		<u>78,727,506</u>	<u>66,889,263</u>
<b>REPRESENTED BY</b>			
Share capital	19	10,478,315	10,478,315
Reserves		25,949,624	22,898,760
Surplus / (deficit) on revaluation of assets - net of tax	20	2,029,417	(357,063)
Unappropriated profit		<u>36,584,942</u>	<u>30,370,219</u>
		75,042,298	63,390,231
Non-controlling interest	19.4	<u>3,685,208</u>	<u>3,499,032</u>
		<u>78,727,506</u>	<u>66,889,263</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
<b>Mark-up / return / interest earned</b>	23	135,177,510	74,358,956
<b>Mark-up / return / interest expensed</b>	24	(93,512,382)	(44,200,365)
Net mark-up / interest income		41,665,128	30,158,591
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	25	8,031,050	6,966,942
Dividend income		328,560	161,287
Foreign exchange income		5,093,568	3,706,963
Income / (loss) from derivatives		—	—
Gain / (loss) on securities	26	(63,636)	102,026
Other income	27	170,921	296,361
Total non mark-up / interest income		13,560,463	11,233,579
Total Income		55,225,591	41,392,170
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	28	22,327,992	16,857,711
Workers' welfare fund		601,255	323,463
Other charges	29	67,878	170,918
Total non-mark-up / interest expenses		(22,997,125)	(17,352,092)
Profit before provisions		32,228,466	24,040,078
(Provisions) / reversal and write offs - net	30	(3,759,638)	(2,052,083)
Extra ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		28,468,828	21,987,995
Taxation	31	(13,544,652)	(8,125,724)
<b>PROFIT AFTER TAXATION</b>		14,924,176	13,862,271
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity shareholders of the holding company		14,373,559	13,517,714
Non-controlling interest	19.4	550,617	344,557
		14,924,176	13,862,271
		Rupees	
<b>Basic and diluted earnings per share</b>	32	13.72	12.90

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
Profit after taxation		14,924,176	13,862,271
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>			
Effect of translation of net investment in an offshore branch - net of tax		3,168	1,648
Movement in surplus / (deficit) on revaluation of investments - net of tax		(3,207,892)	(4,617,094)
		(3,204,724)	(4,615,446)
<b>Items that will not be reclassified to profit and loss in subsequent periods:</b>			
Remeasurement gain / (loss) on defined benefit obligations - net of tax		3,956	(23,069)
Movement in surplus on revaluation of non-banking assets - net of tax	20.2	201,372	1,300,614
Surplus on revaluation of fixed assets - net of tax	20.1	5,338,110	—
		5,543,438	1,277,545
<b>Total comprehensive income</b>		<b>17,262,890</b>	<b>10,524,370</b>
Equity share holders of the holding company		16,860,222	10,107,361
Non-controlling interest	19.4	402,668	417,009
		<b>17,262,890</b>	<b>10,524,370</b>

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Reserves						Surplus / (deficit) on revaluation						
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Merger reserve	Special reserve	Revenue reserve	Investments	Fixed / non-banking assets	Un-appropriated profit	Sub total	Non-controlling interest	Total
	Rupees in '000												
Opening balance as at 1 January 2021	10,478,315	113	2,550,985	15,838,056	-	240,361	1,500,000	2,961,171	221,970	24,207,141	57,998,112	3,339,639	61,337,751
Profit after taxation	-	-	-	-	-	-	-	-	-	13,517,714	13,517,714	344,557	13,862,271
Other comprehensive income - net of tax	-	1,648	-	-	-	-	-	(4,690,323)	1,300,614	(22,292)	(3,410,353)	72,452	(3,337,901)
Total comprehensive income	-	1,648	-	-	-	-	-	(4,690,323)	1,300,614	13,495,422	10,107,361	417,009	10,524,370
Transfer to statutory reserve	-	-	-	2,767,597	-	-	-	-	-	(2,767,597)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(150,495)	150,495	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend by Habib Metropolitan Bank (Rs.2.50 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)	-	(2,619,579)
Interim dividend by Habib Metropolitan Bank (Rs. 2.00 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)	-	(2,095,663)
Profit distribution by First Habib Modaraba (Rs. 1.40 per certificate) for the period ended 30 June 2021	-	-	-	-	-	-	-	-	-	-	-	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.40 per certificate) for the period ended 30 June 2021	-	-	-	-	-	-	-	-	-	-	-	(3,600)	(3,600)
Balance as at 31 December 2021	10,478,315	1,761	2,550,985	18,605,653	-	240,361	1,500,000	(1,729,152)	1,372,089	30,370,219	63,390,231	3,499,032	66,889,263
Profit after taxation	-	-	-	-	-	-	-	-	-	14,373,559	14,373,559	550,617	14,924,176
Other comprehensive income - net of tax	-	3,168	-	-	-	-	-	(3,061,485)	5,539,482	5,498	2,486,663	(147,949)	2,338,714
Total comprehensive income	-	3,168	-	-	-	-	-	(3,061,485)	5,539,482	14,379,057	16,860,222	402,668	17,262,890
Transfer to statutory reserve	-	-	-	2,916,694	-	100,000	-	-	-	(3,016,694)	-	-	-
Transfer on amalgamation (refer note 1.2.3)	-	-	-	-	31,002	-	-	-	-	-	31,002	(31,002)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(91,517)	91,517	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend by Habib Metropolitan Bank (Rs. 3.00 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)	-	(3,143,494)
Interim dividend by Habib Metropolitan Bank (Rs. 2.00 per share) for the year ended 31 December 2022	-	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)	-	(2,095,663)
Profit distribution by First Habib Modaraba (Rs. 1.00 per certificate) for the period ended 30 June 2022	-	-	-	-	-	-	-	-	-	-	-	(181,440)	(181,440)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.45 per certificate) for the period ended 30 June 2022	-	-	-	-	-	-	-	-	-	-	-	(4,050)	(4,050)
Balance as at 31 December 2022	10,478,315	4,929	2,550,985	21,522,347	31,002	340,361	1,500,000	(4,790,637)	6,820,054	36,584,942	75,042,298	3,685,208	78,727,506

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		28,468,828	21,987,995
Less: Dividend income		(328,560)	(161,287)
		28,140,268	21,826,708
<b>Adjustments</b>			
Depreciation on fixed assets	11.2	1,563,262	1,232,390
Depreciation on right-of-use assets	11.2	1,294,821	1,040,456
Depreciation on non-banking assets	14.1.1	371	33,870
Amortization	12	83,589	71,253
Mark-up / return / interest expensed on lease liability against right-of-use assets	24	817,509	634,841
Provisions and write offs excluding recovery of written off bad debts	30	3,843,296	2,084,225
Gain on sale of fixed asset - net	27	(42,004)	(25,405)
Gain on sale of non-banking assets	27	—	(227,988)
Gain on sale of right-of-use assets	27	(14,136)	—
Provision against workers' welfare fund		601,255	323,463
Provision against compensated absences	28.1	102,678	84,629
Provision against defined benefit plan	35.8	311,794	171,987
		8,562,435	5,423,721
		36,702,703	27,250,429
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(72,390,323)	(2,941,284)
Advances		(43,284,644)	(92,388,235)
Other assets (excluding dividend and non-banking assets)		(11,810,757)	(3,489,136)
		(127,485,724)	(98,818,655)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,593,784	2,523,642
Borrowings from financial institutions		29,930,130	121,255,447
Deposits and other accounts		108,002,596	91,259,041
Other liabilities (excluding current taxation)		21,965,058	(3,028,480)
		161,491,568	212,009,650
		70,708,547	140,441,424
Payment against workers' welfare fund		(6,293)	(3,262)
Payment against compensated absences		(98,048)	(67,513)
Contribution paid to defined benefit plan		(314,518)	(171,245)
Income tax paid		(11,527,641)	(8,163,947)
		58,762,047	132,035,457
<b>Net cash flows from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		135,740,598	(101,345,612)
Net investments in held-to-maturity securities		(196,062,951)	11,615,586
Dividend received		334,578	155,397
Investments in fixed assets		(2,986,257)	(2,907,433)
Investments in intangible assets		(60,809)	(103,109)
Proceeds from sale of fixed assets		89,332	35,390
Proceeds from sale of non-banking assets		—	784,404
Effect of translation of net investment in an offshore branch		5,834	2,701
		(62,939,675)	(91,762,676)
<b>Net cash flows from investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(4,416,641)	(4,947,082)
Payment of lease against right-of-use assets		(1,689,936)	(1,415,216)
		(6,106,577)	(6,362,298)
<b>Net cash flows from financing activities</b>			
<b>(Decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		(10,284,205)	33,910,483
		86,560,259	52,649,776
<b>Cash and cash equivalents at end of the year</b>	33	76,276,054	86,560,259

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

**FUZAIL ABBAS**  
Chief Financial Officer

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

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 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 (managed by Habib Metropolitan Modaraba Management Company (Private) Limited).

#### 1.1 Holding Company

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

#### 1.2 Subsidiary Companies

##### 1.2.1 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, Khokashan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

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

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

##### 1.2.3 First Habib Modaraba (15.43% holding (2021 : 10%)) and earlier Habib Metro Modaraba (2021 : 70% holding)

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

Habib Metro Modaraba (HMM) was a perpetual, multi-purpose modaraba having its registered office at 3rd Floor Al-Manzoor Building, I.I. Chundrigar Road, Karachi. HMM's primary business activities was residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharkah or any other approved modes of financing. The holding company and the Modaraba Management Company earlier owned 60% and 10% of the certificates of HMM respectively.

The Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited approved and entered into Scheme of Arrangement dated 22 July 2022 for the merger, by way of amalgamation, of Habib Metro Modaraba with and into First Habib Modaraba (FHM) under Sections 279 to 282 Companies Act, 2017. As a consequence of that, the entire undertaking of the HMM shall stand transferred to and vested in FHM which shall continue to be managed by the Management Company of FHM while HMM shall be dissolved and will cease to exist without

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winding up. All regulatory approvals including the approval of the majority of the certificate holders have been obtained. Petition for the said merger was filed in the Honourable High Court of Sindh in August 2022.

Subsequent to the year end, Honourable High Court of Sindh sanctioned the scheme of arrangement for merger by way of amalgamation with effect from 01 July 2022, whereby the entire undertaking and business inclusive of all assets, properties, rights, liabilities and dues of HMM will be transferred to and assumed by FHM. FHM will continue as a going concern and HMM upon amalgamation will cease to exist. These financial statements include the effect of the above merger in accordance with the aforesaid order of the High Court of Sindh.

On the scheme becoming effective, issued, subscribed and paid-up certificate capital of HMM of Rs. 300,000 thousand shall be merged with and combined with the issued, subscribed and paid-up certificate capital of FHM. Consequently the issued, subscribed and paid-up certificate capital of FHM shall stand increased to Rs.1,108,305 thousand divided into 221,661 thousand modaraba certificates of Rs. 5 each at a swap ratio of 0.6687 : 1:00 (FHM : HMM).

Since HMM was a group entity under common control, the merger has been accounted for as a common control transaction and predecessor accounting approach has been applied (under the Accounting Standard for 'Accounting of Common Control Transaction' issued by the Institute of Chartered Accountants of Pakistan). Under predecessor accounting, the acquired net assets of HMM have been included in the financial statements of FHM at the same carrying values as recorded in HMM's own financial statements as on 30 June 2022. The consolidated results and the statement of financial position are presented prospectively from date of merger.

However, the entire arrangement have had no significant impact on the Group's financial statements / results (as earlier also financial statements of both the Modarabas were being consolidated). Impact of adjustment in merger reserve and in non-controlling interest amounted to Rs. 31,002 thousand.

## **2. BASIS OF PRESENTATION**

- 2.1 These consolidated financial statements represent separate financial statements of the Group. The financial statements of the holding company and its subsidiary companies are being separately issued.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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

### **2.2 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

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

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

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the holding company. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.

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

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

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

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

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

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

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

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## **Governance, ownership and responsibilities**

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

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

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

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

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

## **Classification and measurement**

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

### **Equity securities**

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

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

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

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

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

## Impairment

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

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

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

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

For the purpose of calculation of ECL, the Group has used 5 to 7 years data till 31 December 2022 and going forward, yearly data shall be included until the holding company has at least 10 years' data. For calculating ECL, the Group shall classify its financial assets under three following categories

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

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

## Significant Increase in Credit Risk (SICR)

SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the



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ECL. The Group uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

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

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

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

### **Presentation and disclosure**

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

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

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

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

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

- Debt instruments amounting to Rs. 2,177,835 thousand and Rs. 4,681,209 thousand will be reclassified from AFS to FVTPL and amortised cost respectively. However, there would be no effect on overall equity.
- Equity instruments amounting to Rs. 1,790,656 thousand will be reclassified from AFS to FVTPL.

Total estimated adjustment (net of tax) due to the adoption of IFRS 9 for Expected Credit Loss on the opening balance of the Group's equity at 1 January 2023 is expected to be Rs. 1,220 million approximately.

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



## Impact on regulatory capital

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - amendments to IAS 1	1 January 2024
Non-current Liabilities with Covenants - amendment to IAS 1	1 January 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - amendments to IFRS 10 and IAS 28	Not yet finalized

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	1 January 2024
IFRS 17 – Insurance Contracts	1 January 2023

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

## 2.5 Critical Accounting Estimates and Judgments

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

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

- i) Classification, valuations and impairment of investments (note 4.5)
- ii) Provision against non-performing loans and advances (note 4.6.1)

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- iii) Depreciation (note 4.7.2) and amortisation (note 4.8)
  - iv) Valuation of Fixed assets (4.7.2) and Non-banking assets acquired in satisfaction of claims (note 4.9)
  - v) Taxation (note 4.12)
  - vi) Defined benefit plan (note 4.14.1)
  - vii) Compensated Absences (note 4.14.2)
  - viii) Right-of-use assets (4.7.3) and related lease liability (4.15)
  - ix) Impairment of non-financial assets (excluding deferred tax asset) (note 4.22)

## **2.6 Changes in accounting policies**

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

With effect from 30 June 2022, the Group has voluntarily changed its accounting policy for land and buildings (freehold and leasehold) from the cost model to the revaluation model, as permitted under IAS 16 'Property, Plant and Equipment' (IAS16). On adoption, these are carried at a revalued amount less accumulated depreciation and accumulated impairment losses (if any), which previously were carried at cost less accumulated depreciation and accumulated impairment losses (if any). The impact of the change in accounting policy has been disclosed in note 11.3.

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

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

## **3. BASIS OF MEASUREMENT**

### **Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, certain classes of fixed assets and non-banking assets in satisfaction of claims are stated at revalued amount less accumulated depreciation and derivative financial instruments are carried at fair value as disclosed in notes 4.5, 4.7.2, 4.9 and 4.10 respectively.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 4.1** The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all the years presented, except for the change as mentioned in the note 2.6.1 above and adoption of an accounting policy as mentioned in note 1.2.3 and 4.25.

### **4.2 Basis of consolidation**

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

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

## 4.3 Cash and cash equivalents

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

## 4.4 Lendings to / borrowings from financial institutions

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

### Purchase under resale agreement (reverse repo)

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

### Sale under repurchase agreement (repo)

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

### Bai muajjal

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

### Musharaka / Mudaraba

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

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

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

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

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

### 4.4.2 Certificates of Investment (Musharakah)

Certificates of Investment (COI's) are carried at principal amount in the consolidated financial statements. FHM and HMM invest the amount received from COI holders on the basis of full participation in the profit and loss. The

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profit is allocated between COI holders and certificate holders as per agreed ratio. Certificate holder's share of profit is recognized as financial expense in the period of its occurrence. On the basis of projected rate of profit, profit on musharakah finance is determined. After determination of the actual rate, the effect of any difference between actual and projected rate of profit is accounted for, at the end of each quarter.

## **4.5 Investments**

### **4.2.1 Investments are classified as follows:**

#### **Held-for-trading**

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

#### **Held-to-maturity**

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

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

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

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

### **4.5.2 Initial measurement**

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

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

#### **Subsequent measurement**

##### **Held-for-trading**

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

##### **Held-to-maturity**

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

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

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation of quoted securities classified as a available for sale is kept in a separate account shown in equity. Surplus / deficit arising on these securities is taken to the profit and loss account when actually

realised upon disposal or when the investment is considered to be impaired. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of these securities is calculated as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

## Impairment

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

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

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

### 4.6.1 Loans and advances

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

### 4.6.2 Finance lease receivables

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

### 4.6.3 Islamic finance and related assets

#### Ijarah

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

#### Diminishing musharaka

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

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sale of its ownership. The rental payments are recognized in profit and loss account whereas transfer / sale payments are applied towards reducing the outstanding principal.

### **Running musharaka**

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

### **Istisna**

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

### **Al-Bai**

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

### **Murabaha**

In Murabaha transactions, the Group purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

### **Salam**

In Salam, the seller undertakes to supply specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. The payment is at spot but the supply of purchased goods is deferred. The purchased goods by the holding company are then sold by the customer on behalf of the holding company and the financed amount along with profit is paid to the holding company.

## **4.7 Fixed assets**

### **4.7.1 Capital work-in-progress**

These are stated at cost less impairment losses, if any.

### **4.7.2 Property and equipment (Owned)**

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amount, less any applicable accumulated depreciation and accumulated impairment losses (if any). Land and buildings are stated at revalued amount less accumulated depreciation (in case of buildings) and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 11.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged till the date of disposal.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each statement of financial position date.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of land and building account. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, if the increase reverses a deficit on the same asset previously recognized in the profit and loss account, such an increase is also recognized in the profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of land and building account.

In the case of revalued assets, any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the net asset and the net amount restated at the revalued amount of the asset.

Surplus on revaluation of land and building (net of any associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Surplus on revaluation (net of any deferred tax) realized on disposal of land and building is transferred directly to unappropriated profit.

#### 4.7.3 Right-of-use assets and their related lease liability

The Group recognizes a right-of-use asset and lease liability (note 4.15) at the lease commencement date. The right-of-use asset is initially measured at amount equal to present value of lease liability, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term.

#### 4.8 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. The cost of intangible assets are amortised from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

#### 4.9 Non-banking assets

Non-banking assets acquired in satisfaction of claims are initially recognized at cost and subsequently carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued by professionally qualified

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valuators with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to the profit and loss account.

Depreciation on assets (other than land) acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the holding company's owned fixed assets.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in provisions held against non-performing loans are disclosed separately.

If such an asset is subsequently used by the holding company for its own operations, the asset is transferred to fixed assets.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realised on disposal of these assets is transferred directly to unappropriated profit.

If such an asset is subsequently used by the holding company for its own operations, the asset is transferred to fixed assets along with any related surplus.

#### **4.10 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

#### **4.11 Provisions**

Provision against identified off-balance exposure is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

#### **4.12 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

##### **4.12.1 Current**

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.



## 4.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gain / losses recognised in other comprehensive income, which is adjusted against the related deficit / surplus.

## 4.13 Deposits / Borrowings

Deposits / Borrowings are recorded at the amount of proceeds received. The cost of deposits is recognised as an expense on an accrual basis in the period in which it is incurred.

## 4.14 Employees' benefits

### 4.14.1 Retirement benefits

#### Defined benefit plan

The Bank and two of its subsidiaries operates approved funded gratuity schemes for all its permanent employees. Retirement benefits are payable to the members of the schemes on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using the "Projected Unit Credit Actuarial Cost Method".

All actuarial gains and losses are recognised in other comprehensive income as they occur and are not reclassified to profit and loss account in subsequent periods.

Past service cost resulting from changes to defined benefit plans is recognised in the profit and loss accounts.

#### Defined contribution plan

The Bank and two of its subsidiaries operates a recognised provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Group and its employees, to the fund at the rate of 10% of basic salary in accordance with the terms of the scheme.

### 4.14.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the "Projected Unit Credit Actuarial Cost Method" has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Group.

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#### **4.15 Lease liability against right-of-use assets**

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Group's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

#### **4.16 Revenue recognition**

Revenue is recognised to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. These are recognised as follows:

##### **4.16.1 Advances and investments**

- Mark-up / return on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account using the effective interest rate method.
- Mark-up / return / interest recoverable on classified loans and advances and investments is recognised on receipt basis. Mark-up / return / interest on classified rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.
- Dividend income is recognised when the Group's right to receive the dividend is established.
- Gains and losses on sale of investments are recognised in the profit and loss account.
- Income on bills discounted are recognised over the period of the bill.

##### **4.16.2 Lease financing / Ijarah contracts**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognised on receipt basis.

Rental income on these ijarah is recognised in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on ijarah assets on a straight line basis over the period of ijarah.

Gains / losses on termination of lease contracts and other lease income are recognised when realised.

##### **4.16.3 Fees, commission and brokerage**

Fees, commission and brokerage is recognized on an accrual basis, when services are rendered.

#### **4.17 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

## 4.18 Foreign currencies

### 4.18.1 Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Gains or losses on above translation are included in profit and loss account.

### 4.18.2 Offshore branch operations

The assets and liabilities of an offshore branch operations are translated into rupees at the exchange rates prevailing at the statement of financial position date. The income and expense are translated into rupees at average rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of 'other comprehensive income' under 'exchange translation reserve'.

### 4.18.3 Contingencies and commitments

Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date. Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates.

## 4.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on the following business segments.

### 4.19.1 Business segments

- a) Trading and sales  
This segment undertakes the Group's treasury, money market and capital market activities.
- b) Retail banking  
Retail banking provides services to small borrowers i.e. consumers. It includes loans, deposits and other transactions with retail customers.
- c) Commercial banking  
This includes loans, deposits and other transactions with corporate and SME customers.

### 4.19.2 Geographical segments

The Group conducts all its operations in Pakistan including an offshore branch in Karachi Export Processing Zone.

## 4.20 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to statement of financial position date are considered as non-adjusting event and are not recorded in consolidated financial statements of the current year. These are recognised in the period in which these are declared / approved.

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#### **4.21 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Diluted earnings per share is not calculated separately, as the Group does not have any convertible instruments in issue.

#### **4.22 Impairment of non-financial assets (excluding deferred tax asset)**

At each statement of financial position date, the Group reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.

#### **4.23 Acceptances**

Acceptances comprises undertakings by the holding company to pay bill of exchange due on customers. These are recognised as financial liability and the contractual right of reimbursement from the customer is recorded as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities in these consolidated financial statements.

#### **4.24 Financial instruments**

All financial assets and liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

#### **4.25 Business combination under common control**

Business combination under common control (as also mentioned in note 1.2.3) is carried out under the Predecessor method, under which assets acquired and liabilities assumed is recognised by the surviving entity at the carrying amounts as reported by the transferred entity and the difference between the consideration paid and the carrying amounts of net assets acquired is recognised in equity. No new goodwill recognised (nor any adjustment is required for different accounting policies for similar nature of transactions).

### **5. FUNCTIONAL AND PRESENTATION CURRENCY**

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

	Note	2022	2021
		Rupees in'000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		11,785,541	6,711,228
Foreign currencies		<u>1,955,812</u>	<u>580,139</u>
		13,741,353	7,291,367
<b>With State Bank of Pakistan in</b>			
Local currency current accounts	6.1	31,843,402	54,589,511
Foreign currencies			
– current accounts	6.2	2,843,777	1,347,685
– cash reserve account	6.3	5,631,918	5,475,902
Foreign currency deposit account:			
– special cash reserve account	6.4	564,907	10,110,791
		40,884,004	71,523,889
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		84,330	4,446,115
<b>National Prize Bonds</b>		<u>37,752</u>	<u>124,674</u>
		<u>54,747,439</u>	<u>83,386,045</u>

**6.1** These accounts are maintained to comply with the statutory cash reserve requirements of the SBP.

**6.2** This represents foreign currencies collection / settlement accounts maintained with the SBP.

**6.3** This represents account maintained with the SBP to comply with the cash reserve requirement against foreign currency deposits.

**6.4** This represents account maintained with the SBP to comply with the special cash reserve requirement against foreign currency deposit. The maintenance of such deposit, has been relaxed by the SBP till 05 January 2023 (in case of conventional operations no such maintenance was required up to the date mentioned). The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2022, carries mark-up at the rate of 3.14% (2021: 0%) per annum.

## 7. BALANCES WITH OTHER BANKS

	Note	2022	2021
		Rupees in'000	
<b>In Pakistan</b>			
In current accounts		50,914	213,855
In deposit accounts	7.1	<u>414,091</u>	<u>207,887</u>
		465,005	421,742
<b>Outside Pakistan</b>			
In current accounts	7.2	<u>22,402,481</u>	<u>2,782,221</u>
		<u>22,867,486</u>	<u>3,203,963</u>

**7.1** These carry mark-up at rate of 14.5% (2021: 7.25%) per annum.

**7.2** These include balances in current accounts amounting to Rs. 466,178 thousand (2021: Rs. 184,060 thousand) with branches of the ultimate parent company.

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	1,902,020	441,284
Repurchase agreement lendings (Reverse Repo)	8.3	74,429,587	–
Mudaraba placements		–	3,500,000
		<u>76,331,607</u>	<u>3,941,284</u>

	Note	2022	2021
		Rupees in '000	
<b>8.1 Particulars of lendings</b>			
In local currency			
- secured		74,429,587	–
- unsecured		–	3,500,000
In foreign currency - unsecured	8.2	1,902,020	441,284
		<u>76,331,607</u>	<u>3,941,284</u>

**8.2** These foreign currency lendings carry mark-up rate of 11.00% (2021: 1.10%) per annum and are due mature latest by 27 March 2023 (2021: 12 January 2022).

**8.3** Securities held as collateral against lending to financial institutions (reverse repo)

### 8.3 Securities held as collateral against lending to financial institutions (reverse repo)

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market treasury bills	33,169,690	–	33,169,690	–	–	–
Pakistan investment bonds	38,644,648	–	38,644,648	–	–	–
	<u>71,814,338</u>	<u>–</u>	<u>71,814,338</u>	<u>–</u>	<u>–</u>	<u>–</u>

**8.3.1** Face value in respect of Market treasury bills is Rs. 33,950,000 thousand (2021: Nil) and of Pakistan investment bonds is Rs. 41,400,000 thousand (2021: Nil).

**8.3.2** These carry profit / return ranging from 15.00% to 16.25% (2021: Nil) per annum with maturity upto 06 January 2023 (2021: Nil).

## 9. INVESTMENTS

### 9.1 Investments by types

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Available-for-sale securities</b>								
Federal government securities	490,685,998	–	(8,275,074)	482,410,924	629,531,699	–	(2,848,287)	626,683,412
Shares	2,995,509	(474,761)	(24,018)	2,496,730	1,678,034	(380,494)	419,113	1,716,653
Non-government debt securities	12,144,982	(90,496)	(255,266)	11,799,220	11,468,952	(115,554)	(323,605)	11,029,793
Mutual funds	117,531	(12,276)	–	105,255	30,140	(10,426)	3,963	23,677
Real estate investment trust	1,531,780	–	153,621	1,685,401	672,739	–	67,969	740,708
	<u>507,475,800</u>	<u>(577,533)</u>	<u>(8,400,737)</u>	<u>498,497,530</u>	<u>643,381,564</u>	<u>(506,474)</u>	<u>(2,680,847)</u>	<u>640,194,243</u>
<b>Held-to-maturity securities</b>								
Federal government securities	220,805,761	–	–	220,805,761	22,742,810	–	–	22,742,810
Non-government debt securities	–	–	–	–	2,000,000	–	–	2,000,000
	<u>220,805,761</u>	<u>–</u>	<u>–</u>	<u>220,805,761</u>	<u>24,742,810</u>	<u>–</u>	<u>–</u>	<u>24,742,810</u>
<b>Total Investments</b>	<u>728,281,561</u>	<u>(577,533)</u>	<u>(8,400,737)</u>	<u>719,303,291</u>	<u>668,124,374</u>	<u>(506,474)</u>	<u>(2,680,847)</u>	<u>664,937,053</u>

## 9.2 Investments by segments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Federal government securities</b>								
Market treasury bills	281,873,029	–	(693,301)	281,179,728	409,462,957	–	(747,144)	408,715,813
Pakistan investment bonds	396,583,580	–	(7,090,846)	389,492,734	217,583,004	–	(1,539,806)	216,043,198
Ijarah sukuk	28,353,941	–	(490,927)	27,863,014	24,497,837	–	(561,337)	23,936,500
Islamic Naya Pakistan certificate mudaraba investment pool - foreign currencies	3,989,495	–	–	3,989,495	671,987	–	–	671,987
Islamic Naya Pakistan certificate mudaraba investment pool - Pak Rupee	691,714	–	–	691,714	58,724	–	–	58,724
	711,491,759	–	(8,275,074)	703,216,685	652,274,509	–	(2,848,287)	649,426,222
<b>Shares</b>								
Listed companies	2,863,780	(395,690)	(24,018)	2,444,072	1,546,305	(301,423)	419,113	1,663,995
Unlisted companies	131,729	(79,071)	–	52,658	131,729	(79,071)	–	52,658
	2,995,509	(474,761)	(24,018)	2,496,730	1,678,034	(380,494)	419,113	1,716,653
<b>Non government debt securities</b>								
Listed								
Term finance certificates	757,781	(64,946)	–	692,835	1,161,101	(68,866)	5,337	1,097,572
Sukuk certificates / bonds	6,876,651	–	(255,266)	6,621,385	7,076,163	–	(336,553)	6,739,610
Unlisted								
Term finance certificates	3,925,000	–	–	3,925,000	2,446,138	(21,138)	–	2,425,000
Sukuk certificates / bonds	585,550	(25,550)	–	560,000	785,550	(25,550)	7,611	767,611
Certificates of investment	–	–	–	–	2,000,000	–	–	2,000,000
	12,144,982	(90,496)	(255,266)	11,799,220	13,468,952	(115,554)	(323,605)	13,029,793
<b>Mutual funds</b>								
Open end	100,582	–	–	100,582	13,191	–	3,963	17,154
Close end	16,949	(12,276)	–	4,673	16,949	(10,426)	–	6,523
	117,531	(12,276)	–	105,255	30,140	(10,426)	3,963	23,677
<b>Real estate investment trust</b>	1,531,780	–	153,621	1,685,401	672,739	–	67,969	740,708
<b>Total investments</b>	<u>728,281,561</u>	<u>(577,533)</u>	<u>(8,400,737)</u>	<u>719,303,291</u>	<u>668,124,374</u>	<u>(506,474)</u>	<u>(2,680,847)</u>	<u>664,937,053</u>

2022 2021

— Rupees in '000 —

### 9.2.1 Investments given as collateral against repo borrowing

The market value of investments given as collateral against borrowings is as follows:

#### Federal government securities

Market treasury bills	105,872,299	99,178,412
Pakistan investment bonds	90,133,387	83,891,118
	<u>196,005,686</u>	<u>183,069,530</u>

**9.2.2** Investments include securities which are held by the holding company to comply with the statutory liquidity requirements as set out under section 29 of the Banking Companies Ordinance, 1962.

**9.2.3** Investments include Rs. 132,000 thousand (2021: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

### 9.3 Provision for diminution in value of investments

<b>9.3.1</b> Opening balance	506,474	507,587
Charge for the year	240,145	3,884
Reversal for the year	(3,920)	(4,997)
Net (reversal) / charge for the year	236,225	(1,113)
Reversal on disposal	(144,028)	–
Amount written off	(21,138)	–
Closing balance	577,533	506,474

### 9.3.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
<b>Domestic</b>				
Loss	90,496	90,496	115,554	115,554

### 9.4 Quality of available for sale securities

Details regarding quality of available-for-sale securities are as follows:

#### Federal Government Securities - Government guaranteed

Market treasury bills	135,013,112	409,462,957
Pakistan investment bonds	325,867,628	195,113,869
Ijarah sukuk	25,124,049	24,224,162
Islamic Naya Pakistan certificate Mudaraba investment pool - foreign currencies	3,989,495	671,987
Islamic Naya Pakistan certificate Mudaraba investment pool - Pak Rupee	691,714	58,724
	490,685,998	629,531,699

#### Shares

##### Listed companies

Automobile parts and accessories	41,743	15,167
Cement	247,866	219,904
Chemical	105,865	–
Commercial banks	1,164,754	692,013
Fertilizer	750,323	328,114
Investment banks / investment companies / securities companies	136,747	108,259
Oil and gas exploration, power generation and distribution	321,616	82,079
Pharmaceuticals	34,206	–
Sugar and allied	–	70,515
Textile	252	–
Transport	60,408	30,254
	2,863,780	1,546,305



	2022		2021	
	Cost	Break-up value	Cost	Break-up value
	Rupees in '000			
<b>Unlisted companies</b>				
Pakistan Export Finance Guarantee Limited	11,361	–	11,361	–
DHA Cogen Limited	50,000	–	50,000	–
Dawood Family Takaful Limited	35,000	24,548	35,000	22,925
Society for World Wide Inter Bank Financial Telecommunication (Swift)	7,844	52,600	7,844	43,517
Pakistan Corporate Restructuring Company Limited	27,524	25,817	27,524	25,817
	<u>131,729</u>	<u>102,965</u>	<u>131,729</u>	<u>92,259</u>
			<b>2022</b>	<b>2021</b>
			Cost / amortised cost	
			Rupees in '000	
<b>Non-government debt securities</b>				
<b>Listed</b>				
AAA	–	400,000		
AA+	42,835	142,835		
A+	375,000	749,400		
AA-	600,000	200,000		
A	50,000	100,000		
Unrated	6,566,597	6,645,029		
	<u>7,634,432</u>	<u>8,237,264</u>		
<b>Unlisted</b>				
AAA	3,880,000	1,750,000		
AA+	500,000	835,000		
AA	–	495,000		
A-	5,000	5,000		
A	100,000	100,000		
Unrated	25,550	46,688		
	<u>4,510,550</u>	<u>3,231,688</u>		
<b>Mutual funds</b>				
<b>Listed</b>				
AM1	50,300	–		
<b>Unlisted</b>				
AA+ (f)	50,282	–		
Unrated	16,949	30,140		
	<u>67,231</u>	<u>30,140</u>		
<b>Real estate investment trust</b>				
<b>Listed</b>				
AAA (rr)	831,780	672,739		
<b>Unlisted</b>				
RM 3+	700,000	–		

	2022	2021
	Cost / amortised cost	
	Rupees in '000	
<b>9.5 Particulars relating to held-to-maturity securities are as follows:</b>		
<b>Federal government securities - Government guaranteed</b>		
Market treasury bills	146,859,917	–
Pakistan investment bonds	70,715,952	22,469,135
Ijarah sukuk	3,229,892	273,675
	<u>220,805,761</u>	<u>22,742,810</u>
<b>Non-government debt securities - unlisted</b>		
Certificates of investment - unrated	–	2,000,000

**9.5.1** The market value of federal government securities classified as held-to-maturity is Rs. 214,459,867 thousand (2021: 21,025,207 thousand).

## 10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2022	2021	2022	2021	2022	2021
		Rupees in '000					
Loans, cash credits, running finances, etc.	10.1	282,270,838	269,326,315	11,882,972	11,128,658	294,153,810	280,454,973
Islamic financing and related assets	10.2	124,553,446	92,143,804	737,013	808,210	125,290,459	92,952,014
Bills discounted and purchased		44,866,490	54,518,910	9,430,159	5,036,656	54,296,649	59,555,566
Advances - gross		<u>451,690,774</u>	<u>415,989,029</u>	<u>22,050,144</u>	<u>16,973,524</u>	<u>473,740,918</u>	<u>432,962,553</u>
Provision against advances							
- specific		–	–	(17,650,138)	(15,986,650)	(17,650,138)	(15,986,650)
- general		(4,619,505)	(5,182,927)	–	–	(4,619,505)	(5,182,927)
		<u>(4,619,505)</u>	<u>(5,182,927)</u>	<u>(17,650,138)</u>	<u>(15,986,650)</u>	<u>(22,269,643)</u>	<u>(21,169,577)</u>
Advances - net of provision		<u>447,071,269</u>	<u>410,806,102</u>	<u>4,400,006</u>	<u>986,874</u>	<u>451,471,275</u>	<u>411,792,976</u>

### 10.1 Includes net investment in finance lease as disclosed below:

	2022			2021		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	64,036	72,305	136,341	56,873	91,219	148,092
Residual value	77,345	28,655	106,000	86,669	39,777	126,446
Minimum lease payments	<u>141,381</u>	<u>100,960</u>	<u>242,341</u>	<u>143,542</u>	<u>130,996</u>	<u>274,538</u>
Financial charges for future periods	(18,226)	(9,235)	(27,461)	(14,239)	(9,967)	(24,206)
Present value of minimum lease payments	<u>123,155</u>	<u>91,725</u>	<u>214,880</u>	<u>129,303</u>	<u>121,029</u>	<u>250,332</u>

**10.2** It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 18,368,749 thousand (2021: Rs. 13,280,413 thousand) and Rs. Nil (2021: Rs. 303,572 thousand) respectively. Furthermore, it also includes the Islamic banking operations of the holding company amounting to Rs. 106,921,710 thousand (2021: Rs. 79,368,029 thousand) as disclosed in appendix 2 to these consolidated condensed interim financial statements.

	2022	2021
	Rupees in '000	
<b>10.3 Particulars of advances - gross</b>		
In local currency	417,332,276	382,751,832
In foreign currencies	56,408,642	50,210,721
	<u>473,740,918</u>	<u>432,962,553</u>

**10.4** Advances include Rs. 22,050,144 thousand (2021 : Rs. 16,973,524 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2022		2021	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees in '000				
<b>Domestic</b>				
Other asset especially mentioned	12,640	–	–	–
Substandard	533,656	36,601	28,740	1,098
Doubtful	2,663,649	103,101	1,462,928	529,294
Loss	18,840,199	17,510,436	15,481,856	15,456,258
	<u>22,050,144</u>	<u>17,650,138</u>	<u>16,973,524</u>	<u>15,986,650</u>

## 10.5 Particulars of provision against advances

	Note	2022			2021		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		15,986,650	5,182,927	21,169,577	16,417,607	3,027,679	19,445,286
Charge for the year		5,476,903	–	5,476,903	2,444,120	2,155,248	4,599,368
Reversals for the year		(1,307,136)	(563,422)	(1,870,558)	(2,348,278)	–	(2,348,278)
Net charge for the year		4,169,767	(563,422)	3,606,345	95,842	2,155,248	2,251,090
Amount written off	10.6	(2,506,279)	–	(2,506,279)	(526,799)	–	(526,799)
Closing balance		17,650,138	4,619,505	22,269,643	15,986,650	5,182,927	21,169,577

**10.5.1** The Group maintains general provision, as a matter of prudence, on account of the management's assessment of credit risk and general banking risk particularly in the current stressed economic condition amounting to Rs. 4,560,235 thousand (31 December 2021: Rs. 5,157,674 thousand). General provision also includes provision of Rs. 59,265 thousand (31 December 2021: Rs. 25,248 thousand) made against consumer portfolio and Rs. 5 thousand (31 December 2021: Rs. 5 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

**10.5.2** Exposure amounting to Rs. 5,295,616 thousand relating to Power Holding (Private) Limited, is government guaranteed and therefore, has not been classified as non-performing, pursuant to relaxation given by the SBP under circular letter no. BPRD/BRD (FD) / 2023/135.

## 10.5.3 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	13,421,488	4,619,505	18,040,993	15,492,074	5,182,927	20,675,001
In foreign currencies	4,228,650	–	4,228,650	494,576	–	494,576
	<u>17,650,138</u>	<u>4,619,505</u>	<u>22,269,643</u>	<u>15,986,650</u>	<u>5,182,927</u>	<u>21,169,577</u>

#### 10.5.4 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the holding company has availed the benefit of Forced Sale Value (FSV) of certain collaterals against non-performing loans and advances. Had this benefit of FSV not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 2,617,170 thousand (2021: Rs. 208,257 thousand) and profit after tax would have been lower by Rs. 1,334,757 thousand (2021: Rs. 127,036 thousand). This amount of Rs. 1,334,757 thousand (31 December 2021: Rs. 127,036 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	2022	2021
		Rupees in '000	
<b>10.6 Particulars of write offs</b>			
<b>10.6.1</b> Against provisions	10.5	2,506,279	526,799
Directly charged to profit and loss account		—	—
		<u>2,506,279</u>	<u>526,799</u>
<b>10.6.2</b> Write offs of Rs. 500,000/- and above		2,504,916	526,799
Write offs of below Rs. 500,000/-		1,363	—
		<u>2,506,279</u>	<u>526,799</u>

#### 10.7 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2022 is enclosed as Annexure I. However, this write off does not affect the holding company's right to recover the debts from these customers.

### 11. FIXED ASSETS

Capital work-in-progress	11.1	342,467	185,038
Property and equipment	11.2	21,368,308	11,892,437
		<u>21,710,775</u>	<u>12,077,475</u>
<b>11.1 Capital work-in-progress</b>			
Civil works	11.1.1	100,669	90,388
Advances to suppliers		241,798	94,650
		<u>342,467</u>	<u>185,038</u>

**11.1.1** This represents advance against renovation being carried out at various locations.

## 11.2 Property and equipment

	2022									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
<b>At 1 January 2022</b>										
Cost	1,386,858	99,340	356,349	2,712,785	865,779	4,769,491	280,895	4,460,731	8,156,499	23,088,727
Accumulated depreciation	–	(4,719)	(216,826)	(1,179,847)	(460,363)	(3,499,142)	(134,301)	(3,073,027)	(2,628,065)	(11,196,290)
Net book value	<u>1,386,858</u>	<u>94,621</u>	<u>139,523</u>	<u>1,532,938</u>	<u>405,416</u>	<u>1,270,349</u>	<u>146,594</u>	<u>1,387,704</u>	<u>5,528,434</u>	<u>11,892,437</u>
<b>Year ended 31 December 2022</b>										
Opening net book value	1,386,858	94,621	139,523	1,532,938	405,416	1,270,349	146,594	1,387,704	5,528,434	11,892,437
Additions	498,278	268,667	–	–	224,291	1,043,936	105,868	682,097	–	2,823,137
Additions to right-of-use assets	–	–	–	–	–	–	–	–	2,575,654	2,575,654
Movement in surplus on assets revalued during the year	1,070,460	2,335,148	404,431	2,985,926	–	–	–	–	–	6,795,965
Disposals	–	–	–	–	(1,162)	(1,578)	(44,588)	–	(65,849)	(113,177)
Depreciation charge	–	–	(29,499)	(203,179)	(112,950)	(708,550)	(53,162)	(455,922)	(1,294,821)	(2,858,083)
Exchange rate adjustments	–	–	–	5,091*	350 *	242*	8 *	–	–	5,691
Reclassification / accumulated depreciation due to revaluation / transfer from non-banking assets	90,194 **	1,321,954 **	(90,194)**	(1,075,270) **	–	–	–	–	–	246,684
Closing net book value	<u>3,045,790</u>	<u>4,020,390</u>	<u>424,261</u>	<u>3,245,506</u>	<u>515,945</u>	<u>1,604,399</u>	<u>154,720</u>	<u>1,613,879</u>	<u>6,743,418</u>	<u>21,368,308</u>
<b>At 31 December 2022</b>										
Cost	3,045,790	4,020,390	447,516	3,403,561	1,076,903	5,757,298	290,272	5,142,828	10,130,149	33,314,707
Accumulated depreciation	–	–	(23,255)	(158,055)	(560,958)	(4,152,899)	(135,552)	(3,528,949)	(3,386,731)	(11,946,399)
Net book value	<u>3,045,790</u>	<u>4,020,390</u>	<u>424,261</u>	<u>3,245,506</u>	<u>515,945</u>	<u>1,604,399</u>	<u>154,720</u>	<u>1,613,879</u>	<u>6,743,418</u>	<u>21,368,308</u>
<b>Rate of depreciation (percentage)</b>	–	–	4	4	15 - 25	15 - 33.33	16.67- 20	16.67- 20		

\* This represents exchange rate adjustments of fixed assets in offshore branch operations of the holding company.

\*\* On revaluation as explained in note 2.6.1 to the financial statements and transfer of an asset from non-banking assets.

	2021									
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Right-of-use assets	Total
	Rupees in '000									
<b>At 1 January 2021</b>										
Cost	59,871	99,340	356,349	2,711,067	639,229	3,992,594	206,754	3,459,777	5,803,803	17,328,784
Accumulated depreciation	–	(3,609)	(204,522)	(1,078,644)	(370,905)	(2,915,713)	(78,100)	(2,674,357)	(1,587,609)	(8,913,459)
Net book value	<u>59,871</u>	<u>95,731</u>	<u>151,827</u>	<u>1,632,423</u>	<u>268,324</u>	<u>1,076,881</u>	<u>128,654</u>	<u>785,420</u>	<u>4,216,194</u>	<u>8,415,325</u>
<b>Year ended 31 December 2021</b>										
Opening net book value	59,871	95,731	151,827	1,632,423	268,324	1,076,881	128,654	785,420	4,216,194	8,415,325
Additions	1,326,987	–	–	–	226,414	776,779	74,138	1,000,954	–	3,405,272
Additions to right-of-use assets	–	–	–	–	–	–	–	–	2,352,696	2,352,696
Movement in surplus on assets revalued during the year	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	(1,109)	(1,536)	(7,340)	–	–	(9,985)
Depreciation charge	–	(1,110)	(12,304)	(101,203)	(88,349)	(581,893)	(48,861)	(398,670)	(1,040,456)	(2,272,846)
Exchange rate adjustment	–	–	–	1,718*	136*	118*	3*	–	–	1,975
Closing net book value	<u>1,386,858</u>	<u>94,621</u>	<u>139,523</u>	<u>1,532,938</u>	<u>405,416</u>	<u>1,270,349</u>	<u>146,594</u>	<u>1,387,704</u>	<u>5,528,434</u>	<u>11,892,437</u>
<b>At 31 December 2021</b>										
Cost	1,386,858	99,340	356,349	2,712,785	865,779	4,769,491	280,895	4,460,731	8,156,499	23,088,727
Accumulated depreciation	–	(4,719)	(216,826)	(1,179,847)	(460,363)	(3,499,142)	(134,301)	(3,073,027)	(2,628,065)	(11,196,290)
Net book value	<u>1,386,858</u>	<u>94,621</u>	<u>139,523</u>	<u>1,532,938</u>	<u>405,416</u>	<u>1,270,349</u>	<u>146,594</u>	<u>1,387,704</u>	<u>5,528,434</u>	<u>11,892,437</u>
<b>Rate of depreciation (percentage)</b>	<u>–</u>	<u>1.49</u>	<u>4</u>	<u>4</u>	<u>15 - 25</u>	<u>15 - 33.33</u>	<u>16.67 - 20</u>	<u>16.67 - 20</u>		

\* This represents exchange rate adjustments of fixed assets in offshore branch operations of the holding company.

## 11.3 Revaluation of properties

The Holding Company's land and buildings were revalued by an independent professional valuer, Iqbal A. Nanjee & Co. (Private) Limited as at 30 June 2022. The valuation performed by the valuer on the basis an assessment of present market values. The revaluation has resulted in a net surplus of Rs. 6,795,965 thousand over the book value. Relevant details are as follows:

	2022	2021
	Rupees in '000	
<b>11.3.1</b> Surplus on revaluation of fixed assets are as follows:		
Freehold land	1,070,460	—
Leasehold land	2,488,939	—
Buildings on Freehold land	383,769	—
Buildings on Leasehold land	2,846,455	—
<b>11.3.2</b> Had there been no revaluation the carrying amounts of revalued assets would have been as follows:		
Freehold land	1,975,330	—
Leasehold land	1,531,451	—
Buildings on freehold land	40,492	—
Buildings on leasehold land	399,051	—

## 11.4 The cost of fully depreciated assets still in use includes;

Furniture and fixtures	251,114	193,906
Electrical, office and computer equipment	2,551,173	2,203,141
Vehicles	17,380	8,902
Lease hold improvement	2,557,727	2,064,707

## 11.5 Details of fixed assets disposed-off to related parties during the year ended 31 December 2022

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000					
Vehicle	16	9	1,068	As per HR policy	Mr. Abdul Sattar Laghari (Ex-Employee)
Vehicle	2,505	1,230	2,550	As per HR policy	Mr. Abdul Wahab (Ex-Employee)
Vehicle	2,049	754	1,448	As per HR policy	Mr. Aftab Ahmed (Ex-Employee)
Vehicle	3,415	1,422	2,235	As per HR policy	Mr. Ahmed Shah Durrani (Employee)
Vehicle	2,079	407	1,590	As per HR policy	Mr. Amin Muhammed (Employee)
Vehicle	2,735	1,860	1,860	As per HR policy	Mr. Anjum Amin Siddiqui (Employee)
Vehicle	21	1	1	As per HR policy	Mr. Arif Durvesh (Ex-Employee)
Vehicle	3,004	974	974	As per HR policy	Mr. Arif Durvesh (Ex-Employee)
Vehicle	2,344	951	1,665	As per HR policy	Mr. Arif Karim (Employee)
Vehicle	3,705	1,675	2,235	As per HR policy	Mr. Asad Ali (Employee)
Vehicle	17	8	1,065	As per HR policy	Mr. Asad Bilal (Employee)
Vehicle	2,775	2,197	2,197	As per HR policy	Mr. Babbar Wajid (Employee)
Vehicle	3,985	3,297	3,297	As per HR policy	Mr. Bilal Asgher (Employee)
Vehicle	1,949	319	1,785	As per HR policy	Mr. Budhal Mahesar (Ex-Employee)
Vehicle	2,229	457	1,590	As per HR policy	Mr. Farhan Aslam Choudhary (Employee)
Vehicle	19	10	1,470	As per HR policy	Mr. Farooq Ghias Ahsan Uddin (Ex-Employee)

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
— Rupees in '000 —					
Vehicle	17	7	1,170	As per HR policy	Mr. Farukh Mahmood (Employee)
Vehicle	3,905	2,545	2,545	As per HR policy	Mr. Fuzail Abbas (Employee)
Vehicle	2,804	787	2,100	As per HR policy	Mr. Haris Ahmed (Employee)
Vehicle	2,554	244	1,860	As per HR policy	Mr. Khurram Shahzad (Employee)
Vehicle	1,284	156	1,095	As per HR policy	Mr. Mohammad Khan (Employee)
Vehicle	2,475	1,334	2,500	As per HR policy	Mr. Muhammad Jassem Butt (Ex-Employee)
Vehicle	2,129	436	1,665	As per HR policy	Mr. Muhammad Jawed Munshi (Employee)
Vehicle	3,905	2,686	2,686	As per HR policy	Mr. Muhammad Umar Ghufraan (Employee)
Vehicle	2,855	1,344	1,665	As per HR policy	Mr. Muslim Raza Mooman (Employee)
Vehicle	2,444	1,008	1,665	As per HR policy	Mr. Najeeb Gillani (Employee)
Vehicle	2,515	1,869	2,625	As per HR policy	Mr. Noman Mughal (Ex-Employee)
Vehicle	2,735	2,059	2,059	As per HR policy	Mr. Rafif Uddin Ghauri (Employee)
Vehicle	16	8	1,269	As per HR policy	Mr. Rizwan Ahmed Siddiqui (Employee)
Vehicle	5,557	670	764	As per HR policy	Mr. Sirajuddin Aziz (Ex-Employee)
Vehicle	2,775	2,136	2,760	As per HR policy	Mr. Syed Ather Ahmed (Ex-Employee)
Vehicle	17	9	1,005	As per HR policy	Mr. Waqar Hussain (Employee)
Vehicle	2,204	435	1,590	As per HR policy	Mr. Yawer Ali Gulani (Employee)
Vehicle	3,905	2,705	2,705	As per HR policy	Mr. Zulfiqar Alavi (Employee)
Vehicle	3,304	1,251	2,235	As per HR policy	Syed Abu Tufail (Employee)
Vehicle	2,735	1,844	1,844	As per HR policy	Syed Ammar Yasir Bukhari (Employee)
Vehicle	3,415	1,422	2,235	As per HR policy	Syed Hasnain Haider Rizvi (Employee)
Vehicle	2,669	654	2,100	As per HR policy	Syed Intekhab Hussain Rizvi (Employee)

## 12. INTANGIBLE ASSETS

	2022			2021		
	Computer software	Management rights	Total	Computer software	Management rights	Total
— Rupees in '000 —						
<b>At 1 January</b>						
Cost	655,964	41,600	697,564	552,855	41,600	594,455
Accumulated amortisation and impairment	(534,377)	—	(534,377)	(463,124)	—	(463,124)
Net book value	121,587	41,600	163,187	89,731	41,600	131,331
<b>Year ended 31 December</b>						
Opening net book value	121,587	41,600	163,187	89,731	41,600	131,331
Additions - directly purchased	60,809	—	60,809	103,109	—	103,109
Amortisation charge	(83,589)	—	(83,589)	(71,253)	—	(71,253)
Closing net book value	98,807	41,600	140,407	121,587	41,600	163,187
<b>At 31 December</b>						
Cost	716,773	41,600	758,373	655,964	41,600	697,564
Accumulated amortisation and impairment	(617,966)	—	(617,966)	(534,377)	—	(534,377)
Net book value	98,807	41,600	140,407	121,587	41,600	163,187
Rate of amortisation (percentage)	33.3			33.3		
Useful life in years	3			3		

**12.1** The cost of fully amortised intangible assets (computer software) still in use is Rs. 465,498 thousand (2021: Rs. 428,129 thousand).



## 13. DEFERRED TAX ASSETS

### Deductible temporary differences on

Provision for diminution in value of investments
Provision against advances and off - balance sheet
Accelerated tax depreciation
Deferred liability on defined benefit plan
Deferred liability on compensated absences
Deficit on revaluation of investments
Others

### Taxable temporary differences on

Surplus on revaluation of non-banking assets
Surplus on revaluation of fixed assets
Exchange translation reserve

2022			
Balance as at January 01, 2022	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2021
Rupees in '000			
197,524	50,814	–	248,338
2,568,293	422,634	–	2,990,927
200,837	135,866	–	336,703
21,017	(229)	(14,959)	5,829
440	(440)	–	–
1,101,223	–	2,511,999	3,613,222
7,120	(2,787)	102	4,435
4,096,454	605,858	2,497,142	7,199,454

2021			
Balance as at January 01, 2021	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2021
Rupees in '000			
(877,238)	10	201,564	(675,664)
–	69,030	(1,458,046)	(1,389,016)
(1,053)	–	(2,666)	(3,719)
(878,291)	69,040	(1,259,148)	(2,068,399)
3,218,163	674,898	1,237,994	5,131,055

### Deductible temporary differences on

Provision for diminution in value of investments
Provision against advances and off - balance sheet
Provision against other assets
Accelerated tax depreciation
Deferred liability on defined benefit plan
Deferred liability on compensated absences
Deficit on revaluation of investments
Others

### Taxable temporary differences on

Surplus on revaluation of non-banking assets
Exchange translation reserve

2022		
Note		2021
Rupees in '000		
	21,074,867	11,260,644
	99,685	92,100
	485,332	283,056
14.1	2,204,729	2,297,568
	2,702,151	6,217,789
	25,377,732	29,225,097
	16,850	20,657
	115,334	110,374
14.2	6,386,789	1,091,666
	58,463,469	50,598,951
14.3	(377,802)	(377,076)
	58,085,667	50,221,875
	2,095,111	2,249,327
20.2	60,180,778	52,471,202

## 14. OTHER ASSETS

Income / mark-up / profit accrued in local currency - net of provision
Income / mark-up / profit accrued in foreign currencies - net of provision
Advances, deposits and other prepayments
Non-banking assets acquired in satisfaction of claims
Mark-to-market gain on forward foreign exchange contracts
Acceptances
Receivable from the SBP against encashment of government securities
Stationery and stamps on hand
Others
Provision against other assets
Other assets (net of provision)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims

	2022	2021
	Rupees in '000	
<b>14.1</b> Market value of non-banking assets acquired in satisfaction of claims	<u>4,299,840</u>	<u>4,546,895</u>

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuator as at 31 December 2021. The revaluation was carried out by M/s Akbani & Javed Associates on the basis of an assessment of present market values.

	2022	2021
	Rupees in '000	
<b>14.1.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening balance	4,546,895	2,982,632
Revaluation	–	2,154,549
Disposals	–	(313,155)
Transferred to fixed asset	(246,684)	–
Reversal of surplus on disposal of non-banking assets	–	(243,261)
Depreciation	(371)	(33,870)
Closing balance	<u>4,299,840</u>	<u>4,546,895</u>

**14.2** This includes Rs. 5,384,344 thousand (2021: Nil) representing payments for the holding company customers against letters of credit which were subsequently adjusted against the margin deposits and/or classified as advances on the execution of relevant documents.

#### 14.3 Movement in provision held against other assets

Opening balance	377,076	462,880
Charge for the year	726	165,000
Reversal for the year	–	(249,619)
	726	(84,619)
Amount written off	–	(1,185)
Closing balance	<u>377,802</u>	<u>377,076</u>

#### 15. BILLS PAYABLE

In Pakistan	19,445,038	17,856,030
Outside Pakistan	93,390	88,614
	<u>19,538,428</u>	<u>17,944,644</u>

	Note	2022	2021
Rupees in '000			
<b>16. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.2	80,119,841	68,897,225
Long term financing facility - renewable energy scheme	16.3	2,454,119	1,592,554
Long term financing facility	16.4	21,471,497	18,184,877
Refinance for payment of wages and salaries	16.5	2,398,979	12,662,380
Temporary economic refinance facility	16.6	31,169,597	28,219,857
Long term financing facility - for storage of agricultural produce scheme	16.7	532,962	639,685
Refinance facility for modernization of SME	16.8	123,608	21,228
Refinance facility for combating COVID-19	16.9	51,463	67,754
	16.10	138,322,066	130,285,560
Repurchase agreement borrowings (Repo)	16.11	197,452,237	182,851,203
Due against bills rediscounting	16.12	4,254,594	-
		<u>340,028,897</u>	<u>313,136,763</u>
<b>Unsecured</b>			
Certificates of investment	16.13	9,619,699	5,863,977
Call borrowing	16.14	2,600,000	3,000,000
Musharika borrowing	16.15	430,940	748,666
Overdrawn nostro accounts		1,323,711	29,749
Overdrawn local bank accounts		15,160	-
		<u>13,989,510</u>	<u>9,642,392</u>
		<u>354,018,407</u>	<u>322,779,155</u>
<b>16.1 Particulars of borrowings in respect of currencies</b>			
In local currency		348,440,102	322,749,406
In foreign currencies		5,578,305	29,749
		<u>354,018,407</u>	<u>322,779,155</u>

**16.2** These borrowings have been obtained from the SBP for extending export finance to customers. These carry mark-up at rates ranging from 11% to 12% per annum (2021: 1.00% to 2.00% per annum) and are due to mature latest by 04 July 2023.

**16.3** These borrowings have been obtained from the SBP under a scheme for providing financing facilities to customers against renewable energy plants. These carry mark-up at rates ranging from 2% to 3% per annum (2021: 2.00% per annum) and are due to mature latest by 31 May 2034.

**16.4** These borrowings have been obtained from the SBP under a scheme for providing concessionary financing facilities to the industry for purchase of new locally manufactured plant and machinery. These carry mark-up at rates ranging from 10% to 11.5% per annum (2021: 2.00% to 3.50% per annum) and are due to mature latest by 28 November 2032.

**16.5** These borrowings have been obtained from the SBP under a scheme for providing financing facilities to help businesses in payment of wages and salaries to their employees during the pandemic and thereby support continued employment. These carry mark-up at rate of 0% per annum (2021: 0% per annum) and are due to mature latest by 03 January 2023.

**16.6** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries during the pandemic. These carry mark-up at rate of 1% per annum (2021: 1.00% per annum) and are due to mature latest by 31 December 2032.

**16.7** These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of 2% per annum (2021: 2.00% per annum) and are due to mature latest by 21 February 2032.

- 16.8** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises (SME). These carry mark-up at rates of 2% per annum (2021: 1.00% per annum) and are due to mature latest by 07 October 2027.
- 16.9** These borrowings have been obtained from the SBP under a scheme to provide combat the emergency refinance facility to hospitals & medical centre. These carry mark-up at rates of 0% per annum (2021: 0% per annum) and are due to mature latest by 30 June 2026.
- 16.10** As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP.
- 16.11** These carry mark-up rates ranging between 15.75% to 16.75% (2021: 9.87% to 10.70%) per annum having maturity upto 03 March 2023 (2021: 25 February 2022) and are secured against investments mentioned in note 9.2.1.
- 16.12** This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rates ranging between 5.11% to 6.04% (2021: Nil) per annum having maturity upto 3 April 2023 (2021: Nil).
- 16.13** These carry mark-up rates ranging between 8.3% to 16.6% (2021: 5.5% to 7.10%) per annum having maturity upto 12 December 2023 (2021: 28 December 2022).
- 16.14** These carry mark-up at rates ranging from 15.70% to 16.10% (2021: 10.7%) per annum having maturity upto 03 January 2023 (2021: 04 January 2022).
- 16.15** These carry mark-up at rates ranging from 15.96% to 16.02% (2021: 10.77%) per annum.

## 17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	261,734,505	42,738,681	304,473,186	228,774,493	36,061,897	264,836,390
Savings deposits	216,746,274	19,820,695	236,566,969	171,147,729	22,694,898	193,842,627
Term deposits	211,585,932	52,733,398	264,319,330	208,829,163	50,892,644	259,721,807
Others	48,007,631	18,692	48,026,323	19,579,290	13,692	19,592,982
	738,074,342	115,311,466	853,385,808	628,330,675	109,663,131	737,993,806
<b>Financial institutions</b>						
Current deposits	1,298,132	882,797	2,180,929	1,240,863	1,922,927	3,163,790
Savings deposits	19,215,914	–	19,215,914	26,524,236	–	26,524,236
Term deposits	4,862,729	6,945	4,869,674	3,961,404	5,415	3,966,819
Others	–	–	–	1,078	–	1,078
	25,376,775	889,742	26,266,517	31,727,581	1,928,342	33,655,923
	763,451,117	116,201,208	879,652,325	660,058,256	111,591,473	771,649,729

### 17.1 Composition of deposits

	2022	2021
	Rupees in '000	
Individuals	389,001,497	321,412,477
Government (Federal and Provincial)	57,795,609	38,405,501
Public Sector Entities	33,175,399	52,559,203
Banking Companies	99,488	5,025,795
Non-Banking Financial Institutions	26,167,029	28,630,128
Private Sector	373,413,303	325,616,625
	879,652,325	771,649,729

- 17.2** This includes eligible deposits of Rs. 462,162,381 thousand (2021: Rs. 397,450,267 thousand) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

	Note	2022	2021
		Rupees in '000	
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		14,447,408	6,807,583
Mark-up / return / interest payable in foreign currencies		985,955	429,878
Unearned commission and income on bills discounted		529,602	532,943
Accrued expenses		2,457,947	1,507,731
Current taxation (provision less payments)		4,806,885	2,114,976
Acceptances		25,377,732	29,225,097
Unclaimed dividend		138,797	163,681
Dividend payable		1,032,890	–
Branch adjustment account		2,233	558
Mark-to-market loss on forward foreign exchange contracts		2,180,854	2,939,889
Provision for compensated absences	36.2	269,345	264,715
Payable to defined benefit plan	35.4	35,074	56,626
Provision against off-balance sheet obligations	18.1	32,583	32,583
Workers' welfare fund	18.3	2,650,204	2,055,242
Charity fund balance		3,666	4
Excise duty payable		3,081	2,629
Locker deposits		980,238	923,249
Advance against diminishing musharakah		288,675	201,567
Advance rental for ijarah		15,872	1,362
Security deposits against leases / ijarah		256,562	385,938
Sundry creditors		2,219,944	1,694,627
Lease liability against right-of-use assets	18.2	7,810,670	6,187,428
Withholding tax / duties		450,494	365,630
Others	18.4	12,970,736	34,621
		<u>79,947,447</u>	<u>55,928,557</u>

## 18.1 Provision against off-balance sheet obligations

Opening balance	32,583	113,716
Charge for the year	–	(81,133)
Closing balance	<u>32,583</u>	<u>32,583</u>

The above represents provision against certain letters of credit and guarantee.

## 18.2 Lease liability against right-of-use assets

Not later than 1 year	859,158	693,495
Later than one and less than five years	4,609,734	3,630,976
Over five years	2,341,778	1,862,957
	<u>7,810,670</u>	<u>6,187,428</u>

**18.3** Under the Workers' Welfare Ordinance 1971, the holding company is liable to pay workers' welfare fund (WWF) @ 2% of accounting profit before tax or taxable income, whichever is higher. The holding company has made full provision for WWF based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions, the judgement may not currently be treated as conclusive. Accordingly the holding company maintains its provision in respect of WWF.

- 18.4** This includes Rs. 12,186,315 thousand (2021: Nil) received by the holding company from a correspondent bank against standby letter of credit claimed by the customer. The honorable High Court of Sindh has passed interim order restraining the holding company to transfer amount pending arbitration.

## 19. SHARE CAPITAL

### 19.1 Authorised capital

2022 (Number of shares)	2021		2022 Rupees in '000	2021
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

### 19.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs. 10/- each		
30,000,000	30,000,000	– Fully paid in cash	300,000	300,000
92,500,000	92,500,000	– Issued upon amalgamation	925,000	925,000
<u>925,331,480</u>	<u>925,331,480</u>	– Issued as bonus shares	<u>9,253,315</u>	<u>9,253,315</u>
<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u>	<u>10,478,315</u>

- 19.3** As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2021: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding) and Habib Insurance Company Limited (the associated company) held 6,306 thousand (2021: 4,037 thousand) ordinary shares of Rs. 10/- each.

### 19.4 Non-Controlling Interest (NCI)

	2022			2021		
	First Habib Modaraba	Habib Metro Modaraba	Total	First Habib Modaraba	Habib Metro Modaraba	Total
<b>NCI Percentage</b>	84.57%	30.00%		90.00%	30.00%	
	Rupees in '000					
Assets	19,655,973	–	19,655,973	14,428,814	351,399	14,780,213
Liabilities	(15,298,390)	–	(15,298,390)	(10,648,525)	(28,827)	(10,677,352)
<b>Net assets</b>	<u>4,357,583</u>	<u>–</u>	<u>4,357,583</u>	<u>3,780,289</u>	<u>322,572</u>	<u>4,102,861</u>
<b>Net assets attributable to NCI</b>	<u>3,685,208</u>	<u>–</u>	<u>3,685,208</u>	<u>3,402,260</u>	<u>96,772</u>	<u>3,499,032</u>
Profit for the year / six months period	622,428	10,715	633,143	377,495	16,038	393,533
Other comprehensive income	(163,335)	–	(163,335)	80,503	–	80,503
<b>Total comprehensive income</b>	<u>459,093</u>	<u>10,715</u>	<u>469,808</u>	<u>457,998</u>	<u>16,038</u>	<u>474,036</u>
<b>Total comprehensive income allocated to NCI</b>	<u>399,453</u>	<u>3,215</u>	<u>402,668</u>	<u>412,198</u>	<u>4,811</u>	<u>417,009</u>
<b>Dividend paid to NCI</b>	<u>(181,440)</u>	<u>(4,050)</u>	<u>(185,490)</u>	<u>(254,016)</u>	<u>(3,600)</u>	<u>(257,616)</u>

	Note	2022	2021
		Rupees in '000	
<b>20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
– Available-for-sale securities	9.1	(8,400,737)	(2,680,847)
– Fixed Assets	20.1	6,789,623	–
– Non-banking assets	20.2	2,095,111	2,249,327
		483,997	(431,520)
Less: Deferred tax on surplus / (deficit) on revaluation of			
– Available-for-sale securities		(3,613,221)	(1,101,223)
– Fixed Assets	20.1	1,389,016	–
– Non-banking assets	20.2	675,664	877,238
		1,548,541	223,985
		2,032,538	(207,535)
Less: (surplus) / deficit pertaining to non-controlling interest		(3,121)	(149,528)
Deficit pertaining to equity holder's share		2,029,417	(357,063)

## 20.1 Fixed assets

Surplus on revaluation as at 01 January	–	–
Revaluation of fixed assets during the year	6,795,964	–
Transferred from non-banking asset	154,193	–
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax	(91,504)	–
Related deferred tax liability on incremental depreciation	(69,030)	–
	6,789,623	–
Surplus on revaluation as at 31 December	6,789,623	–
Less: Related deferred tax liability on:		
Revaluation as at 01 January	–	–
Revaluation of fixed assets during the year	1,457,854	–
Transferred to fixed assets	192	–
Incremental depreciation during the year	(69,030)	–
	1,389,016	–
Related deferred tax liability	1,389,016	–
	5,400,607	–

	Note	2022	2021
		Rupees in '000	
<b>20.2 Non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at 01 January		2,249,327	341,491
Revaluation of non-banking assets during the year		–	2,154,549
Reversal of surplus on disposal - net of deferred tax		–	(148,389)
Related deferred tax liability on reversal of surplus on disposal		–	(94,872)
Transferred to fixed asset		(154,193)	–
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the year - net of deferred tax		(13)	(2,106)
Related deferred tax liability on incremental depreciation		(10)	(1,346)
		(154,216)	1,907,836
Surplus on revaluation as at 31 December		2,095,111	2,249,327
Less: Related deferred tax liability on:			
Revaluation as at 01 January		877,238	119,521
Revaluation of non-banking assets during the year		–	840,274
Revaluation of surplus on disposal		–	(94,872)
Transferred to fixed assets		(192)	–
Impact of change of rate	20.2.1	(201,372)	13,661
Incremental depreciation during the year		(10)	(1,346)
		(201,574)	757,717
Related deferred tax liability		675,664	877,238
		1,419,447	1,372,089

**20.2.1** This include reversal on account of the change in holding period as per tax laws.

## 21. CONTINGENCIES AND COMMITMENTS

Guarantees	21.1	131,519,154	112,912,689
Commitments	21.2	396,023,125	604,750,338
Other contingent liabilities	21.3	2,980,386	3,078,218
		530,522,665	720,741,245

### 21.1 Guarantees

Financial Guarantees	26,172,591	44,818,267
Performance Guarantees	62,206,335	41,897,915
Other guarantees	43,140,228	26,196,507
	131,519,154	112,912,689



	Note	2022	2021
		Rupees in '000	
<b>21.2 Commitments</b>			
Documentary credits and short-term trade-related transactions:			
Letters of credit		157,455,041	198,716,273
Commitments in respect of:			
Forward exchange contracts	21.2.1	236,024,551	402,981,660
Forward lendings	21.2.2	2,077,327	2,916,949
Acquisition of operating fixed assets		466,206	135,456
		238,568,084	406,034,065
		396,023,125	604,750,338
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		128,349,072	216,511,732
Sale		107,675,479	186,469,928
		236,024,551	402,981,660

## 21.2.2 Commitments in respect of forward lendings

The Group has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	2022	2021
		Rupees in '000	
Commitments in respect of syndicate financing		1,165,004	1,902,213
Commitments in respect of other financing		912,323	1,014,736
		2,077,327	2,916,949
<b>21.3 Other contingent liabilities</b>			
Claims against holding company not acknowledged as debt	21.3.1	2,874,330	2,972,162
Foreign exchange repatriation case	21.3.2	106,056	106,056
		2,980,386	3,078,218

**21.3.1** These mainly represent counter claims by borrowers for damages and other claims against the Group. Management is confident that the matters will be decided in the holding company's favour. Accordingly, no provision has been made in these consolidated financial statements.

### 21.3.2 Foreign exchange repatriation case

While adjudicating Foreign exchange repatriation cases of exporters, the foreign exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the holding company. The holding company has filed appeals before the Appellate Board and constitutional petitions in the Honorable High Court of Sindh against the said judgement. The Honorable High Court has granted relief to the holding company by way of interim orders. Based on merits of the appeals, management is confident that these appeals shall be decided in favor of the holding company and therefore no provision has been made against the impugned penalty.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "Foreign exchange income". Mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company's customers to protect from unfavorable 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).

	2022	2021
	Rupees in '000	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	43,878,312	21,733,922
Investments	88,487,687	51,415,894
Lending with financial institutions	2,784,170	1,187,007
Balance with other banks	27,341	22,133
	<u>135,177,510</u>	<u>74,358,956</u>

## 24. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	60,851,130	27,757,160
Borrowings	27,717,852	12,347,986
Cost of foreign currency swaps against foreign currency deposits	4,125,891	3,460,378
Lease liability against right-of-use assets	817,509	634,841
	<u>93,512,382</u>	<u>44,200,365</u>

	2022	2021
	Rupees in '000	
<b>25. FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees	894,410	610,329
Credit related fees	44,968	41,956
Card related fees	778,556	591,838
Commission on trade	4,942,364	4,704,482
Commission on guarantees	819,349	580,756
Commission on remittances including home remittance	38,637	51,793
Commission on bancassurance	184,306	185,780
Commission on cash management	132,467	99,976
Investment Banking Fee	40,769	14,890
Others	155,224	85,142
	<u>8,031,050</u>	<u>6,966,942</u>
<b>26. GAIN / (LOSS) ON SECURITIES</b>		
Federal government securities - net	(209,955)	(3,985)
Shares - net	117,872	3,849
Mutual funds - net	28,447	102,162
	<u>(63,636)</u>	<u>102,026</u>
<b>27. OTHER INCOME</b>		
Rent on properties	26,629	17,364
Gain on sale of fixed assets - net	42,004	25,405
Gain on sale of non-banking assets	—	227,988
Gain on sale of right-of-use assets - net	14,136	—
Gain on sale of ijarah assets - net	87,305	24,791
Staff notice period and other recoveries	847	813
	<u>170,921</u>	<u>296,361</u>

	Note	2022	2021
		Rupees in '000	
<b>28. OPERATING EXPENSES</b>			
Total compensation expense	28.1	9,630,271	7,682,267
<b>Property expense</b>			
Rent & taxes		174,508	203,726
Insurance		6,879	4,120
Utilities cost		1,045,467	572,048
Security (including guards)		692,183	507,782
Repair & maintenance (including janitorial charges)		648,840	560,709
Depreciation on owned fixed assets		688,600	513,288
Depreciation on right-of-use assets		1,294,821	1,040,456
		4,551,298	3,402,129
<b>Information technology expenses</b>			
Software maintenance		369,168	224,635
Hardware maintenance		271,201	177,153
Depreciation		277,958	220,152
Amortisation		83,588	71,253
Network charges		372,719	268,571
		1,374,634	961,764
<b>Other operating expenses</b>			
Directors' fees and allowances		12,643	13,427
Fees and allowances to Shariah Board		21,372	14,344
Legal & professional charges		223,633	188,521
Outsourced services costs	34.1	309,779	290,503
Travelling & conveyance		482,552	274,218
NIFT clearing charges		91,907	71,067
Depreciation		596,704	498,950
Depreciation - non-banking assets		371	33,870
Training & development		34,112	35,568
Postage & courier charges		142,604	115,038
Communication		135,612	125,695
Subscription		470,586	258,623
Repair & maintenance		199,961	135,024
Brokerage & commission		186,099	200,350
Stationery & printing		422,560	267,236
Marketing, advertisement & publicity		518,819	197,070
Management fee		798,514	540,306
Insurance		972,068	760,312
Donations	28.3	200,405	160,319
Auditors' Remuneration	28.4	27,012	13,808
Security		229,185	175,208
Others		695,291	442,094
	28.2	6,771,789	4,811,551
		<u>22,327,992</u>	<u>16,857,711</u>

## 28.1 Total compensation expense

	2022	2021
	Rupees in '000	
Managerial Remuneration		
i) Fixed	7,482,305	6,189,052
ii) Variable - Cash Bonus / Awards etc.	797,737	623,430
Charge for defined benefit plan	311,794	171,987
Contribution to defined contribution plan	284,744	248,122
Charge for compensated absences	102,678	84,629
Rent & house maintenance	37,617	32,203
Conveyance	582,995	302,826
Employee Old Age Benefits Contribution	30,401	30,018
	<u>9,630,271</u>	<u>7,682,267</u>

**28.2** Total cost for the year included in other operating expenses (other than in outsourced services cost) relating to outsourced activities is Rs. 113,136 thousand (2021: Rs. 76,348 thousand) pertaining to payments made to companies incorporated in Pakistan.

	2022	2021
	Rupees in '000	

**28.3** Donations paid in excess of Rs. 500,000 to a single party during the year are as follows:

### DONEE

The Citizens Foundation	41,000	20,900
The Indus Hospital	38,700	33,258
Habib University Foundation	25,000	25,000
Nisar Fatima Amin Foundation	15,000	-
Karachi Relief Trust	10,000	-
Al-Mustafa Welfare Society Trust	5,000	-
Jafaria Disaster Cell Welfare Organization	4,350	812
Saylani Welfare International	3,500	-
SIUT Trust	3,000	3,073
Network of Organizations Working with Persons with Disabilities, Pakistan	3,000	-
The Hunar Foundation	2,900	900
Family Educational Services Foundation	2,150	500
Khoja (Pirhai) Shia Isna Asheri Jamat	2,000	26,152
Rehnuma Public School (Path Education Society)	1,825	650
Karachi Down Syndrome Program	1,750	-
Institute of Business Administration	1,720	2,370
Thar Education Alliance	1,387	-
Developments in Literacy	1,200	-
Abbas-e-Alamdar Hostel	1,100	1,100
Lady Dufferin Hospital	1,100	-
Safaid Posh Dastarkhwan	1,050	600
Ayesha Chundrigar Foundation	1,050	-
The Kidney Centre Post Graduate Training Institute	1,000	1,208
Alleviate Addiction Suffering Trust	1,000	1,000
The Patients Behbud Society for AKUH	1,000	1,000
Abdul Sattar Edhi Foundation	1,000	1,000
Al-Umeed Rehabilitation Association	1,000	1,000
Anjuman Behbood-e-Samat-e-Atfal	1,000	1,000
Bait-ul-Sukoon	1,000	1,000
Zehra Homes	1,000	1,000
The Layton Rehmatulla Benevolent Trust	1,000	500
APWA Raana Liaquat Craftsman	1,000	-
Memon Health and Education Foundation (Memon Medical Institute)	1,000	-
The Aga Khan Hospital and Medical College Foundation	1,000	-
Al-Sayyeda Benevolent Trust	960	1,560

	2022	2021
	Rupees in '000	
<b>DONEE</b>		
Habib Medical Trust	960	960
Habib Poor Fund	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
Pakistan Memon Educational & Welfare Society	600	600
Ida Rieu Welfare Association	600	—
Make-a-Wish Foundation Pakistan	600	—
Marie Adelaide Leprosy Centre	600	—
Habib Public School	500	2,500
Habib Girls School Trust	500	1,000
Karwan-e-Hayat (Institute For Mental Health)	500	500
Memon Educational Board	500	500
Pak Medical and Welfare Trust (Paknight Clinic)	500	500
Pakistan Hindu Council	500	500
Pakistan Memon Women Educational Society	500	500
Panah Trust	500	500
Poor Patients Aid Society, Civil Hospital, Karachi	500	500
ChildLife Foundation	500	—
Health Oriented Preventive Education	500	—
Healthcare and Social Welfare Association	500	—
Shaukat Khanum Memorial Trust	500	—
Vocational Welfare Society for Mentally Retarded (Markaz-e-Umeed)	500	—
Patients' Aid Foundation	—	12,000
Fatimiyah Education Network	—	2,000
Mohamedali Habib Welfare Trust	—	1,000
The National Institute of Child Health	—	500

None of the directors, executives and their spouses had interest in the donations disbursed during the year 2022, except for donations paid to:

Name of Donee	Directors	Interest in Donee as
Habib University Foundation	Mr. Mohomed Bashir Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
RehmatBai Habib Food & Clothing Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees
RehmatBai Habib Widows & Orphan Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees

#### 28.4 Auditors' remuneration

	2022	2021
	Rupees in '000	
Audit fee	5,455	4,601
Review of half yearly financial statements	1,846	1,664
Fee for other statutory reporting / other services	12,565	2,949
Special certifications	2,500	2,324
Sales tax and out-of-pocket expenses on above services	4,646	2,270
	<u>27,012</u>	<u>13,808</u>

#### 29. OTHER CHARGES

Penalties imposed by the SBP	<u>67,878</u>	<u>170,918</u>
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	Note	2022	2021
		Rupees in '000	
<b>30. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision / (reversal) of provision for diminution in value of investments - net	9.3.1	236,225	(1,113)
Provision against loan & advances - net	10.5	3,606,345	2,251,090
Charge / (reversal) of provision against other assets / off-balance sheet obligations	14.3 & 18.1	726	(165,752)
Recovery of written-off bad debts		(83,658)	(32,142)
		<u>3,759,638</u>	<u>2,052,083</u>
<b>31. TAXATION</b>			
Current		14,219,550	8,345,863
Prior		—	(1,378)
Deferred	13	(674,898)	(218,761)
		<u>13,544,652</u>	<u>8,125,724</u>
<b>31.1</b> Income tax assessments of the Bank and subsidiary companies have been finalised up to the tax year 2022 (corresponding to the accounting year ended 31 December 2021). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal), Appellate Tribunal Inland Revenue (ATIR) and High court. However, adequate provisions are being held by the Group.			
<b>31.2 Relationship between tax expense and accounting profit</b>			
		2022	2021
		Rupees in '000	
Profit before tax		<u>28,468,828</u>	<u>21,987,995</u>
Tax at the applicable tax rate		13,745,809	8,575,318
Deferred tax - prior year (due to change in tax rate)		(302,908)	(326,269)
Income taxed at lower rate		(26,841)	(125,776)
Permanent differences		128,592	2,451
Tax charge for the year		<u>13,544,652</u>	<u>8,125,724</u>
<b>32. BASIC AND DILUTED EARNINGS PER SHARE</b>			
	Note	2022	2021
		Rupees in '000	
Profit attributable to equity shareholders of the holding company		<u>14,373,559</u>	<u>13,517,714</u>
		Number in '000	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		Rupees	
Basic and diluted earnings per share		<u>13.72</u>	<u>12.90</u>
		Rupees in '000	
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	54,747,439	83,386,045
Balances with other banks	7	22,867,486	3,203,963
Overdrawn nostro accounts	16	(1,338,871)	(29,749)
		<u>76,276,054</u>	<u>86,560,259</u>

### 33.1 Reconciliation of movement of liabilities to cash flow arising from financing activities

	2022			
	Equity			
	Other liabilities	Reserves	Unappropriated profit	Non-Controlling interest
	Rupees in '000			
Balance as at 1 January	55,928,557	22,898,760	30,370,219	3,499,032
Changes from financing cash flow				
Dividend paid	–	–	(4,231,151)	(185,490)
Liability-related other changes				
Changes in other liabilities				
- Cash based	21,965,058	–	–	–
- Non-cash based	1,045,826	31,002	–	(31,002)
- Dividend payable	1,008,006	–	(1,008,006)	–
Transfer of profit to statutory reserve	–	3,016,694	(3,016,694)	–
Total liability related other charges	24,018,890	3,047,696	(4,024,700)	(31,002)
Equity related other changes	–	3,168	14,470,574	402,668
Balance as at 31 December	79,947,447	25,949,624	36,584,942	3,685,208

	2021			
	Equity			
	Other liabilities	Reserves	Unappropriated profit	Non-Controlling interest
	Rupees in '000			
Balance as at 1 January	62,657,119	20,129,515	24,207,141	3,339,639
Changes from financing cash flows				
Dividend paid	–	–	(4,689,466)	(257,616)
Liability-related other changes				
Changes in other liabilities				
- Cash based	(3,028,480)	–	–	–
- Non-cash based	(3,725,858)	–	–	–
- Dividend payable	25,776	–	(25,776)	–
Transfer of profit to statutory reserve	–	2,767,597	(2,767,597)	–
Total liability related other charges	(6,728,562)	2,767,597	(2,793,373)	–
Equity related other changes	–	1,648	13,645,917	417,009
Balance as at 31 December	55,928,557	22,898,760	30,370,219	3,499,032

### 34. STAFF STRENGTH

	2022	2021
	Number	
Permanent	5,565	5,130
Temporary	579	540
Group's own staff strength at end of the year	6,144	5,670



**34.1** In addition to the above, 879 (2021: 848) employees of outsourcing services companies were assigned to the holding company as at 31 December 2022 to perform services other than guarding and janitorial services.

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

The benefits under the funded gratuity schemes are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

This benefit is being operated by the Bank and two subsidiaries.

	2022	2021
	Number	
<b>35.2 Number of employees under the scheme</b>		
Gratuity funds	<u>5,522</u>	<u>5,057</u>

### 35.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2022 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2022	2021
Discount rate - percent per annum	14.25	11.75 to 12.50
Expected rate of return on plan assets - percent per annum	11.75 to 12.50	10.25 to 13.45
Long term rate of salary increase - percent per annum	13.75 to 11.25	11.75 to 12.25
Mortality rates (for death in service)	Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005

	Note	2022	2021
		Rupees in '000	
<b>35.4 Reconciliation of payable to defined benefit plan</b>			
Fair value of plan assets	35.6	2,027,436	1,741,386
Present value of defined benefit obligation	35.5	(2,062,510)	(1,798,012)
Payable		<u>(35,074)</u>	<u>(56,626)</u>

### 35.5 Movement in payable to defined benefit plan

Obligations at the beginning of the year	1,798,012	1,645,309
Current service cost	239,104	170,515
Past service cost	65,925	-
Interest cost	214,299	160,850
Benefits due but not paid (payables)	(4,498)	(6,734)
Benefits paid by the Group	(164,475)	(149,455)
Re-measurement (gain) / loss	(85,857)	(22,473)
Obligations at the end of the year	<u>2,062,510</u>	<u>1,798,012</u>

	Note	2022	2021
		Rupees in '000	
<b>35.6 Movement in fair value of plan assets</b>			
Fair value at the beginning of the year		1,741,386	1,627,457
Interest income on plan assets		207,534	159,378
Contribution by the Group		314,518	171,245
Benefits paid		(164,475)	(149,455)
Benefits due but not paid		(4,498)	(6,734)
Re-measurements: Net return on plan assets over interest income loss	35.8.2	(67,029)	(60,505)
Fair value at the end of the year		<u>2,027,436</u>	<u>1,741,386</u>
<b>35.7 Movement in payable under defined benefit schemes</b>			
Opening balance		56,626	17,852
Charge / (reversal) for the year		311,794	171,987
Contribution by the Group		(314,518)	(171,245)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	(18,828)	38,032
Closing balance		<u>35,074</u>	<u>56,626</u>
<b>35.8 Charge for defined benefit plans</b>			
<b>35.8.1 Cost recognised in profit and loss</b>			
Past service cost		65,925	–
Current service cost		239,104	170,515
Net interest on defined benefit asset		6,765	1,472
		<u>311,794</u>	<u>171,987</u>
<b>35.8.2 Re-measurements recognised in OCI during the year</b>			
Loss / (gain) on obligation			
- Financial assumptions		4,585	6,985
- Experience adjustment		(90,442)	(29,458)
		<u>(85,857)</u>	<u>(22,473)</u>
Return on plan assets over interest income		67,029	60,505
Total re-measurements recognised in OCI		<u>(18,828)</u>	<u>38,032</u>
<b>35.9 Components of plan assets</b>			
PLS Saving Account	35.9.1	255,531	144,251
Term deposit certificate	35.9.1	98,869	252,191
Federal Government securities			
Defence Saving Certificates		1,114,000	1,022,300
Pakistan Investment Bonds		51,967	253,784
Special saving Certificates		15,000	47,519
Non government debt securities		492,069	21,341
		<u>2,027,436</u>	<u>1,741,386</u>

**35.9.1** The above amount represent balance which is deposited or placed with the branches of the holding company.

**35.9.2** Further, the funds primarily invest in Government securities do not carry any credit risk however these are subject to interest rate risk based on market movements. These risks are regularly monitored by the Trustees of the employee funds.

## 35.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2022 Rupees in '000
1 % increase in discount rate	(187,099)
1 % decrease in discount rate	216,806
1% increase in expected future increment in salary	217,935
1% decrease in expected future increment in salary	(191,281)
10% increase in expected withdrawal rate	750
10% decrease in expected withdrawal rate	(783)
1% increase in expected mortality rate	1,353
1% decrease in expected mortality rate	(1,249)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

## 35.11 Expected contributions to be paid to the funds in the next financial year

278,185

## 35.12 Expected charge for the next financial year

278,185

## 35.13 Maturity profile

The weighted average duration of the obligation is 10.4 years.

## 35.14 Funding Policy

The Group has the policy to make annual contributions to the fund based on actuarial report.

## 35.15 Significant risk associated with the staff retirement benefit schemes include:

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The duration of the liabilities is 10 Years. Based on the weighted average duration of this plan and guidance from Pakistan Society of Actuaries ("PSOA"), the discount rate used for the calculations is 14.25% per annum.
Inflation risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Mortality rate	The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
Withdrawal rate	The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

## 36. DEFINED CONTRIBUTION PLAN AND COMPENSATED ABSENCES

### 36.1 Provident fund

The Group (the Bank and two subsidiaries) operates contributory provident fund schemes for permanent employees. The employer and employee each contribute 10% of the basic salary to the funded schemes every month.

Number of the members participating in the funds at the end of the year 30 June 2022 as per audited accounts are 4,584 (2021: 4,196).

### 36.2 Compensated absences

The holding company maintains a non-funded scheme for compensated absences. These can be accumulated up to 60 days. Liability as of the year-end was Rs. 269,345 thousand (2021: Rs. 264,715 thousand) and was determined through an actuarial valuation carried out under the 'Projected Unit Credit Method'. Valuation was carried out by a qualified actuary. Charge for the year amounting to Rs. 102,678 thousand (2021: Rs. 84,629 thousand) has been recognised to the profit and loss account.

## 37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 37.1 Total compensation expense

	2022					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	6,200	-	-	-	-
Managerial remuneration						
Fixed	-	-	19,968	137,543	401,132	709,548
Charge for defined benefit plan	-	-	329	5,502	13,634	26,173
Contribution to defined contribution plan	-	-	345	5,700	15,002	25,077
Security charges and vehicle maintenance	6,108	-	-	-	-	-
Utilities	335	-	-	2,593	950	-
Others	-	-	-	-	1,120	-
	<u>6,443</u>	<u>6,200</u>	<u>20,642</u>	<u>151,338</u>	<u>431,838</u>	<u>760,798</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>25</u>	<u>106</u>
2021						
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	7,600	-	-	-	-
Managerial remuneration						
Fixed	-	-	14,344	134,048	360,788	623,346
Charge for defined benefit plan	-	-	164	3,446	10,391	15,273
Contribution to defined contribution plan	-	-	103	5,529	15,177	22,246
Security charges and vehicle maintenance	5,568	-	-	-	-	-
Utilities	259	-	-	1,509	928	-
Others	-	-	-	-	929	-
	<u>5,827</u>	<u>7,600</u>	<u>14,611</u>	<u>144,532</u>	<u>388,213</u>	<u>660,865</u>
Number of persons	<u>1</u>	<u>4</u>	<u>6</u>	<u>1</u>	<u>26</u>	<u>119</u>

**37.1.1** The Chief Executive and certain executives are provided with free use of car and leave fare assistance in accordance with their terms of employment. The Chief executive is also provided with accommodation.

**37.1.2** In addition to above, bonus paid to the chief executive, members of Shari'ah board, Key management personnel and other material risk taker / controller of the Bank amounted to Rs. 52,500 thousand (2021: Rs. 51,250 thousand), Rs. 1,059 thousand (2021: Rs. 510 thousand), Rs. 79,133 thousand (2021: Rs. 62,729 thousand) and Rs. 122,086 thousand (2021: Rs. 81,535 thousand) respectively.

**37.1.3** The total amount of deferred bonus as at 31 December 2022 for the President / CEO, members of Shari'ah board, key management personnel and other material risk takers / material risk controllers is Rs. 101,149 thousand (31 December 2021: Rs. 69,563 thousand). The deferred bonus is held in a trust fund.

**37.1.4** Key management personnel includes remuneration of Chief Executive Officers of subsidiary companies.

## 37.2 Remuneration paid to the Directors for participation in the Board and Committee Meetings

		2022					
		Meeting fees and allowances paid					
		For Board committees					Total amount paid
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	
Rupees in '000							
1	Mohamedali R. Habib	—	—	—	—	—	—
2	Anjum Z. Iqbal	—	—	—	—	—	—
3	Firasat Ali	800	—	300	300	600	2,000
4	Hamza Habib	—	—	—	—	—	—
5	Mohomed Bashir	800	—	—	—	—	800
6	Muhammed H. Habib	—	—	—	—	—	—
7	Rashid Ahmad Jaffer	800	800	—	—	—	1,600
8	Tahira Raza	800	—	—	400	600	1,800
Total Amount Paid		3,200	800	300	700	1,200	6,200

		2021					
		Meeting fees and allowances paid					
		For Board committees					Total amount paid
Sr. no.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	
Rupees in '000							
1	Mohamedali R. Habib	—	—	—	—	—	—
2	Anjum Z. Iqbal	—	—	—	—	—	—
3	Firasat Ali	1,200	—	300	300	600	2,400
4	Hamza Habib	—	—	—	—	—	—
5	Mohomed Bashir	1,000	—	—	—	—	1,000
6	Muhammed H. Habib	—	—	—	—	—	—
7	Rashid Ahmad Jaffer	1,200	800	—	—	—	2,000
8	Tahira Raza	1,200	—	—	400	600	2,200
Total amount paid		4,600	800	300	700	1,200	7,600

### 37.3 Remuneration paid to Shari'ah Board Members

	2022			2021		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
	Rupees in '000					
Managerial remuneration						
Fixed	6,317	7,567	6,084	3,853	6,686	3,805
Charge for defined benefit plan	–	329	–	–	164	–
Contribution to defined contribution plan	–	345	–	–	103	–
Total amount paid	6,317	8,241	6,084	3,853	6,953	3,805
Total number of person	1	1	1	2	2	2

In addition to above, bonus paid to resident member amounted to Rs. 1,059 thousand (2021: Rs. 510 thousand).

## 38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings are frequently repriced.

### 38.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

2022					
On balance sheet financial instruments	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	482,410,924	-	482,410,924	-	482,410,924
Sukuk certificates and bonds	7,181,385	-	7,181,385	-	7,181,385
Ordinary shares of listed companies	2,444,072	2,444,072	-	-	2,444,072
Mutual funds - open end	100,582	-	100,582	-	100,582
- close end	4,673	4,673	-	-	4,673
Real estate investment trust	1,685,401	1,685,401	-	-	1,685,401
Listed term finance certificates	692,835	-	692,835	-	692,835
Unlisted term finance certificates	3,925,000	-	3,925,000	-	3,925,000
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	220,805,761	-	214,459,867	-	214,459,867
Ordinary shares of unlisted companies	52,658	-	-	-	-
	719,303,291	4,134,146	708,770,593	-	712,904,739
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	128,349,072	-	129,060,889	-	129,060,889
- Forward sale of foreign exchange contracts	107,675,479	-	107,865,999	-	107,865,999
2021					
On balance sheet financial instruments	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	626,683,412	-	626,683,412	-	626,683,412
Sukuk certificates and bonds	7,507,221	-	7,507,221	-	7,507,221
Ordinary shares of listed companies	1,663,995	1,663,995	-	-	1,663,995
Mutual funds - open end	17,154	-	17,154	-	17,154
- close end	6,523	6,523	-	-	6,523
Real estate investment trust	740,708	740,708	-	-	740,708
Listed term finance certificates	1,097,572	-	1,097,572	-	1,097,572
Unlisted term finance certificates	2,425,000	-	2,425,000	-	2,425,000
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	22,742,810	-	21,025,207	-	21,025,207
Certificates of investments	2,000,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	52,658	-	-	-	-
	664,937,053	2,411,226	658,755,566	-	661,166,792
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	216,511,732	-	221,433,072	-	221,433,072
- Forward sale of foreign exchange contracts	186,469,928	-	184,826,488	-	184,826,488

### 38.2 Fair value of non-financial assets

		2022			
	Carrying / notional value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
Non-financial assets measured at fair value					
- Fixed assets	10,735,947	-	-	10,735,947	10,735,947
- Non-banking assets acquired in satisfaction of claim	4,299,840	-	-	4,299,840	4,299,840
	<u>15,035,787</u>	<u>-</u>	<u>-</u>	<u>15,035,787</u>	<u>15,035,787</u>
		2021			
	Carrying / notional value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
Non-financial assets measured at fair value					
- Fixed assets	-	-	-	-	-
- Non-banking assets acquired in satisfaction of claim	4,546,895	-	-	4,546,895	4,546,895
	<u>4,546,895</u>	<u>-</u>	<u>-</u>	<u>4,546,895</u>	<u>4,546,895</u>

### 38.3 Valuation techniques used in determination of fair valuation of financial instruments within level 2

Federal government debt securities	The fair value of government securities are valued using PKRV rates.
Debt securities	The fair value is determined using the prices / rates available on Mutual Funds, Association of Pakistan (MUFAP) / Reuters.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

### Valuation techniques used in determination of fair values of non-financial assets within level 3

Fixed assets and non-banking assets acquired in satisfaction of claim	<p>Fixed assets and non-banking assets are valued by professionally qualified valuers. The valuation is based on their assessment of the market value of the assets. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.</p> <p>The fair value is subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.</p>
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## 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	31 December 2022			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
<b>Profit and Loss</b>				
Net mark-up / return / profit	68,789,396	(28,099,803)	975,535	41,665,128
Inter segment revenue - net	(66,138,216)	41,912,492	24,225,724	-
Non mark-up / return / interest income	5,327,258	799,040	7,434,165	13,560,463
Total Income	7,978,438	14,611,729	32,635,424	55,225,591
Segment direct expenses	(377,501)	-	(336,450)	(713,951)
Inter segment expense allocation	-	(6,841,037)	(15,442,137)	(22,283,174)
Total expenses	(377,501)	(6,841,037)	(15,778,587)	(22,997,125)
Provisions	(236,951)	(169,415)	(3,353,272)	(3,759,638)
Profit before tax	7,363,986	7,601,277	13,503,565	28,468,828
<b>Balance Sheet</b>				
Cash and bank balances	22,397,677	24,181,637	31,035,611	77,614,925
Investments - net	719,303,291	-	-	719,303,291
Net inter segment lending	-	375,829,199	215,798,021	591,627,220
Lendings to financial institutions	76,331,607	-	-	76,331,607
Advances - performing	-	14,993,766	436,697,008	451,690,774
Advances - non-performing	-	150,844	21,899,300	22,050,144
Provision against advances	-	(191,334)	(22,078,309)	(22,269,643)
Others	17,618,354	9,167,187	60,377,474	87,163,015
<b>Total Assets</b>	<b>835,650,929</b>	<b>424,131,299</b>	<b>743,729,105</b>	<b>2,003,511,333</b>
Borrowings	205,645,702	-	148,372,705	354,018,407
Deposits and other accounts	-	389,001,497	490,650,828	879,652,325
Net inter segment borrowing	591,627,220	-	-	591,627,220
Others	2,988,993	12,950,323	83,546,559	99,485,875
<b>Total liabilities</b>	<b>800,261,915</b>	<b>401,951,820</b>	<b>722,570,092</b>	<b>1,924,783,827</b>
<b>Net Assets</b>	<b>35,389,014</b>	<b>22,179,479</b>	<b>21,159,013</b>	<b>78,727,506</b>
<b>Equity</b>				<b>78,727,506</b>
<b>Contingencies and Commitments</b>	<b>236,024,551</b>	<b>128,334</b>	<b>294,369,780</b>	<b>530,522,665</b>

	31 December 2021			
	Trade & sales	Retail banking	Commercial banking	Total
	Rupees in '000			
<b>Profit and Loss</b>				
Net mark-up / return / profit	42,484,775	(12,537,083)	210,899	30,158,591
Inter segment revenue - net	(34,257,977)	21,083,020	13,174,957	–
Non mark-up / return / interest income	513,420	575,042	10,145,117	11,233,579
Total Income	8,740,218	9,120,979	23,530,973	41,392,170
Segment direct expenses	(339,639)	–	(260,597)	(600,236)
Inter segment expense allocation	–	(4,666,110)	(12,085,746)	(16,751,856)
Total expenses	(339,639)	(4,666,110)	(12,346,343)	(17,352,092)
Provisions	1,730	(23,024)	(2,030,789)	(2,052,083)
Profit before tax	8,402,309	4,431,845	9,153,841	21,987,995
<b>Balance Sheet</b>				
Cash and bank balances	2,654,519	34,684,524	49,250,965	86,590,008
Investments - net	664,937,053	–	–	664,937,053
Net inter segment lending	–	305,348,808	160,736,933	466,085,741
Lendings to financial institutions	3,941,284	–	–	3,941,284
Advances - performing	–	7,405,032	408,583,997	415,989,029
Advances - non-performing	–	46,465	16,927,059	16,973,524
Provision against advances	–	(67,479)	(21,102,098)	(21,169,577)
Others	14,284,585	3,400,723	50,244,719	67,930,027
<b>Total Assets</b>	685,817,441	350,818,073	664,641,575	1,701,277,089
Borrowings	185,880,952	–	136,898,203	322,779,155
Deposits and other accounts	–	321,412,476	450,237,253	771,649,729
Net inter segment borrowing	466,085,741	–	–	466,085,741
Others	3,302,064	10,164,454	60,406,683	73,873,201
<b>Total liabilities</b>	655,268,757	331,576,930	647,542,139	1,634,387,826
<b>Net Assets</b>	30,548,684	19,241,143	17,099,436	66,889,263
<b>Equity</b>				66,889,263
<b>Contingencies and Commitments</b>	402,981,660	10,555,599	307,203,986	720,741,245

## 40. TRUST ACTIVITIES

The holding company undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and, therefore, are not included as such in these consolidated financial statements. Assets held under trust are shown in table below:

		2022			
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuku	Market treasury bills	Total
		Rupees in '000			
Assets management companies	53	3,940,500	37,500	118,489,725	122,467,725
Corporates	70	4,131,000	–	21,411,000	25,542,000
Individual	159	2,404,400	5,000	3,810,560	6,219,960
Insurance companies	2	130,000	–	–	130,000
NGO / Charitable organisation	16	250,000	–	758,100	1,008,100
Employee funds	159	4,335,300	150,000	5,546,005	10,031,305
Others	4	–	275,000	177,000	452,000
		<u>15,191,200</u>	<u>467,500</u>	<u>150,192,390</u>	<u>165,851,090</u>
		2021			
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuku	Market treasury bills	Total
		Rupees in '000			
Assets management companies	53	795,500	30,000	–	825,500
Corporates	70	6,475,500	–	12,444,685	18,920,185
Individual	159	3,984,100	–	2,787,066	6,771,166
Insurance companies	2	216,500	–	–	216,500
NGO / Charitable organisation	16	1,141,000	–	115,000	1,256,000
Employee funds	159	1,848,800	130,000	551,840	2,530,640
Others	4	–	275,000	135,000	410,000
		<u>14,461,400</u>	<u>435,000</u>	<u>16,033,591</u>	<u>30,929,991</u>

#### 41. TRANSACTIONS WITH RELATED PARTIES

The Group has related party transaction with its ultimate parent company, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Group enters into transactions with related parties in the ordinary course of business. Contributions / charges in respect of employees' retirement benefits are made in accordance with actuarial valuation / terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties are as follows:

	2022					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
<b>Balances with other banks</b>						
In current accounts	466,178	486,624	-	-	-	952,802
<b>Advances</b>						
Opening balance	-	5,288,310	195,796	-	-	5,484,106
Addition during the year	-	90,501,046	134,557	-	-	90,635,603
Repaid during the year	-	(90,866,044)	(83,225)	-	-	(90,949,269)
Closing balance	-	4,923,312	247,128	-	-	5,170,440
<b>Other Assets</b>						
Mark-up / return / interest receivable	-	-	70,410	-	-	70,410
Prepayments / advance deposits / other receivable	468	-	54,848	-	-	55,316
	468	-	125,258	-	-	125,726
<b>Deposits and other accounts</b>						
Opening balance	174,007	25,154,287	313,576	813,302	1,810,988	28,266,160
Received during the year	8,400,291	2,316,846,344	2,682,881	3,304,632	5,504,545	2,336,738,693
Withdrawn during the year	(8,388,267)	(2,320,189,005)	(2,600,870)	(3,414,540)	(6,047,963)	(2,340,640,645)
Closing balance	186,031	21,811,626	395,587	703,394	1,267,570	24,364,208
<b>Other Liabilities</b>						
Mark-up / return / interest payable	-	131,037	5,911	5,245	14,524	156,717
Management fee payable for technical and consultancy services *	504,927	-	-	-	-	504,927
Other payables	-	611	-	745	32,309	33,665
	504,927	131,648	5,911	5,990	46,833	695,309
<b>Contingencies and commitments</b>						
Transaction related contingent liabilities	-	16,461,354	-	-	-	16,461,354
Trade-related contingent liabilities	-	7,564,523	-	-	-	7,564,523
	-	24,025,877	-	-	-	24,025,877

\* Management fee is as per the agreement with the ultimate parent company.

	2021				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
<b>Balances with other banks</b>					
In current accounts	184,060	217,741	–	–	–
<b>Advances</b>					
Opening balance	–	4,639,385	195,938	–	–
Addition during the year	–	50,576,167	72,882	–	–
Repaid during the year	–	(49,927,242)	(73,024)	–	–
Closing balance	–	5,288,310	195,796	–	–
<b>Other Assets</b>					
Mark-up / return / interest receivable	–	12,176	–	–	–
Prepayments / advance deposits / other receivable	468	53,123	–	–	–
	468	65,299	–	–	–
<b>Deposits and other accounts</b>					
Opening balance	213,306	8,573,734	282,595	661,230	1,626,592
Received during the year	16,783,470	2,471,954,097	2,073,559	4,685,345	6,995,634
Withdrawn during the year	(16,822,769)	(2,455,373,544)	(2,042,578)	(4,533,273)	(6,811,238)
Closing balance	174,007	25,154,287	313,576	813,302	1,810,988
<b>Other Liabilities</b>					
Mark-up / return / interest payable	–	140,001	1,977	3,248	10,626
Management fee payable for technical and consultancy services *	76,826	–	–	–	–
Insurance & Other payables	–	470	–	670	50,273
	76,826	140,471	1,977	3,918	60,899
<b>Contingencies and commitments</b>					
Transaction related contingent liabilities	–	7,353,818	–	–	–
Trade-related contingent liabilities	–	3,929,204	–	–	–
	–	11,283,022	–	–	–

\* Management fee is as per the agreement with the ultimate parent company.

## Transactions during the year

	2022				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
<b>Income</b>					
Mark-up/return/interest earned	–	330,915	13,730	–	–
Fee and commission income	1,410	216,023	–	206	–
Rent income	5,616	9,427	–	–	–
<b>Expense</b>					
Mark-up/return/interest expensed	–	1,616,248	29,864	49,303	102,966
Commission / Brokerage / Bank charges paid	260	146	–	–	–
Salaries and allowances	–	–	707,523	–	–
Directors' fees and allowances	–	–	–	12,643	–
Charge to defined benefit plan	–	–	–	–	311,794
Contribution to defined contribution plan	–	–	–	–	284,744
Insurance premium expenses	–	–	20,943	–	–
Management fee expense for technical and consultancy services *	798,133	–	–	–	–
Donation	–	26,920	–	–	–

\* Management fee is as per the agreement with the ultimate parent company.

## Transactions during the year

	2021				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
<b>Income</b>					
Mark-up / return / interest earned	–	62,357	10,958	–	–
Fee and commission income	1,943	227,832	–	97	–
Rent income	5,616	7,677	–	–	–
<b>Expenses</b>					
Mark-up / return / interest expensed	–	795,835	14,882	38,125	179,637
Commission / Brokerage / Bank charges paid	1,067	1,707	–	–	–
Salaries and allowances	–	–	588,160	–	–
Directors' fees and allowances	–	–	–	13,427	–
Charge to defined benefit plan	–	–	–	–	171,987
Contribution to defined contribution plan	–	–	–	–	248,122
Insurance premium expenses	–	14,518	–	–	–
Software Maintenance	9,163	–	–	–	–
Management fee expense for technical and consultancy services *	534,114	–	–	–	–
Donation	–	26,920	–	–	–

\* Management fee is as per the agreement with the ultimate parent company.

## 42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	73,656,954	62,494,114
Eligible additional tier 1 (ADT 1) capital	187,075	150,253
Total eligible tier 1 capital	73,844,029	62,644,367
Eligible tier 2 capital	5,546,196	5,332,119
Total eligible capital (Tier 1 + Tier 2)	79,390,225	67,976,486
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	453,494,099	406,395,001
Market risk	4,610,137	7,211,352
Operational risk	84,852,996	66,887,787
Total	542,957,232	480,494,140
CET 1 capital adequacy ratio	13.57%	13.01%
Tier 1 capital adequacy ratio	13.60%	13.04%
Total capital adequacy ratio	14.62%	14.15%
<b>Minimum capital requirements prescribed by SBP</b>		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%
The Group uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 capital	73,844,029	62,644,367
Total exposures	1,782,075,424	1,582,652,954
Leverage ratio	4.14%	3.96%

**42.1** The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per the SBP instructions issued from time to time are placed on the website. The link to the full disclosures is available at <https://www.habibmetro.com/financials/#basel-statements>.



## 43. RISK MANAGEMENT

Risk management aspects are embedded in the holding company's strategy, organization structure and processes. The holding company has adopted a cohesive risk management structure for credit, market, liquidity and operational risk with an integrated approach to strengthen the process and system as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the holding company. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the holding company's system and organization.

### 43.1 Credit Risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the holding company.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 453,494,099 thousand (2021: Rs. 406,395,001 thousand) as depicted in note 42.

The Group's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The holding company, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the holding company's credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

With the expansion of the Consumer lending portfolio, the Credit Review & Administration efforts have been accordingly enhanced by inducting specialized consumer credit risk analysts and processing specialists.

Centralized Credit and Trade processing centres staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

The Group's credit policy / manual defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The Group continually assesses and monitors credit exposures. The group follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgement with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

The Group uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Group uses reputable and the SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Group credit portfolio for both on-balance sheet and off-balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numeric scale of each agency used with risk bucket is as per the SBP guidelines as is given below:

#### Types of exposures and ECAI's used

	2022				
Exposures	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–

#### Credit exposures subject to Standardised Approach

Exposures	Rating category	2022			2021		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	111,064,631	17,132,295	93,932,336	95,683,078	3,142,469	92,540,609
	2	127,250,428	3,290,673	123,959,755	118,383,785	2,309,210	116,074,575
	3,4	19,774,413	–	19,774,413	21,987,779	–	21,987,779
	5,6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less		50,965,641	35,103,923	15,861,718	10,367,693	–	10,367,693
Retail		35,159,161	5,447,818	29,711,343	35,332,331	7,477,143	27,855,188
Public sector entities	1	17,894,289	99,902	17,794,387	13,707,900	2,359	13,705,541
	2,3	1,780,414	70,979	1,709,435	2,721,727	39	2,721,688
Others		909,815,017	46,347,547	863,467,470	804,855,866	10,000,000	794,855,866
Unrated		268,057,118	42,884,576	225,172,542	256,947,012	42,104,293	214,842,719

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per the SBP guidelines are used by the Group and primarily includes cash, government, equity investment in blue chip companies and rated debt securities.

The Group applies the SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Group's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Group's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

## 43.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Public / Government	41,555,925	-	-	-	-	-
Private	34,775,682	3,941,284	-	-	-	-
	<u>76,331,607</u>	<u>3,941,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 43.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Chemical and Pharmaceuticals	16,050	16,050	16,050	16,050	16,050	16,050
Engineering	373,585	494,735	-	-	-	-
Electronics and electrical appliances	-	21,138	-	21,138	-	21,138
Financial	5,177,835	6,290,183	-	-	-	-
Power (electricity), Gas, Water, Sanitary	6,247,800	6,244,875	-	-	-	-
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, Storage and Communication	64,946	68,866	64,946	68,866	64,946	68,866
Others	703,216,685	649,426,222	-	-	-	-
	<u>715,106,401</u>	<u>662,571,569</u>	<u>90,496</u>	<u>115,554</u>	<u>90,496</u>	<u>115,554</u>

### Credit risk by public / private sector

Public / Government	709,464,485	655,671,097	-	-	-	-
Private	5,641,916	6,900,472	90,496	115,554	90,496	115,554
	<u>715,106,401</u>	<u>662,571,569</u>	<u>90,496</u>	<u>115,554</u>	<u>90,496</u>	<u>115,554</u>

### 43.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Agriculture, forestry, hunting and fishing	2,594,718	4,517,000	4,332	–	4,332	–
Automobile and transportation equipment	3,468,773	4,819,333	67,755	1,426,895	67,755	1,426,895
Basic metals & metal products	11,775,201	14,741,737	238,415	54,178	183,650	54,178
Cement	10,438,568	6,914,004	–	–	–	–
Chemicals and pharmaceuticals	35,035,864	27,488,727	647,691	376,403	321,887	372,013
Commercial trade	17,151,011	18,722,586	701,504	731,043	498,782	637,550
Commodity finance	24,000,000	15,000,000	–	–	–	–
Construction and real estate	7,336,634	8,564,887	81,498	97,206	67,964	89,215
Edibles	40,327,723	38,329,926	1,389,032	1,104,136	1,051,507	866,019
Electronics and electrical appliances	18,757,262	12,042,941	37,700	293,243	7,700	293,243
Financial	1,809,761	2,166,154	–	–	–	–
Footwear and leather garments	3,040,474	1,934,300	11,907	11,907	11,907	11,907
Individuals	16,769,856	8,560,993	152,819	43,959	134,044	43,959
Mining and quarrying	33,569	60,014	–	–	–	–
Power (electricity), gas, water, sanitary	41,207,013	45,074,044	4,713,703	4,896,047	4,713,703	4,385,123
Services	17,427,745	14,302,071	411,571	142,105	131,865	142,105
Sugar	7,913,553	3,512,256	99,340	116,337	99,340	116,337
Textile	194,949,735	184,682,431	12,980,326	6,713,497	9,950,073	6,662,045
Transport, storage and communication	3,179,629	2,888,607	26,483	56,221	26,483	56,221
Others	16,523,829	18,640,542	486,068	910,347	379,146	829,840
	<u>473,740,918</u>	<u>432,962,553</u>	<u>22,050,144</u>	<u>16,973,524</u>	<u>17,650,138</u>	<u>15,986,650</u>
	Rupees in '000					
Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
Public / Government	45,669,433	35,976,271	–	–	–	–
Private	<u>428,071,485</u>	<u>396,986,282</u>	<u>22,050,144</u>	<u>16,973,524</u>	<u>17,650,138</u>	<u>15,986,650</u>
	<u>473,740,918</u>	<u>432,962,553</u>	<u>22,050,144</u>	<u>16,973,524</u>	<u>17,650,138</u>	<u>15,986,650</u>

	2022	2021
	Rupees in '000	
<b>43.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry, hunting and fishing	1,042,687	5,173,786
Automobile and transportation equipment	28,261,002	21,348,201
Basic metals & metal products	7,122,929	10,585,294
Cement	6,652,464	9,662,030
Chemicals and pharmaceuticals	30,256,557	30,711,674
Commercial trade	29,645,816	33,785,779
Construction & real estate	6,526,766	6,790,317
Edibles	40,003,222	29,607,968
Electronics and electrical appliances	7,350,049	7,664,647
Financial	194,712,676	347,199,743
Footwear and leather garments	557,508	650,922
Individual	128,334	10,954,174
Mining and quarrying	270,949	87,512
Power (electricity), gas, water, sanitary	21,538,553	33,065,827
Services	21,535,370	17,731,959
Sugar	3,510,604	2,280,725
Textile	91,309,005	133,195,515
Transport, storage and communication	2,841,945	2,279,054
Others	37,256,229	17,966,118
	<u>530,522,665</u>	<u>720,741,245</u>
<b>Credit risk by public / private sector</b>		
Public / Government	42,372,380	63,471,079
Private	488,150,285	657,270,166
	<u>530,522,665</u>	<u>720,741,245</u>

## 43.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 174,760,738 thousand (2021: 105,364,342 thousand) are as following:

Funded	111,544,626	63,897,290
Non Funded	63,216,112	41,467,052
Total Exposure	<u>174,760,738</u>	<u>105,364,342</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 221,661,400 thousand (2021: 124,439,374 thousand).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date. The above exposure does not have any non-performing portfolio.

### 43.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2022						
	Utilization						
	Disburse-ments	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	352,987,117	345,127,900	6,754,537	–	–	1,104,680	–
Sindh	501,874,924	18,858,512	460,884,264	1,444,644	20,687,504	–	–
KPK including FATA	4,932,117	–	–	4,932,117	–	–	–
Balochistan	41,198	–	–	–	41,198	–	–
Islamabad	12,407,737	–	–	–	–	12,407,737	–
AJK including Gilgit-Baltistan	1,164,245	–	–	–	–	–	1,164,245
Total	<u>873,407,338</u>	<u>363,986,412</u>	<u>467,638,801</u>	<u>6,376,761</u>	<u>20,728,702</u>	<u>13,512,417</u>	<u>1,164,245</u>
Province / region	2021						
	Utilization						
	Disburse-ments	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	415,803,001	398,500,992	16,010,383	–	–	1,291,626	–
Sindh	648,660,350	19,065,697	592,712,496	2,349,992	34,532,165	–	–
KPK including FATA	5,361,443	–	–	5,361,443	–	–	–
Balochistan	46,598	–	–	–	46,598	–	–
Islamabad	12,182,947	16,000	–	–	–	12,166,947	–
AJK including Gilgit-Baltistan	1,041,484	–	–	–	–	–	1,041,484
Total	<u>1,083,095,823</u>	<u>417,582,689</u>	<u>608,722,879</u>	<u>7,711,435</u>	<u>34,578,763</u>	<u>13,458,573</u>	<u>1,041,484</u>

### 43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, and equity prices as well as their correlations and volatilities. Market Risk performs risk measurement, monitoring, and control functions through the use of various risk procedures and tools.

The Holding Company has a comprehensive Board approved market risk management policy wherein the governance structure for managing market risk, methods to control market risk, measurement tools used, the market risk exposure limits and the tolerance levels have been addressed. The holding company's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital base. This structure is reviewed, adjusted and approved periodically.

The Board of Directors oversees the holding company's strategy for market risk exposures. The Bank's Market Risk Management governance structure consists of the Risk & Compliance Committee (BR&CC) of the Board, Investment Committee and Asset & Liability Committee (ALCO) and is assisted by the independent Market Risk function with reporting line to the Risk Management Division.

The asset and Liability Committee (ALCO) which comprises senior management oversees the financial position of the holding company, assesses the impact of the interest rate change on the holding company's investment portfolio through sensitivity analysis, duration and performs an oversight function to ensure sound asset quality, liquidity and pricing considering the current interest rate environment. The investment policy amongst other aspects covers the holding company asset allocation guidelines.

Market Risk function seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors, and regulators.

In line with the regulatory requirements, the holding company performs the impact of changes in the market factors on the holding company's earnings through regular stress testing and Internal Capital Adequacy Assessment Processes.

## 43.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances						
with treasury banks	54,747,439	–	54,747,439	83,386,045	–	83,386,045
Balances with other banks	22,867,486	–	22,867,486	3,203,963	–	3,203,963
Lendings to financial institutions	76,331,607	–	76,331,607	3,941,284	–	3,941,284
Investments	719,303,291	–	719,303,291	664,937,053	–	664,937,053
Advances	451,471,275	–	451,471,275	411,792,976	–	411,792,976
Fixed assets	21,710,775	–	21,710,775	12,077,475	–	12,077,475
Intangible assets	140,407	–	140,407	163,187	–	163,187
Deferred tax assets	5,131,055	–	5,131,055	3,218,163	–	3,218,163
Other assets	60,180,778	–	60,180,778	52,471,202	–	52,471,202
	<u>1,411,884,113</u>	<u>–</u>	<u>1,411,884,113</u>	<u>1,235,191,348</u>	<u>–</u>	<u>1,235,191,348</u>

## 43.2.2 Foreign exchange risk

Foreign exchange risk is the probability of loss resulting from adverse movement in exchange rates.

The holding company's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The holding company is not in the business of actively trading and market making activities and all FX exposures are backed by customer's trade transaction. A conservative risk approach backed by holding company's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs.

	2022			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
United States Dollar	75,002,935	(111,766,854)	34,134,796	(2,629,123)
Euro	7,555,673	(2,597,588)	(4,998,158)	(40,073)
Great Britain Pound	4,324,831	(6,587,238)	2,313,982	51,575
Asian Currency unit	522,699	(895,687)	–	(372,988)
Japanese Yen	101,840	(115)	(101,102)	623
Arab Emirates Dirham	195,379	(2,211)	(184,957)	8,211
Canadian Dollar	135,970	–	(125,312)	10,658
Australian Dollar	53,260	–	(53,740)	(480)
Saudi Riyal	124,142	–	(120,410)	3,732
Chinese Yuan	376,018	–	(358,223)	17,795
Other Currencies	390,642	–	(369,112)	21,530
	<u>88,783,389</u>	<u>(121,849,693)</u>	<u>30,137,764</u>	<u>(2,928,540)</u>

	2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	65,087,355	(102,045,199)	32,189,090	(4,768,754)
Euro	5,095,244	(2,531,509)	(2,550,195)	13,540
Great Britain Pound	1,162,688	(6,263,728)	5,110,128	9,088
Asian Currency unit	562,044	(1,841,290)	–	(1,279,246)
Japanese Yen	23,680	(29,859)	8,930	2,751
Arab Emirates Dirham	260,000	(14,819)	(245,546)	(365)
Canadian Dollar	91,103	–	(86,642)	4,461
Australian Dollar	5,697	–	(4,483)	1,214
Saudi Riyal	12,839	–	(11,754)	1,085
Chinese Yuan	384,808	–	(384,715)	93
Other Currencies	88,597	–	(84,507)	4,090
	<u>72,774,055</u>	<u>(112,726,404)</u>	<u>33,940,306</u>	<u>(6,012,043)</u>

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(14,936)	–	(36,673)	–
- Other comprehensive income	–	–	–	–

### 43.2.3 Equity position risk

Equity position risk arises due to adverse movements in equity prices. The Group's policy is to take equity position in high dividend yield scrips. The Group as a policy does not enter into any kind of proprietary equity trades. Equity position risk of the Group is mitigated through portfolio and script limits advised by the BoD and are reviewed by the ALCO. The investment in equities and mutual funds is also managed within the statutory limits as prescribed by the SBP.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	(26,304)	–	(24,844)	–
- Other comprehensive income	(61,780)	–	(50,530)	–



Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Duration analysis and stress testing are being carried out regularly to estimate the impact of adverse changes in the interest rates on bank's fixed income portfolio. Optimization of yield is achieved through the Group's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of the ALCO. The advances and deposits of the Group are repriced on a periodic basis based on interest rates scenario.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
	—	—	—	—
	(2,709,014)	—	(2,018,652)	—

### 43.2.5 Mismatch of interest rate sensitive assets and liabilities

[illegible]

## On-balance sheet financial instruments

## Assets

[illegible]

## Liabilities

[illegible]

## Off-balance sheet financial instruments

Commitments in respect of:

Forward foreign exchange contracts	236,024,551	—	—	—	236,024,551
Commitments against forward lendings	2,077,327	—	—	—	2,077,327
Commitments in respect of letter of credits	157,455,041	—	—	—	157,455,041
Commitments against acquisition of fixed assets	466,206	—	—	—	466,206

## Off-balance sheet gap

Component	2023	2022	2021
Total Yield/Interest Risk Sensitivity Gap	450,082,290	188,519,067	123,679,345
Cumulative Yield/Interest Risk Sensitivity Gap	450,082,290	58,889,447	85,897,347
Cumulative Yield/Interest Risk Sensitivity Gap	450,082,290	58,889,447	85,897,347

## Reconciliation of Assets and Liabilities exposed to Yield / Interest Rate Risk with Total Assets and Liabilities

### 43.3 Operational Risk

The Group operates in a controlled manner and operational risk is managed effectively. With the evolution of operational risk management (ORM) into a separate distinct discipline, the Group's strategy is to further strengthen operational risk management system along new industry standards.

The holding company's ORM strategy takes guidance from Basel - II, the SBP guidelines and best industry practices.

The holding company's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, Change Risk Assessment and Risk Assessment of Outsourcing arrangement. The ORM unit engages with the holding company's business/support units and regularly collaborates in determining and reviewing the inherent operational risks, and assessment of residual risk leading to improved quality of control infrastructure and further strengthening of the processes & management information. Moreover, group wide policies, procedures, frameworks and product programs are also being evaluated from operational risk perspective aiming to beef up control environment.

The Group's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Business Continuity Management function with the support of the senior management remained extremely active during the pandemic to ensure that stakeholders remained safe, all critical services and processes of the Group remain operational and any contingency arising is dealt appropriately. The Group's operational risk management governance has been further strengthened through the establishment of a separate Operational Risk and Control Committee.

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 6,788,240 thousand (2021: Rs. 5,351,023 thousand).

### 43.4 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to raise funds to meet its commitments.

#### **Governance of Liquidity risk management**

The ALCO continuously monitors the liquidity position and the Group is confident that the current liquidity buffer is sufficient to cater to any adverse movement in the maturity profile.

Liquidity and related risks are managed through standardized processes established in the Group. The management of liquidity risk within the Group is undertaken within limits and other parameters set by the BoD. The holding company's treasury function has the primary responsibility for assessing, monitoring and managing the holding company's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of the Group's liquidity profile to ensure proactive liquidity management. Treasury Middle Office being part of the risk management division is responsible for the independent identification, monitoring and analysis of intrinsic risks of treasury business. The Group has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Group.

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Liquidity position of the Group remained strong in spite of approving deferment requests of principal & restructured loan, in line with the SBP directives. The holding company's strong deposit base backed by continued customer confidence and holding of government securities has enabled the Group to maintain a robust liquidity profile, also depicted through a strong LCR ratio.

### **Funding Strategy**

The Group's liquidity model is based on "self-reliance" with an extensive branch network to diversify the holding company deposit base. Further, the holding company can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The holding company as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns.

### **Liquidity Risk Mitigation techniques**

Various tools and techniques are used to measure and evaluate the possible liquidity risk. These include regular monitoring of different liquidity ratios against approved triggers and communication to senior management and the ALCO. Further, the Group also prepares the maturity profile of assets and liabilities to keep track of liquidity gaps over different time buckets. The holding company also ensures that statutory cash and liquidity requirements are maintained at all times.

### **Liquidity Stress Testing**

As per the SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under well-defined stress scenarios. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch.

### **Contingency Funding Plan**

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Group which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Group has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress conditions. Contingency Event Management parameters and responsibilities are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources focusing on self-reliance, in case of a liquidity crisis.

#### 43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2022

Rupees in '000												
Total	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years
<b>Assets</b>												
Cash and balances with treasury banks	54,747,439	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	22,867,486	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	76,331,607	74,429,587	-	768,400	-	-	-	-	-	-	-	-
Investments	719,303,291	-	-	14,838,194	16,570,060	31,595,554	109,355,543	108,557,418	114,699,949	139,963,190	75,701,738	90,059,455
Advances	451,471,275	8,334,704	9,082,546	74,000,932	28,026,121	102,675,082	59,741,007	9,418,954	4,317,622	8,749,795	5,233,768	8,735,769
Fixed assets	21,710,775	16,611	116,271	282,374	161,524	161,525	484,181	468,877	468,877	1,609,671	1,386,031	1,732,657
Intangible assets	140,407	276	1,694	3,593	5,545	6,121	16,798	15,316	14,812	27,719	5,473	-
Deferred tax assets	5,131,055	40,793	285,555	693,490	627,236	627,236	785,662	561,000	561,001	577,883	333,724	354,173
Other assets	60,180,778	1,756,424	12,294,963	29,859,196	407,837	407,837	228,997	2,214,702	2,214,702	39,069	15,900	9,219
	1,411,884,113	153,035,785	36,619,223	110,955,552	45,798,323	136,606,975	170,612,188	121,236,267	122,276,963	150,967,327	82,676,634	100,891,273
												86,558,890
<b>Liabilities</b>												
Bills payable	19,538,428	-	-	-	-	-	-	-	-	-	-	-
Borrowings	354,018,407	104,167,658	13,627,543	44,665,921	52,626,575	95,137,421	9,187,487	80,038	84,290	85,546	323,594	3,556,225
Deposits and other accounts	879,652,325	610,573,819	20,103,375	44,665,921	20,508,682	35,591,328	47,290,079	20,773,814	25,579,952	3,879,168	7,888,577	11,253,388
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	79,947,447	9,678,243	11,291,284	27,421,689	6,524,904	6,524,904	212,445	3,784,391	3,784,392	2,454	7,820,064	981,442
	1,333,156,607	653,421,855	33,039,824	85,715,153	79,660,161	137,253,653	56,690,011	24,638,243	29,448,634	3,967,168	16,032,235	15,791,055
												54,271,783
<b>Net assets</b>	<b>78,727,506</b>	<b>(500,386,070)</b>	<b>3,579,399</b>	<b>25,240,399</b>	<b>(33,861,838)</b>	<b>(646,678)</b>	<b>113,922,177</b>	<b>96,598,024</b>	<b>92,828,329</b>	<b>147,000,159</b>	<b>66,644,399</b>	<b>85,100,218</b>
Share capital	10,478,315											
Reserves	25,949,624											
Surplus on revaluation of assets	2,029,417											
Unappropriated profit	36,584,942											
Non-controlling interest	3,685,208											
	<b>78,727,506</b>											

## 2021

[illegible]

#### 43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2022

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	54,747,439	54,747,439	-	-	-	-	-	-	-	-
Balances with other banks	22,867,486	22,867,486	-	-	-	-	-	-	-	-
Lendings to financial institutions	76,331,607	75,197,987	1,133,620	-	-	-	-	-	-	-
Investments	719,303,291	25,104,356	48,165,614	109,355,543	223,257,367	139,963,190	75,701,738	84,151,897	13,403,586	200,000
Advances	451,471,275	160,106,343	130,701,203	59,741,007	13,736,576	8,749,795	5,233,768	8,735,769	45,371,137	19,095,677
Fixed assets	21,710,775	514,917	323,049	484,181	937,754	1,609,671	1,386,031	1,732,657	4,464,500	10,258,015
Intangible assets	140,407	7,023	11,666	16,798	30,128	27,719	5,473	-	-	41,600
Deferred tax assets	5,131,055	1,264,599	1,254,472	785,662	1,122,001	577,883	333,724	354,173	(3,847)	(557,612)
Other assets	60,180,778	54,449,123	815,674	228,997	4,429,404	39,069	15,900	9,219	-	193,392
	1,411,884,113	394,259,273	182,405,298	170,612,188	243,513,230	150,967,327	82,676,634	94,983,715	63,235,376	29,231,072
<b>Liabilities</b>										
Bills payable	19,538,428	19,538,428	-	-	-	-	-	-	-	-
Borrowings	354,018,407	141,136,933	147,763,996	9,187,487	164,328	85,546	323,594	3,556,225	41,253,319	10,546,979
Deposits and other accounts	879,652,325	219,769,408	174,892,881	139,149,898	106,960,873	64,791,090	69,000,511	72,367,378	32,720,286	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	79,947,447	50,004,257	13,049,808	212,445	7,568,783	2,454	7,820,064	981,442	306,292	1,902
	1,333,156,607	430,449,026	335,706,685	148,549,830	114,693,984	64,879,090	77,144,169	76,905,045	74,279,897	10,548,881
	78,727,506	(36,189,753)	(153,301,387)	22,062,358	128,819,246	86,088,237	5,532,465	18,078,670	(11,044,521)	18,682,191
<b>Net assets</b>										
Share capital	10,478,315									
Reserves	25,949,624									
Surplus on revaluation of assets	2,029,417									
Unappropriated profit	36,584,942									
Non-controlling interest	3,685,208									
	78,727,506									

## 2021

[illegible]



## 44. GENERAL

**44.1** Captions, as prescribed by BPRD Circular No.2 of 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.

### 44.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 24 February 2023 has proposed a final cash dividend of Rs. 3.25 per share amounting to Rs. 3,405,452 thousand (2021: final cash dividend of Rs. 3.00 per share amounting to Rs. 3,143,493 thousand) in addition to interim dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2021: 2,095,663 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

## 45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 24 February 2023 by the Board of Directors of the holding company.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**FIRASAT ALI**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

**ANNEXURE "I" AS REFERRED TO IN NOTE 10.7 OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE**  
**PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2022**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1	Atlas Textile (Pvt) Limited Office At 9th Floor, Textile Plaza, Mumtaz Hassan Road, Off IJ Chundrigar Road, Karachi	S.Adeel Javed 42201-3385330-5 S.Arshad Javed 42201-0255323-3 S.Al-Aman Javed 42201-0430580-9 S.Danish Javed 42201-0255323-7	S.Arshad Javed S.Nazir Hussain S.Arshad Javed S.Arshad Javed	14,571	22,061	-	36,632	11,283	22,061	-	33,344
2	Autocity (Pvt) Limited Office Room No. 312-313, 3rd Floor, Mehboob Chamber, Abdullah Haroon Road, Saddar Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Abdul Ghaffar Dawood 42201-0776630-5 Bilal Yunus Dawood 42201-6642871-7 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Mohammad Yunus Dawood Mohammad Yunus Dawood Haji Abdullah	32,036	5,580	-	37,616	27,235	5,580	-	32,816
3	Baluchistan Engineering Works Limited Office No. 40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Abdul Ghaffar Dawood 42201-0776630-5 Amanullah H.Sattar 42201-1913101-0 Muhammad Zaheer 42201-1363084-1 Muhammad Anwer Fatani 42301-7575879-9 Muhammad Hanif 42000-0409397-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Ali Mohammad Dawood Haji Sattar Haji Abdullah Abdul Sattar Aba Ali Mohammad Yunus Dawood	637,972	34,144	-	672,116	637,972	34,144	-	672,116

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
4	DYL Motorcycles Limited Office No. 40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Muhammad Zaheer 42201-1363084-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Haji Abdullah Mohammad Yunus Dawood	756,887	56,817	-	813,704	756,887	56,817	-	813,704
5	Micado (Pvt) Limited Office No.40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 42301-1426034-3 Muhammad Zaheer 42201-1363084-1 Bilal Yunus Dawood 42301-6642871-7	Ali Mohammad Dawood Haji Abdullah Mohammad Yunus Dawood	38,072	757	-	38,829	38,072	757	-	38,829
6	TGL Limited Office No.40-C, Block-6, P.E.C.H.S., Karachi.	Mohammad Yunus Dawood 4230114260343 Abdul Ghaffar Dawood 42201-0776630-5 Iqbal Raza Qazi 42301-9515541-1 Bilal Yunus Dawood 42301-6642871-7 Amanullah H.Sattar 42201-1913101-1 Anwar Fatani 42301-7575879-9 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Ali Mohammad Dawood Ahmed Ismail Mohammad Yunus Dawood Haji Sattar Abdul Sattar Haji Sattar	-	2,474	-	2,474	-	2,474	-	2,474
7	C.N.P.S Associates (Pvt) Limited 346 - G III, Johar Town, Lahore.	Abdul Ghaffar Dawood 42201-0776630-5 Muhammad Zaheer 42201-1363084-1	Ali Mohammad Dawood Haji Sattar	-	1,031	-	1,031	-	1,031	-	1,031
8	FBB Group International 5/27, Arkay Square (Ext) New Challi, Shahrah-e-Liaquat, Karachi.	Mohammad Ather Ansari 42301-9217786-9	Afaq Ahmed Ansari	47,528	2,146	-	49,674	47,528	2,146	-	49,674

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year					Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Rupees in '000								
				Principal	Interest / mark-up	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
9	New Allied Electronics Ind. (Pvt) Limited 7th Floor, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi.	Mian Pervaz Akhtar 42301-7176596-3 Abdul Rauf 42201-3539213-1 Muhammad Naeem 42000-2362272-3	Mian Muhammad Rafiq Abdul Ghafoor Ateeq Muhammad Ishaq	245,660	240,261	-	485,921	245,660	240,261	-	485,921	
10	New Allied Motors (Pvt) Limited 7th Floor, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi.	Abdul Rauf 42201-3539213-1 Muhammad Naeem 42000-2362272-3	Abdul Ghafoe Ateeq Muhammad Ishaq	6,315	-	-	6,315	6,315	-	-	6,315	
11	Al-Asif Textile Industries F/88-11, S.I.T.E., Karachi.	Asif Riaz 42101-6749694-7	Riaz Ahmed	52,344	46,361	-	98,705	-	-	31,497	31,497	
12	Al-Hadi Rice Mills (Pvt) Limited Sadiq Plaza, Office No. A-32, The Mall, Lahore.	Ali Ijaz 34101-3612789-7 Ghulam Mustafa 34101-6724125-3	Muhammad Ijaz Muhammad Aslam	151,305	20,817	-	172,122	151,305	20,817	-	172,122	
13	Pakistan Tube Mills (Pvt) Limited 99-Railway Road, Lahore.	Sheikh Muhammad Arshad 35202-6587643-7 Mrs. Zarina Begum 35201-7450131-6	Sheikh Muhammad Ashraf Sheikh Muhammad Arshad	57,571	-	-	57,571	57,571	-	-	57,571	
14	Sandal Dyestuff Industries Limited Room No. 305-308, 2nd Floor, The Business Center, 8/8 New Civil Lines, Faisalabad.	Saif-ud-Din Moazam 33100-6625922-7 Dr. Salah-ud-Din Monum 33100-6354145-3 Misbah-ud-Din Zaigham 33100-9822081-3 Ch. Usman Ali 35202-2495480-3 Mst. Sadaqat Begum 33100-6446163-8	Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Umar Ch. Muhammad Ali	309,919	106,321	-	416,240	309,919	106,321	-	416,240	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
15	Taiyaba Enterprises Bhatti Arcade, 2-A, Mozang Road, Lahore.	Taha Mobeen Qureshi 35202-2922358-9 Waseem Tanseen Qureshi 35202-4844850-1	Muhamamd Ismail Qureshi  Muhamamd Ismail Qureshi	36,979	4,392	-	41,371	36,979	4,392	-	41,371
16	Elahi Knits (Pvt) Limited 30-A, Block-L, Gulberg-III, Lahore.	Alamgir Elahi 35202-7255060-3 Niffer Alamgir 35202-9636634-4 Umer Elahi 35202-5072781-5	Ehsan Elahi  Alamgir Elahi  Alamgir Elahi	24,571	11,120	-	35,691	-	8,691	-	8,691
17	Innovative Concrete Products (Pvt) Limited Suit No.413-414, 4th Floor, Al-Hafeez Business Center, 89-III, Gulberg-III, Lahore.	Mirza Ajmal Asghar Baig 35201-8197924-5 Hudais Qazalbash 35201-5217453-0 Sharjel Awan 35200-9110716-1 Shaher Bano Asghar 35201-3380332-4	Mirza Mehdi Hussain Baig Mirza Ajmal Asghar Baig Mushtaq Ahmed Nazi  Sharjel Awan	-	5,834	-	5,834	-	1,340	994	2,334
18	Gulshan Weaving Mills Limited 2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lahore.	Jehangir Ahmad Shakoore 42201-0545325-7 Masood Ahmad 35202-6939908-5 Sheikh Sarfaraz Farooq Qadri 35202-2450924-9	Abdul Shakoore  Inayat Ullah  Sheikh Mazhar Farooq Qadri	181,412	24,376	-	205,788	177,005	24,376	-	201,381
19	Punjab Polypropylene Industries (Pvt) Limited 8-9, Bolan Block, Fortress Stadium, Lahore.	Ch. Muhammad Azeem Saleemi 35201-0454392-1 Ch. Shayan Alam Saleemi 35201-7868693-9	Muhammad Alam  Ch. Muhammad Azeem Saleemi	9,766	4,384	-	14,150	-	3,649	-	3,649

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
20	A.B. Textile Corporation 606, A/1, Gulberg-III, Lahore.	Syed Hamid Hussain Sabzwari 35202-2781980-3	Syed Sharif Hussain Sabzwari	875	-	3,762	4,637	-	240	4,083	4,323
21	Nextel Communications P-110, Bukhari Plaza, Chinot Bazar, Faisalabad.	Shahid Mahmood 33100-3006222-3 Sadia Shahid 33100-5170313-0	Ch. Sultan Ali  Shahid Mahmood	2,396	240	-	2,636	-	-	917	917
22	Bashir & Brothers Shop No. 62, Grain Market, Sargodha.	Bashir Ahmad (Deceased) 38403-2213530-7	Khuda Buksh	11,479	1,162	-	12,641	-	641	-	641
23	BSM Sports Nasir Road, Habib Chowk, Tehsil & District Sialkot.	Tariq Mahmood 34603-9785324-5 Khalid Pervaiz Cheema 34603-9478543-7 Abdul Rehman Cheema 34603-3068695-9	Mian Khan Cheema  Mian Khan Cheema  Khalid Pervaiz Cheema	24,996	3,077	-	28,073	-	2,073	5,039	7,112
24	Nadeem Industries Plot No.1-A, Anmol Industrial Zone, Phase-2, Near Channu Shah Darbar, Bhamma Pind, Lahore.	Muhammad Naeem 35202-2860098-1	Muhamamd Suleman	5,992	-	934	6,926	-	-	826	826
25	Muhammad Ishaq Ganish Kalan, PO Karimabad, Tehsil Aliabad, District Hunza.	Muhammad Ishaq (Deceased) 37405-4322221-7	Jabir Ansar	1,185	-	-	1,185	1,185	-	-	1,185
				2,649,831	593,355	4,696	3,247,882	2,504,916	537,811	43,356	3,086,084

## Annexure - II

### ISLAMIC BANKING BUSINESS

The holding company is operating 61 (2021: 49) Islamic banking branches and 242 (2021: 218) Islamic banking windows at the end of the year.

	Note	2022	2021
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		7,799,004	8,065,686
Balances with other banks		—	—
Due from financial institutions	1	—	3,500,000
Investments	2	35,039,153	30,384,762
Islamic financing and related assets - net	3	106,613,906	78,657,185
Fixed assets	4	791,323	635,471
Intangible assets		—	—
Due from Head Office	5	7,364,959	4,178,774
Other assets		6,654,527	3,017,036
Total Assets		164,262,872	128,438,914
<b>LIABILITIES</b>			
Bills payable		1,690,942	1,445,125
Due to financial institutions		39,190,234	32,048,365
Deposits and other accounts	6	107,237,001	83,953,361
Due to Head Office		—	—
Subordinated debt		—	—
Other liabilities	7	5,162,216	2,731,703
		153,280,393	120,178,554
<b>NET ASSETS</b>			
		10,982,479	8,260,360
<b>REPRESENTED BY</b>			
Islamic Banking Fund		9,005,661	7,504,413
Reserves		—	—
Deficit on revaluation of assets		(627,868)	(725,275)
Unappropriated profit	8	2,604,686	1,481,222
		10,982,479	8,260,360
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

The profit and loss account of the holding company's Islamic banking branches for the year ended 31 December 2022 is as follows:

	Note	2022	2021
		Rupees in '000	
Profit / return earned	10	13,609,478	6,654,512
Profit / return expensed	11	(7,776,455)	(3,981,163)
<b>Net Profit / return</b>		<b>5,833,023</b>	<b>2,673,349</b>
<b>Other income</b>			
Fee and Commission Income		482,267	375,140
Dividend Income		—	294
Foreign Exchange Income		113,758	103,780
Income / (loss) from derivatives		—	—
(Loss) / gain on securities		(17)	70,693
Other Income		4,325	5,210
<b>Total other income</b>		<b>600,333</b>	<b>555,117</b>
<b>Total Income</b>		<b>6,433,356</b>	<b>3,228,466</b>
<b>Other expenses</b>			
Operating expenses		1,397,216	911,598
Other charges		490	609
<b>Total other expenses</b>		<b>1,397,706</b>	<b>912,207</b>
Profit before provisions		5,035,650	2,316,259
Reversals / (Provisions) and (write offs) - net		71,577	111,973
<b>Profit before taxation</b>		<b>5,107,227</b>	<b>2,428,232</b>
Taxation		(2,502,541)	(947,010)
<b>Profit after taxation</b>		<b>2,604,686</b>	<b>1,481,222</b>

## 1. Due from financial institutions

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Unsecured</b>						
- Mudaraba placements	—	—	—	3,500,000	—	3,500,000

## 2. Investments by segments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Federal Government Securities</b>								
- Ijarah Sukuk	19,579,161	—	(372,602)	19,206,559	19,523,163	—	(396,332)	19,126,831
- Bai-muajjal	—	—	—	—	—	—	—	—
- Islamic naya Pakistan certificate mudaraba investment pool	4,681,209	—	—	4,681,209	730,711	—	—	730,711
	<b>24,260,370</b>	<b>—</b>	<b>(372,602)</b>	<b>23,887,768</b>	<b>20,253,874</b>	<b>—</b>	<b>(396,332)</b>	<b>19,857,542</b>



	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Non Government Debt Securities</b>								
- Listed	6,876,651	-	(255,266)	6,621,385	7,076,163	-	(336,554)	6,739,609
- Unlisted	4,530,000	-	-	4,530,000	3,780,000	-	7,611	3,787,611
	11,406,651	-	(255,266)	11,151,385	10,856,163	-	(328,943)	10,527,220
<b>Total Investments</b>	<b>35,667,021</b>	<b>-</b>	<b>(627,868)</b>	<b>35,039,153</b>	<b>31,110,037</b>	<b>-</b>	<b>(725,275)</b>	<b>30,384,762</b>

### 3. Islamic financing and related assets - net

	2022				2021			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	875,565	17,577	-	893,142	583,298	128,997	-	712,295
Ijarah - islamic long term financing facility	37,887	-	-	37,887	74,207	-	-	74,207
Murabaha	5,812,875	124,591	-	5,937,466	6,105,881	563,205	-	6,669,086
Working capital musharaka	31,411,281	-	-	31,411,281	21,050,328	-	-	21,050,328
Diminishing musharaka	15,714,076	1,392,381	-	17,106,457	11,736,112	377,959	-	12,114,071
Salam	22,000	53,000	-	75,000	128,000	-	-	128,000
Istisna	6,446,156	4,748,356	65	11,194,577	2,677,387	3,040,426	-	5,717,813
Al-bai	570,156	-	-	570,156	536,632	-	16,961	553,593
Diminishing musharaka								
Islamic long term financing facility	3,647,937	487,014	-	4,134,951	863,436	1,528,029	-	2,391,465
Islamic refinance scheme for payment of wages and salaries	13,980	93,534	-	107,514	1,046,640	93,534	-	1,140,174
Islamic financing facility for storage of agricultural produce	541,619	187,668	-	729,287	-	598,035	-	598,035
Islamic temporary economic refinance facility	11,652,266	2,026,743	-	13,679,009	422,229	13,064,204	-	13,486,433
Islamic financing facility for renewable energy	295,833	370,554	-	666,387	-	250,848	-	250,848
Islamic export refinance								
Murabaha	152,000	32,000	-	184,000	760,819	-	-	760,819
Working capital musharaka	12,188,026	-	-	12,188,026	10,257,000	-	-	10,257,000
Salam	-	75,000	-	75,000	60,000	61,920	-	121,920
Istisna	865,116	6,470,395	-	7,335,511	2,259,110	1,075,000	-	3,334,110
Al-bai	36,602	-	559,457	596,059	7,832	-	-	7,832
Gross islamic financing and related assets	90,283,375	16,078,813	559,522	106,921,710	58,568,911	20,782,157	16,961	79,368,029
Provision against non-performing islamic financings								
- Specific	(295,151)	-	-	(295,151)	(704,654)	-	-	(704,654)
- General	(12,653)	-	-	(12,653)	(6,190)	-	-	(6,190)
	(307,804)	-	-	(307,804)	(710,844)	-	-	(710,844)
Islamic financing and related assets - net of provision	<b>89,975,571</b>	<b>16,078,813</b>	<b>559,522</b>	<b>106,613,906</b>	<b>57,858,067</b>	<b>20,782,157</b>	<b>16,961</b>	<b>78,657,185</b>

### 3.1 Ijarah

	2022						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2022
	As at 1 Jan 2022	Additions / (deletions)	As at 31 Dec 2022	As at 1 Jan 2022	Charge for the year / (deletions)	As at 31 Dec 2022	
	Rupees in '000						
Plant & Machinery	146,534	185,086	331,620	100,200	44,059 (22,413)	121,846	209,774
Vehicles	706,705	226,186 (118,881)	814,010	95,534	23,490 (8,692)	110,332	703,678
Total	853,239	292,391	1,145,630	195,734	36,444	232,178	913,452

	2021						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2021
	As at 1 Jan 2021	Additions / (deletions)	As at 31 Dec 2021	As at 1 Jan 2021	Charge for the year / (deletions)	As at 31 Dec 2021	
	Rupees in '000						
Plant & Machinery	263,895	8,790 (126,151)	146,534	151,784	57,301 (108,885)	100,200	46,334
Vehicles	297,848	517,372 (108,515)	706,705	145,861	37,893 (88,220)	95,534	611,171
Total	561,743	291,496	853,239	297,645	(101,911)	195,734	657,505

#### Future ijarah payments receivable

	2022				2021			
	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total
	Rupees in '000							
Ijarah rental receivables	238,647	309,856	22,365	570,868	175,196	349,795	30,733	555,724

	Note	2022	2021
		Rupees in '000	
<b>3.2 Murabaha</b>			
Murabaha financing	3.2.1	5,812,875	6,105,881
Advances for Murabaha		124,591	563,205
		<u>5,937,466</u>	<u>6,669,086</u>
<b>3.2.1</b> Murabaha receivable - gross	3.2.2	6,206,469	6,359,206
Less: Deferred murabaha income	3.2.4	(222,346)	(137,450)
Profit receivable shown in other assets		(171,248)	(115,875)
Murabaha financings		<u>5,812,875</u>	<u>6,105,881</u>
<b>3.2.2</b> The movement in murabaha financing during the year is as follows:			
Opening balance		6,359,206	5,295,597
Sales during the year		17,066,707	18,390,918
Adjusted during the year		(17,219,444)	(17,327,309)
Closing balance		<u>6,206,469</u>	<u>6,359,206</u>
<b>3.2.3</b> Murabaha sale price		17,066,707	18,390,918
Murabaha purchase price		(16,169,290)	(17,915,777)
		<u>897,417</u>	<u>475,141</u>
<b>3.2.4</b> Deferred murabaha income			
Opening balance		137,450	114,184
Arising during the year		897,417	475,141
Less: recognised during the year		(812,521)	(451,875)
Closing balance		<u>222,346</u>	<u>137,450</u>
<b>4.</b> Fixed assets included right-of-use assets of Rs. 615,872 thousand (2021: Rs. 545,830 thousand) and other liabilities included related lease liability of Rs. 710,395 thousand (2021: Rs. 615,776 thousand).			

## 5. Due from Head Office

Inter-branch transactions are made on Qard basis.

## 6. Deposits

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	29,171,602	5,494,270	34,665,872	23,212,725	4,463,870	27,676,595
Savings deposits	36,367,260	1,548,820	37,916,080	27,563,777	3,592,221	31,155,998
Term deposits	25,253,027	3,620,178	28,873,205	16,387,078	898,644	17,285,722
Others	2,474,491	—	2,474,491	1,675,068	—	1,675,068
	<u>93,266,380</u>	<u>10,663,268</u>	<u>103,929,648</u>	<u>68,838,648</u>	<u>8,954,735</u>	<u>77,793,383</u>
<b>Financial Institutions</b>						
Current deposits	118,177	249	118,426	65,030	2,277	67,307
Savings deposits	1,650,927	—	1,650,927	5,875,671	—	5,875,671
Term deposits	1,538,000	—	1,538,000	217,000	—	217,000
	<u>3,307,104</u>	<u>249</u>	<u>3,307,353</u>	<u>6,157,701</u>	<u>2,277</u>	<u>6,159,978</u>
	<u>96,573,484</u>	<u>10,663,517</u>	<u>107,237,001</u>	<u>74,996,349</u>	<u>8,957,012</u>	<u>83,953,361</u>

	2022	2021
	Rupees in '000	
<b>6.1 Composition of deposits</b>		
- Individuals	46,588,779	36,498,423
- Government / Public Sector Entities	3,678,886	3,906,109
- Banking Companies	3,224	3,002,984
- Non-Banking Financial Institutions	3,304,129	3,156,994
- Private Sector	53,661,983	37,388,851
	<u>107,237,001</u>	<u>83,953,361</u>

## 6.2 Particulars of deposits and other accounts

- In local currency	96,573,484	74,996,349
- In foreign currencies	10,663,517	8,957,012
	<u>107,237,001</u>	<u>83,953,361</u>

**6.3** This includes eligible deposits of Rs. 39,522,737 thousand which are covered under sharia compliant deposit protection mechanism as required by the Deposit Protection Corporation circular no 5 of 2018.

	2022	2021
	Rupees in '000	

## 7. It includes charity fund, details of which are given below:

### Charity fund

Opening balance	4	-
Additions during the period		
Received from customers on account of delayed payment	250	122
Dividend purification amount	-	-
Profit on charity saving account	-	-
	<u>250</u>	<u>122</u>
Payments / utilization during the period		
Education	-	(114)
Health	-	(4)
	<u>-</u>	<u>(118)</u>
Closing balance	<u>254</u>	<u>4</u>

Charity paid to any single entity does not exceeds Rs 500,000.

## 8. Islamic Banking Business Unappropriated Profit

Opening balance	1,481,222	1,367,552
Add: Islamic banking profit for the period	2,604,686	1,481,222
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred to head office	(1,481,222)	(1,367,552)
Closing balance	<u>2,604,686</u>	<u>1,481,222</u>

	2022	2021
	Rupees in '000	
<b>9. Contingencies and commitments</b>		
Guarantees	9,539,409	8,252,346
Commitments	18,607,004	22,215,654
	<u>28,146,413</u>	<u>30,468,000</u>
<b>10. Profit / return earned</b>		
Profit earned on:		
Financing	9,510,625	4,265,981
Investments	3,893,709	2,186,307
Placements	205,144	202,224
	<u>13,609,478</u>	<u>6,654,512</u>
<b>11. Profit / return expensed</b>		
Deposits and other accounts	6,710,743	3,475,334
Due to financial institutions	976,701	448,812
Lease liability against right-of-use assets	89,011	57,017
	<u>7,776,455</u>	<u>3,981,163</u>
<b>12. Pool management</b>		

## **Pools maintained by the holding company's Islamic Banking Division (IBD), their key features and risk and reward characteristics**

The holding company operates general and special pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Musharakah modes. Under the general deposits pools, the holding company accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financing, investments and placements. IERS and other pools (special pools) are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to the Bank's customers and liquidity management respectively under the Musharakah / Mudaraba modes. Further, the holding company also contributes its equity and becomes the capital provider, wherein required.

### **Following pools are being managed by IBD**

- General pool for local and foreign currencies for depositors
- Islamic export refinance scheme musharaka pool
- Special pool

All the Mudaraba based remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBD's own share of equity, which is also commingled in the pool. The applications of these funds are on Islamic financing and related assets, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

### **The IERS Pool caters the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.**

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors:

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next month (where applicable).

## Avenues/sectors of economy/business where mudaraba based deposits have been deployed.

- Agriculture, forestry, hunting and fishing
- Automobile and transportation equipment
- Chemicals and pharmaceuticals
- Electronic and electrical appliances
- Financial
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Cement
- Others

## Parameters used for allocation of profit, charging expenses and provisions etc.

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by Habib Metro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. Provisions for non-performing accounts are borne by the mudarib. However, write-off of non-performing accounts is charged to the respective pool. However, this is not an exhaustive list; Habib Metro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.

## The holding company managed the following general and specific pools during the year:

General Remunerative / Specific Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio Mudarib Share / Fee	Profit sharing ratio Rabbul Maal Share	Mudarib share	Profit rate return distributed to remunerative deposits (savings)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
(Rupees in '000)						(Rupees in '000)		
General pool								
Islamic Export Refinance (IERS) Pool								
PKR Pool	Monthly	13.14%	50.00%	50.00%	1,501,050	6.31%	15.64%	162,550
USD Pool	Monthly	0.24%	90.00%	10.00%	4,547	0.57%	9.73%	400
Specific pools								
Islamic Export Refinance (IERS) Pool	Quarterly	10.12%	81.05%	18.95%	414,390	Nil	0.00%	–
Special Pool (Saving)	Monthly	12.94%	18.50%	81.50%	68,997	10.83%	28.97%	–
Special Pool (TDR)	Monthly	12.73%	6.52%	93.48%	94,997	12.15%	0.00%	–

## سفارشات

درج بالا جائزے کی بنیاد پر ہم تجویز کرتے ہیں کہ:

- 1 بینک کو اپنی انتظامیہ، اسلامی بینکنگ اسٹاف اور تمام متعلقہ اسٹیک ہولڈرز اور صارفین کیلئے اسلامی بینکاری کی تربیت، ریفریشر سیشنز اور ایئر ٹیسسیشنز کیلئے انتظامات جاری رکھنے چاہئیں۔
- 2 بینک کو تمام تر دستیاب فورمز پر اسلامی بینکاری کی پروڈکٹس اور سروسز کی پرموشن اور مارکیٹنگ کو مزید فروغ دینے کا سلسلہ بڑھانا چاہیے۔
- 3 بینک کو اپنے اسلامی برانچ بینکاری کے نیٹ ورک کو توسیع دینے کے ساتھ ساتھ اسلامی بینکاری کے فروغ کے لئے ڈیجیٹل ٹیکنالوجی اور پلیٹ فارمز کے استعمال کی کوششیں تیز کرنی چاہیے۔

## اور اللہ سبحانہ و تعالیٰ بہتر جانتا ہے

اللہ تعالیٰ ہماری کوششوں کو قبول فرمائے اور ہمیں اس کے مطلوب امور کی تکمیل کرنے کی توفیق عطا فرمائے، ہماری غلطیوں کو معاف فرمائے اور ہمیں دنیا اور آخرت میں بھی کامیابی سے ہمکنار فرمائے۔ ہم یہ بھی دعا کرتے ہیں کہ اللہ بزرگ و برتر کی رہنمائی اور اس کی کرم نوازیوں ہماری اسلامی بینکنگ کو مزید فروغ اور استحکام عطا فرمائے۔ (آمین)

تان سہری ڈاکٹر محمد داؤد بکر

چیرمین شریعہ بورڈ

مفتی عبدالستار لغاری

شریعی بورڈ ممبر

مفتی خواجہ نور الحسن

ریزیڈنٹ شریعی بورڈ ممبر

## 6 ٹریڈنگ اور صلاحیت کی تعمیر

سال کے دوران 3,000 سے زائد اسٹاف نے ان - ہاؤس پروگرامز، بیرونی تربیتی سیشنز اور ای - لرننگ ماڈیولز کے ذریعے 70 سے زائد اسلامی بینکنگ ٹریننگز میں شرکت کی۔ شرکت کنندگان میں اسلامی بینکنگ برانچز، اسلامک بینکنگ ونڈوز کے اسٹاف سمیت ریلیشن شپ مینجرز، سپورٹ فنکشنز، نیاءملہ، افسران اور دیگر شامل تھے۔

شرعیہ بورڈ ممبران، شرعیہ کمپلائنس ڈپارٹمنٹ اور اسلامی بینکاری کے عملے نے اسلامی بینکنگ ٹریننگز میں لرننگ ڈپارٹمنٹ اور دیگر اسٹیک ہولڈرز کو سہولتیں فراہم کیں۔

### شرعیہ بورڈ کی رائے

شرعیہ گورننس فریم ورک کے مطابق بورڈ آف ڈائریکٹرز اور مینجمنٹ اس امر کو یقینی بنانے کے لئے ذمہ دار ہیں کہ بینک کے آپریشنز اس طرح سے انجام دیے جائیں جیسا کہ تمام اوقات میں شرعی اصولوں پر مکمل عملدرآمد ہو سکے، جبکہ ہمارے لئے بینک کے مجموعی شرعی اصولوں کے مطابق ہونے پر ایک رپورٹ پیش کرنا مطلوب ہے۔

ہماری رائے کو تقویت دینے کے لئے، جیسا کہ اس رپورٹ میں اظہار کیا گیا ہے، ہم نے شرعیہ کمپلائنس ڈپارٹمنٹ، انٹرئل شرعیہ آڈٹ اور ایکسٹرنل شرعیہ آڈٹ کا جائزہ لیا، جنہوں نے متعلقہ دستاویزی عمل اور پروسس فلووز کے ساتھ ٹرانزیکشنز کی ہر ایک کلاس کیلئے ٹیسٹ چیک کی بنیاد پر اپنے جائزے اور آڈٹ انجام دیا تھا۔

### مذکورہ بالا تفصیل کی بنیاد پر ہماری رائے درج ذیل ہے کہ:

- i بینک نے شرعیہ بورڈ کی جانب سے جاری کردہ فتاویٰ، احکام اور رہنما ہدایات کی روشنی میں شرعیہ کے قوانین اور اصولوں کی پاسداری کی ہے۔
- ii بینک نے اسٹیٹ بینک آف پاکستان کی شرعیہ ایڈوائزری کمیٹی کے احکام کے مطابق اسٹیٹ بینک کی جانب سے جاری کردہ شرعیہ کمپلائنس سے متعلق احکام، ضوابط، ہدایات اور اصولوں کی پاسداری کی ہے۔
- iii بینک اپنے تمام تر آپریشنز میں شرعیہ اصولوں پر عملدرآمد کو یقینی بنانے کے لئے ایک جامع نظام کا حامل ہے۔
- iv بینک میں ایک انتہائی منظم نظام موجود ہے جو تمام تر غیر شرعی ذرائع سے حاصل شدہ رقم چیرائی اکاؤنٹ میں جمع کئے جانے اور اسے مناسب طور پر خیراتی اداروں میں بروئے کار لائے جانے کو یقینی بناتا ہے۔
- v بینک نے نفع و نقصان کی تقسیم اور پول مینجمنٹ کے سلسلے میں اسٹیٹ بینک کی ہدایت کی مناسب طور پر پاسداری کی ہے۔
- vi لرننگ اینڈ ڈویلپمنٹ ڈپارٹمنٹ نے شرعیہ کمپلائنس کے تعاون سے ملازمین کی صلاحیت میں اضافے کے لئے مختلف اسلامک بینکنگ سیشنز کا اہتمام کیا ہے اور بینک کی مصنوعات اور عمل میں شرعی تعمیل کی اہمیت کو بڑھانے اور اسلامک بینکنگ سیکھنے کے ماحول کو فروغ اور ترقی دینے کے لئے مستقل عمل میں ہے۔
- vii شرعیہ بورڈ کو اس کی ذمہ داریوں کی ادائیگی کے لئے وسائل فراہم کئے گئے ہیں تاہم کام کے حجم میں اضافے کو مد نظر رکھتے ہوئے شرعیہ ٹیم میں اضافی افرادی قوت، بینک میں شرعیہ کمپلائنس کے فنکشن کو مزید مستحکم کرے گی۔



## 3 اسلامی پروڈکٹس اور متعلقہ دستاویزات

دوران سال شریعہ بورڈ نے مختلف نئی پروڈکٹس، پلان، اسٹرکچر، پالیسیز، مینوئلز اور ایگریمنٹس کا جائزہ لیا اور منظوری دی جو درج ذیل ہیں:

ڈپازٹ پروڈکٹس	فنانسنگ پروڈکٹ	پلان/اسٹرکچر/پالیسیز/مینوئلز	ایگریمنٹس
صرافیہ ڈپازٹ اکاؤنٹ (کرنٹ)	سپلائنگ چین فنانسنگ	برانچ کنورژن پلان، 2023 پروپوزڈ اسٹرکچر برائے اسلامک بینکنگ ڈویژن (ورژن 0.1) آپریٹنگ مینوئل - برانچ بینکنگ (اسلامک)	اسلامک ہاؤس فنانس ایگریمنٹس
		آپریٹنگ مینوئل - اے ڈی سی (اسلامک) حبیب میٹرو صراط - انویسٹمنٹ پالیسی آپریٹنگ رسک مینجمنٹ پالیسی فریم ورک	سپلائنگ چین فنانسنگ ایگریمنٹس
		پراڈکٹ ڈاکومنٹس - صراط لیڈیز بینکنگ اکاؤنٹ اینڈ لیڈیز ڈیپازٹ کارڈ شریہ گورننس فریم ورک (ایس جی ایف) پالیسی فریم ورک برائے پروفٹ اینڈ لاس ڈسٹریبیوشن مع پی ایل ایس ڈپازٹرز اینڈ پول مینجمنٹ	اسلامک اکاؤنٹ اوپننگ فارم (ریویژن)
صرافیہ ڈپازٹ اکاؤنٹ (سیونگ)		چیریٹی فنڈ پالیسی لیکویڈیٹی رسک مینجمنٹ پالیسی اینڈ کائنٹی جنسی فنڈنگ پلان اجارہ مینوئل (ریویژن) صرراط آئو فنانس مینوئل (ریویژن) اڈینڈم ٹو کریڈٹ رسک پالیسی آئی بی ڈی گائیڈ لائنز برائے مارکیٹنگ شریہ نان کمپلائنس رسک پالیسی	

## 4 شریعہ کمپلائنس اور شریعہ آڈٹ

زیر جائزہ سال کے دوران شریعہ کمپلائنس اور شریعہ آڈٹ ٹیم نے آزمائشی جانچ کی بنیادوں پر اسلامی بینکنگ کے کئی شعبوں کا جائزہ لیا۔ اس جائزے میں مختلف علاقوں کے پورٹ فولیو، اسلامی فنانسنگ، ڈپازٹس (نفع و نقصان کی تقسیم)، اسلامک ٹریڈری، اسلامی برانچ نیٹ ورک اور موجودہ اسلامک پروڈکٹس شامل تھے۔ سال کے دوران 17 رپورٹس جاری کی گئی، جن کا شریعہ بورڈ کی جانب سے جائزہ لیا گیا اور حسب ضرورت درست اقدامات فراہم کیے گئے۔

## 5 خیراتی رقم

یکم جنوری 2022 کو خیراتی رقم کا اوپننگ بیلنس -/4,470 روپے تھا۔ سال کے دوران -/250,023 روپے جمع کرائے گئے، جس میں صارفین کی جانب سے شرعی اصولوں پر عدم عملدرآمد اور دیگر اسباب کی وجہ سے تاخیر سے ادائیگیوں کے باعث وصول کردہ رقم بھی شامل تھی۔ خیراتی رقم منظور شدہ خیراتی اور سماجی بہبود کے اداروں میں تقسیم کی جائے گی۔

## شریعیہ بورڈ رپورٹ

برائے 31 دسمبر 2022

اللہ تعالیٰ کے مبارک نام سے جو نہایت مہربان اور رحم کرنے والا ہے۔

تمام تعریف اللہ سبحانہ و تعالیٰ، جو دنیا کے تمام جہانوں کا مالک ہے اور ہمارے رہنما حضرت محمد مصطفیٰ صلی اللہ علیہ وآلہ وسلم اور ان کے ساتھیوں کے لئے ہے۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹر پولیٹیکنک لمیٹڈ (بینک) کے اسلامی بینکنگ ڈویژن، صراط نے اسلامی بینکاری کے کامیاب آپریشنز کے انیس سال مکمل کر لیے ہیں۔ بینک مستقل طور پر اسلامی بینکاری کے اپنے نیٹ ورک میں توسیع کر رہا ہے اور سال 2022 کے اختتام پر اسلامی بینکنگ کی برانچز اور اسلامی بینکنگ ونڈوز کی تعداد بالترتیب اکسٹھ (61) اور دوسو بیالیس (242) ہو چکی ہیں۔

سال کے دوران شریعیہ بورڈ نے چار اجلاس منعقد کیے اور جائزہ لیا، موقف پیش کیے اور نئی و پرانی پروڈکٹس، پالیسیز، مینولز، پروسیجرز، ٹرانزیکشنز، پروسس فلووز، شریعیہ کمپلائنس جائزہ رپورٹس اور شریعیہ آڈٹ رپورٹس کی منظوری دی گئی۔ مزید برآں شریعیہ بورڈ اور بورڈ آف ڈائریکٹرز نے سال میں دو بار ملاقات کی اور بینک کے شریعیہ کمپلائنس معمولات پر بریفنگ دی گئی۔

شریعیہ بورڈ اسلامی بینکاری کی مسلسل ترقی اور سپورٹ کے لئے بورڈ آف ڈائریکٹرز اور مینجمنٹ کے ویژن کو سراہتا ہے۔

سال 2022 کے لئے ایک جائزہ درج ذیل ہے:

### 1 اسلامک کاروبار

سال 2022 کے دوران بینک نے مختلف النوع اسلامک فنانسنگ پروڈکٹس بشمول اور اس تک محدود نہیں، مشارکہ متناقصہ، استصناع، المیع، سلم، ورکنگ کپنچل مشارکہ اور مراہجہ/مساومہ استعمال کیں، سال 2022 کے اختتام پر بینک 141.65 بلین روپے کی اسلامی فنانسنگ اور انویسٹمنٹ/پالیسیز کا حامل رہا اور مجموعی اسلامی ڈپازٹس مختلف اسلامی کھاتوں کے تحت 107.24 بلین روپے رہے۔

اس سلسلے میں شریعیہ بورڈ نے مختلف کارپوریٹ، ایس ایم ای اور تجارتی صارفین کیلئے ایک سواناسی (179) پروسیس فلووز بشمول ایک اسلامک سنڈیکیٹ ٹرانزیکشن میں ایک جوائنٹ شریعیہ ایڈوائزری کے کردار کی حیثیت سے جائزہ لیا اور ان کی منظوری دی۔ اس کی تفصیلات درج ذیل ہیں:

### 2 اسلامک برانچوں/ونڈوز: توسیع اور متعلی

سال کے دوران بینک نے 5 نئی اسلامی برانچیں، 24 نئی اسلامی ونڈوز اور 7 کنٹینٹل برانچیں کی اسلامی برانچوں میں منتقلی عمل میں لائی گئی۔

نمبر	اسلامی فنانسنگ کا طریقہ	نمبر شمار
42	مشارکہ متناقصہ	1
68	استصناع/المیع/سلم، ورکنگ کپنچل مشارکہ	2
69	مراہجہ/مساومہ	3

## انٹرنل آڈٹ

حبیب میٹرو ایک موثر بورڈ آڈٹ کمیٹی کا حامل ہے جو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے طے کردہ اور اسٹیٹ بینک آف پاکستان کی جانب سے مروجہ لسٹڈ کمپنیز (کوڈ آف کارپوریشن گورننس) ریگولیشنز، 2019ء کے تحت کام کرتی ہے۔ بورڈ کی آڈٹ کمیٹی آزاد ڈائریکٹرز پر مشتمل ہے اور اس کی سربراہی ایک آزاد ڈائریکٹر کے سپرد ہے۔

بورڈ آڈٹ کمیٹی کو براہ راست رپورٹ کرتے ہوئے، انٹرنل آڈٹ فعال طور پر برانچوں کے آڈٹ، آپریشنز اور بینک کی اہم سرگرمیوں کیلئے خطرات پر مبنی نگرانی کا استعمال کرتا ہے اور اس کیساتھ ضرورت کے تحت اصلاحی اقدامات اور کنٹرول کی خامیوں کے مدارک پر خصوصی توجہ دیتا ہے۔

انٹرنل آڈٹ حبیب میٹرو کی تیسری دفاعی لائن کی حیثیت سے، بینک کے مجموعی کنٹرول کے ماحول میں بنیادی عنصر ہے۔ جو کہ انتظامیہ اور بورڈ کو بینک کے انٹرنل کنٹرول سسٹم کا جائزہ لیکر غیر جانبدار یقین دہانی فراہم کرتا ہے۔ انٹرنل کنٹرول ڈویژن گورننگ اتھارٹیز کو معقول یقین دہانی فراہم کرنے کیلئے بینک کی پالیسیاں، معاملات، سسٹم اور کنٹرولز کا جائزہ لیتا ہے اور رسک میں کمی کیلئے اقدامات فراہم کرتا ہے۔

## مستقبل پر ایک نظر

قرض پروگرام کی بحالی کیلئے آئی ایم ایف کی شرائط پر عملدرآمد کے نتیجے میں یہ توقع کی جاتی ہے کہ سال بہ سال مرکزی افراط زر کی شرح مالی سال 2023 کے دوران 25 فیصد سے 29 فیصد کی رینج میں رہے گی۔

مزید برآں کرنٹ اکاؤنٹ خسارہ توقع ہے کہ مالی سال 2023 کی باقیماندہ مدت کے دوران موجود سطح پر ہی برقرار رہے گا، خسارہ کا رسک بڑھ رہا ہے تاہم آئی ایم ایف قرض پروگرام تک اس کا اندازہ نہیں لگایا جاسکتا۔

آنے والے عرصے میں حبیب میٹرو شیئرز ہولڈرز کے مفادات کا تحفظ کرنے پر کاربند ہے اور ایک جدید ترین ٹیکنالوجیکل پلیٹ فارم کے تحت تیار کی گئی مالیاتی پروڈکٹس کے ایک مختلف معیار کے ذریعے اپنے صارفین کے لئے بہترین اور شاندار خدمات کا اضافہ کرتا رہے گا۔ بینک کا ہدف نامیاتی ترقی اور نئے کلائنٹس، کم لاگتی ڈپازٹس کا فروغ، اچانٹوں کے معیار میں بہتری اور باکفایت کارکردگی میں اضافہ ہے۔

## اظہار تشکر

اس موقع پر ہم وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے بینک کیلئے تعاون اور ہدایات کیلئے شکر گزار ہیں۔ ہم اپنے محترم اور قابل قدر کسٹمرز کا بھی ان کے اعتماد اور سرپرستی پر مشکور ہیں 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 کرتے ہیں جو کٹھن حالات میں بھی بینک کے صارفین کو بلا رکاوٹ مالیاتی خدمات فراہم کر رہے ہیں۔ ان ہی کاوشوں کی بدولت بینک مضبوط سے مضبوط تر ہوتا جا رہا ہے۔

منجانب بورڈ

محمد علی آر۔ حبیب

چیئرمین

محسن اے۔ تاقانی

صدر و چیف ایگزیکٹو آفیسر

کراچی: 24 فروری 2023ء



بحیثیت ٹریڈ اور اینڈ بینک، پابندی کی حامل ٹرانزیکشنز کی روک تھام کو یقینی بنانے کیلئے کراس بارڈر ٹرانزیکشنز کمپلائنس یونٹ کی جانب سے اسکرین شدہ اور پہلے سے منظور شدہ ہوتی ہیں۔ بینک نے ٹریڈ میڈمنی لائڈرنگ سے متعلق خطرات کے تدارک کیلئے اضافی اقدامات کیے ہیں، اس میں تمام ٹریڈ ٹرانزیکشنز کی باقاعدہ نگرانی انجام دینا اور تجارتی صارفین کی ٹریڈ کے وائی سی/رسک پروفائیکز کو اپ ڈیٹ کرنا، کاؤنٹر پارٹیز، ویسلز، بینک وغیرہ کی اسکریننگ شامل ہے۔ بینک ٹریڈ ٹرانزیکشنز سے منسلک ایم ایل/ٹی ایف خطرات کے تدارک کیلئے معروف ٹیکنالوجی پر مبنی طریقہ کار کا بھی حامل ہے۔ اسکریننگ کے علاوہ یہ سسٹم دوہرے استعمال کی اشیا کی شناخت اور موجودہ کنٹرول کو مستحکم بنانے کیلئے ویسلز کی ٹریکنگ میں بھی معاونت کرتا ہے۔

علاوہ ازیں ایک وقف کردہ سی ایف ٹی ڈیسک بھی مختص کی گئی ہے جو بینک کے اندر ٹی ایف کے خطرات کو کم کرنے پر خصوصی توجہ دیتی ہے۔ قانون نافذ کرنے والے اداروں (ایل ای اے ایس) سے فراہم کردہ معلومات بھی اس یونٹ کے ذریعے معاونت فراہم کرتی ہیں۔ یو این ایس سی قرار دادوں پر عملدرآمد کے ضمن میں اور بینک کی سرمزمقررہ افراد اور اداروں تک محدود رکھنے کے ضمن میں وقتاً فوقتاً سسٹم کے تمام افعال اور نگرانی کے نظام کو مانیٹر اور اپ گریڈ کیا جاتا ہے۔

ایم ایل/ٹی ایف/ٹی ایف خطرات اور ان کے تدارک پر اسٹاف کی تربیت پر سال بھر خصوصی توجہ مرکوز رکھی گئی، مختلف زبانوں کے ای لرننگ ماڈیولز اسٹاف کی جانب سے مکمل کیے گئے اور مختلف فیس ٹوفیس سیشنز بھی منعقد کیے گئے تاکہ ممبران تازہ ترین خطرات، مشکلات اور اس شعبے میں ہونے والی پیشرفت سے آگاہ رہیں۔

آپ کا بینک بطور ایک فارن فنانشل انسٹی ٹیوشن (ایف ایف آئی) شراکت کا حامل ہے اور فارن اکاؤنٹس ٹیکس کمپلائنس ایکٹ (FATCA) کی، اس امر کا تعین کرنے کیلئے کہ ممکنہ کلائنٹس امریکی ٹیکس رپورٹنگ ذمہ داریوں کا حامل ہے یا نہیں، ان سے اضافی معلومات اور دستاویزات کے حصول کے ذریعے پوری طرح تعمیل کرتا ہے۔ FATCA ایک امریکی قانون ہے جس کا مقصد امریکی شہریوں اور کمپنیوں کی جانب سے ٹیکس کی عدم ادائیگی کی روک تھام ہے اور جو یکم جولائی 2014ء سے نافذ ہو چکا ہے FATCA قانون کی تعمیل کو یقینی بنانے کے لئے کمپلائنس ڈویژن روابط، تربیت، ڈیولپمنٹ اور FATCA کی ضروریات کی نگرانی جیسی سہولیات فراہم کرتا ہے۔

کامن رپورٹنگ اسٹینڈرڈ (CRS) ایک عالمی معیار ہے جو اقتصادی تعاون و ترقی کی تنظیم (او ای سی ڈی) (کونسل سے منظور شدہ ہے اور حکومت پاکستان ملکی قوانین کے توسط سے انکم ٹیکس آرڈیننس مجریہ 2001ء کے SRO 166(1)/2017 کی روشنی میں اس کی تشریح کرتی ہے۔ بینک CRS قوانین پر عمل پیرا ہے اور اس مقصد کیلئے بینک کے کھاتوں کی جانچ پڑتال کی جاتی ہے تاکہ ان کی ٹیکس ریزیدنسی کے بارے میں فیڈرل بورڈ آف ریونیو کو مزید رپورٹ دی جائے۔

تحقیقی اور امتیازی کوششوں پر خصوصی توجہ کے ساتھ کمپلائنس فنکشن اپنے اسٹاف کی پیشہ ورانہ بہتری و ترقی اور معمولات کی انجام دہی کو مستحکم بنانے کے ذریعے خود کو موثر بناتا رہے گا۔

## کنٹرول

ادارے میں مجموعی کنٹرول کلچر خصوصاً رسک کے نقطہ نظر سے نافذ کرنے میں رسک مینجمنٹ فنکشن کی ہر ممکن کوشش شامل ہے۔ مزید برآں انٹرئل کنٹرول (ICU) جو بینک کی رسک مینجمنٹ ٹیم کا حصہ ہے، موثر آپریشنز، قانونی تقاضوں کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنانے کیلئے آپریشنل انٹرئل کنٹرول کے ایک موثر سسٹم کے قیام اور عملدرآمد کا ذمہ دار ہے۔ یہ کوششیں کمپلائنس، فنانس اور رسک مینجمنٹ ڈویژن کے زیر انتظام آپریشن، قانونی ضروریات کی تعمیل اور فنانسل رپورٹنگ میں مجموعی طور پر انٹرئل کنٹرول میں مہارت کا حصہ ہیں۔ بینک کے مجموعی مقاصد کے حصول میں ناکامی کے خطرات کی شناخت اور ان کو کم کرنے کیلئے مینجمنٹ کی طرف سے موزوں سسٹم، پراسس اور کنٹرول رائج کئے گئے ہیں۔

بینک کا تنظیمی ڈھانچہ اور اتھارٹی کے مراحل واضح ہیں اور بینک میں نافذ تمام پراسس بورڈ سے منظور شدہ پالیسیوں اور طریقہ کار کے تابع ہیں۔ موجودہ پالیسیوں اور طریقہ کار کا مستقل بنیادوں پر جائزہ لیا جاتا ہے اور حسب ضرورت وقتاً فوقتاً ان میں بہتری لائی جاتی ہے۔ بورڈ نے مجموعی رسک مینجمنٹ فریم ورک کی نظر ثانی کیلئے ذیلی کمیٹیاں تشکیل دی ہیں جو موزوں گورننس کو یقینی بنانے کیلئے باقاعدگی سے ملتی ہیں۔

ہر پرسن اور فنکشن میں موجود کنٹرول کے وہ تمام پہلو جو پالیسیوں اور طریقہ کار کے تابع ہیں، بینک کے آپریشننگ نظام میں موجود ہیں، اور ان کنٹرول کی تعمیل اور موثر ہونے کی تصدیق غیر جانبدار انٹرئل آڈٹ ڈویژن کرتا ہے جو بورڈ آڈٹ کمیٹی کو بلا واسطہ طور پر جوابدہ ہے۔

اسٹیٹ بینک آف پاکستان کی انٹرئل کنٹرول رہنما ہدایات بینک کی انتظامیہ سے انٹرئل کنٹرول کے موثر ہونے کی جانچ پڑتال کا تقاضہ کرتی ہے۔ مینجمنٹ کو یقین ہے کہ بینک کا موجودہ انٹرئل کنٹرول کا نظام مناسب انداز میں ڈیزائن کیا گیا ہے اور اس پر موثر انداز میں عملدرآمد اور نگرانی کی جاتی ہے۔

## فراڈ رسک

بینک فراڈ اور بے ضابطگی کے واقعات کم کرنے کے ضمن میں بھرپور توجہ دینے اور خاتمے کیلئے کوشش کرتا ہے۔ روک تھام، جانچ پڑتال، تحقیقات اور رپورٹنگ کا عمل مستحکم بنانے کی غرض سے ایک فعال پالیسی تیار کی گئی ہے۔ بینک ایک علیحدہ فراڈ رسک مینجمنٹ یونٹ کا حامل ہے جو کہ بورڈ رسک اور کمپلائنس کمیٹی (BR&CC) کی نگرانی اور تعاون سے بینک کے فراڈ رسک کے موثر انتظام کو یقینی بناتا ہے۔

بینک کے متبادل ڈیلیوری چینل کے بڑھتے ہوئے استعمال کے ساتھ ایف آراینم یونٹ ڈیجیٹل بینکنگ ٹرانزیکشن کی نگرانی، عمومی ٹرانزیکشن کے برعکس سرگرمی اور رجحان یا فراڈ کے خطرات کی شناخت کے لئے 24/7 کام کرتا ہے۔ بینک صنعت کے بہترین افعال کو رائج کرنے اور انڈسٹری کے پارٹنرز کے تعاون کے ذریعے اپنے کسٹمرز کو کسی دھوکہ دہی کی سرگرمی سے بچانے کی بھرپور کوشش کرتا ہے۔

## بزنس کنٹینوئیٹی رسک

بینک مستقل طور پر ایک موثر کاروباری تسلسل کے فریم ورک کے ذریعے اپنے آپریشن اور کارکردگی کو بہتر بنانے پر کام کرتا رہتا ہے۔ کسی بھی تباہ کن صورتحال کا سامنا کرنے کے لئے یہ فریم ورک رسک اور اس کے اثرات کے جامع جائزہ کی بنیاد پر تیار کردہ پالیسی اور پلان بشمول مفصل کردار، ذمہ داریاں اور ایکشن پلان پر مشتمل ہے۔ یہ ریگولیٹری فریم ورک اور صنعت کی بہترین پریکٹس پر عمل کرتا ہے اور باقاعدہ جائزے اور آڈٹس سے مشروط ہے۔ عملدرآمد کے نقطہ نظر سے ایک کرائس مینجمنٹ ٹیم سینئر انتظامیہ کی جانب سے تشکیل دی گئی ہے جو کسی بھی خطرناک صورتحال درپیش آنے پر معاملات کی نگرانی اور فیصلہ کرتی ہے۔

کسی بگامی صورتحال کے پیش نظر بینک نے اسٹاف کے لئے ملٹی پل بی سی بی سائٹس کی تشکیل اور گھر بیٹھے کام کرنے کی سہولت دی ہے۔ ایسی صورتحال میں اسٹاف کی تیاری کو یونٹنگ، آگاہی اور جانچ پڑتال کی کوششوں کے ذریعے یقینی بنایا گیا ہے۔ یہ تمام تر کوششیں اس مقصد کے لئے کی گئی ہیں کہ کسی ادارے میں آپریشن کا تسلسل اور خدمات کی بلا تھقل فراہمی ترتیبی بنیاد پر ہو۔

## انفارمیشن سکیورٹی رسک

انفارمیشن سکیورٹی ڈیپارٹمنٹ (آئی ایس ڈی) بینک کے رسک مینجمنٹ ڈویژن کا ایک حصہ ہے اور بینک کے انفارمیشن سسٹم کے دفاع کی دوسری صف کے طور پر کارفرما رہتا ہے۔ ہمارے صارفین کو سروسز فراہمی میں ٹیکنالوجی کے بڑھتے ہوئے استعمال کے ساتھ انفارمیشن سکیورٹی ڈیپارٹمنٹ کا مقصد صارف کی مالیاتی و ذاتی معلومات اور اس کی سالمیت کے تحفظ کو یقینی بناتے ہوئے انفارمیشن سکیورٹی رسک کو کم کرنا ہے۔ بینک کے خطرات کی حدود میں رہتے ہوئے انفارمیشن اور ٹیکنالوجی کے خطرات پر قابو پانے کے حتمی ہدف کے پیش نظر انفارمیشن ٹیکنالوجی ڈیپارٹمنٹ مختلف سرگرمیوں مثلاً خطرات کی جانچ، جائزہ، تشخیص و مانیٹرنگ انجام دیتا ہے۔ یہ انفارمیشن سکیورٹی کے خطرات اور ان کے مدارک کو سمجھنے اور آگاہی کی سطح کو بڑھانے کیلئے بھی سرگرم ہے۔

## کمپلائنس

آپ کے بینک نے سال کے دوران اپنے نیٹ ورک پر مکمل نگرانی کو مستحکم رکھا جس میں شامل اپنے صارفین کو پچاننے (کے وائی سی/ اینٹی منی لانڈرنگ (ای ایم ایل)/ دہشت گردی کیلئے سرمایہ سی ایف ٹی/ کو میٹنگ اور لافریشن فنانسنگ (سی پی ایف) اور ریگولیٹری کمپلائنس کی آگاہی شامل ہے۔ کمپلائنس یونٹ نے کمپلائنس اور ریگولیٹری امور پر انتظامیہ اور اسٹاف کو سپورٹ اور مشاورت فراہم کی۔ تمام نئی پالیسیاں اور طریقہ ہائے کار، اقدامات، پروڈکٹس، سروسز، کاروباری طریقہ ہائے کار وغیرہ کا کمپلائنس اے ایم ایل/ سی ایف ٹی/ سی پی ایف کے نظریے سے جائزہ اور ریگولیٹری حکام کے ساتھ تعلقات کا قائم رکھنا اس یونٹ کے فرائض میں شامل ہے۔ ایک خود کار کمپلائنس رسک مینجمنٹ (سی آر ایم) سسٹم بھی نافذ العمل ہے جس میں ایک ریگولیٹری لائبریری تشکیل دی گئی ہے جس میں اسٹیٹ بینک آف پاکستان اور دیگر متعلقہ ریگولیٹری حکام کی جانب سے جاری کردہ سرکلر شامل ہیں۔ اس کے علاوہ اسٹیٹ بینک آف پاکستان اور اس کی آن سائٹ انسپکشن ٹیموں کے ساتھ سہولت کاری اور روابط اس یونٹ کے ذریعے کلیدی کردار ادا کرتے ہیں اور اسٹیٹ بینک آف پاکستان انسپکشن کے ہر طریقہ کار کو یقینی بناتے ہیں۔

انتہائی چیلنجنگ اور متقاضی عالمی اے ایم ایل/ سی ایف ٹی انوائزمنٹ کے ساتھ بینک کا فاضل کرائٹرز کمپلائنس فنکشن بینک میں مکمل طور پر کمپلائنس کے اعلیٰ ترین معیار کے نفاذ اور ان اسٹینڈرڈز کو انتظامیہ اور ملازمین کیلئے یقینی بنانے کیلئے پرعزم ہے۔ بینک ایک AML/CFT/CP تصور کے ساتھ اپنے ذیلی اداروں کی نگرانی بھی جاری رکھتا ہے۔

بینک کا جدید ترین ٹرانزیکشن مانیٹرنگ سسٹم (ٹی ایم ایس) منی لانڈرنگ کی ان سرگرمیوں کی مانیٹرنگ میں مدد دیتا ہے جن کا تعلق بینک چینل، پروڈکٹس اور خدمات کے ذریعے منی لانڈرنگ (ای ایم ایل) اور دہشت گردی کے لئے سرمایہ (ٹی ایف) سے ہو سکتا ہے۔ ٹی ایم ایس غیر معمولی مشکوک کی نگرانی اور اس میں موجود دیگر نوعیتی اے ایم ایل/ سی ایف ٹی صورت حال کے ذریعے بینک کے سسٹم میں ٹرانزیکشنز کی مختلف سرگرمیوں کا جائزہ لیتا ہے۔ علاوہ ازیں بینک ایک مضبوط کسٹمر ڈیوٹی چیکس (سی ڈی ڈی) پراسس کا حامل ہے جو کہ ہر ایک صارف کا پروفائل/ دستاویزات کو آپ ڈیٹ کرنے اور ریگولیٹری ضروریات کے مطابق جامع سی ڈی ڈی کی انجام دہی کی اجازت دیتا ہے۔ بینک باقاعدگی کے ساتھ مشکوک ٹرانزیکشن رپورٹس (STRs) اور کرسی ٹرانزیکشن رپورٹس (CTRs) فاضل مانیٹرنگ یونٹ (FMU) کو goAML پورٹل کے ذریعے رپورٹس کرتا ہے۔



## کریڈٹ رسک

حبیب میٹرو پر وڈکٹ، جغرافیہ، صنعت اور صارفین کی مختلف اقسام کے ذریعے کریڈٹ رسک کو کنٹرول کرنے کی حکمت عملی پر کاربند ہے۔ بینک، ایک بڑا حصہ مختصر مدتی اور سیلف لیکویڈیٹنگ میں رکھتے ہوئے، تجارت اور ورکنگ کیپٹل فنانسنگ کو توسیع دے رہا ہے۔ بینک کے کریڈٹ پورٹ فولیو کا ایک بڑا حصہ KIBOR کو بطور ایک حوالہ استعمال کرتے ہوئے فلوئنگ ریٹ کی بنیاد پر نرخ شدہ ہے جو شرح سود کے خطرات کو کم کرتا ہے۔ کریڈٹ کی توسیع میں شامل خطرات کا امکان کریڈٹ گرانٹ کرنے کے مضبوط طریقہ ہائے کار کے ذریعے مزید کم ہو جاتا ہے جو مناسب جانچ پڑتال، مناسب سکیورٹی اور جاری بنیادوں پر ایکسپوژرز کی مانیٹرنگ کو یقینی بنانے کیلئے تشکیل دیا گیا ہے۔ ان تمام اقدامات میں مرکزی ٹریڈ پروسیجرنگ اور کریڈٹ ایڈمنسٹریشن کے ذریعے مزید اضافہ ہوتا ہے۔

حبیب میٹرو IFRS-9 اسٹینڈرڈ پر عمل درآمد کے مراحل میں ہے۔ IFRS-9 اسٹینڈرڈ IAS 39، جو کہ مالیاتی انسٹرومنٹس کی پہچان اور پیمائش پر مشتمل ہے، کی جگہ نافذ ہوا ہے۔ اس اسٹینڈرڈ میں مالیاتی انسٹرومنٹس کی نظر ثانی شدہ درجہ بندی اور پیمائش کے معیار، قرضہ جات پر تخمینی خسارے کا مدل اور جرنل بیج اکاؤنٹنگ کی ضروریات شامل ہیں۔ یہ اسٹینڈرڈ IAS 39 کے مطابق مالیاتی انسٹرومنٹس کی شمولیت اور اخراج پر بھی رہنمائی فراہم کرتا ہے۔ بینک اس اسٹینڈرڈ کے نفاذ میں اسٹیٹ بینک کی جانب سے وقتاً فوقتاً جاری کردہ ٹائم لائن پر عمل پیرا ہے۔

## مارکیٹ/لیکویڈیٹی رسک

خصوصی طور پر تشکیل دیے گئے مارکیٹ لیکویڈیٹی رسک پونٹ کا کردار ایک منظم طریقے سے شرح سود، ایکویٹی، کرنسی یا غیر ملکی زرمبادلہ اور مالیاتی اداروں (ایف آئی) کی صورت میں مالیاتی خطرات کے اثرات اور ان کی حدود سے متعلق معاملات کی شناخت، جانچ، نگرانی اور رپورٹ دینا ہے۔ ان تمام خطرات کی مانیٹرنگ کو بورڈ کی منظور شدہ مارکیٹ و لیکویڈیٹی رسک مینجمنٹ پالیسی کے مطابق یقینی بنایا جاتا ہے۔ اثاثہ جات اور مالیاتی انتظامی کمپنی باقاعدہ ایک طے شدہ مدت کے دوران اقتصادی کاروباری ماحول کا جائزہ لیتی ہے اور فارن ایکسچینج، منی مارکیٹ اور ایکویٹی کیلئے حدود کے ساتھ ایکسپوژر کی سطح پر سفارشات پیش کرتی ہے، یہ حکمت عملی رسک، لیکویڈیٹی اور منافع جات میں توازن سے متعلق ہوتی ہے۔ مزید برآں بورڈ کی منظور شدہ انویسٹمنٹ پالیسی دیگر پہلوؤں کے ساتھ اثاثہ جات مختص کرنے اور آپریٹنگ گائیڈ لائنز پر توجہ پر زور دیتی ہے۔

## اسٹریٹجک ٹیسٹنگ

بینک موثر طور پر اسٹریٹجک ٹیسٹنگ کے طریقے کو پورے ادارے میں رسک کی موجودگی اور پورٹ فولیو کی قدر و قیمت میں تبدیلی کا جائزہ لینے کیلئے اس وقت استعمال کئے جاتے ہیں جب مختلف نوعیت کے خطرات ظاہر ہوتے ہیں۔ شرح سود، کریڈٹ، ایکویٹی پرائس، شرح مبادلہ اور لیکویڈیٹی وہ عناصر ہیں جو اسٹریٹجک ٹیسٹنگ کے ماڈل میں استعمال ہوتے ہیں۔ بینک کا اسٹریٹجک ٹیسٹنگ کا طریقہ ہائے کار اسٹیٹ بینک آف پاکستان کی رہنمادایات پر عملدرآمد کو بھی یقینی بناتا ہے۔

## کیپٹل مینجمنٹ

بینک نے بازل ریگولیٹن کی تجویز کے مطابق ریگولیٹری جانب سے وقتاً فوقتاً جاری کردہ ہدایات اور مقرر کردہ حد سے زائد کیپٹل ایڈیکوئیسی رکھا ہے۔ بینک کے پاس بورڈ سے منظور شدہ انٹرئل کیپٹل ایڈیکوئیسی اسسٹمنٹ پر ویس اور رسک ایڈجسٹمنٹ بھی موجود ہے۔ انٹرئل کیپٹل ایڈیکوئیسی اسسٹمنٹ کا پروسیس (آئی سی اے اے پی) انتہائی واضح ہے اور سالانہ بنیاد پر اس کا جائزہ/اپ ڈیٹ کیا جاتا ہے۔

## آپریٹنگ رسک

بینک کی سرگرمیوں کے تمام تر پہلوؤں میں آپریٹنگ خطرات موجود ہوتے ہیں جو بینک کو مالیاتی اور/یا اس کی ساکھ سے متعلق بڑے نقصانات سے دوچار کر سکتے ہیں۔ وقوع پذیر ہونے سے پہلے خطرات کی شناخت اور ان کے مدارک کیلئے کنٹرولز کا استحکام ہمیشہ بینک کی ترجیح رہی ہے۔ بینک میں ایک مخصوص آپریٹنگ رسک مینجمنٹ (او آر ایم) پونٹ موجود ہے جو ادارے میں آپریٹنگ رسک فریم ورک تشکیل دینا اور لاگو کرتا ہے۔ او آر ایم پونٹ اس سلسلے میں مصروف عمل ہے اور باقاعدگی کے ساتھ بینک کے کاروبار/سپورٹ پونٹس کے ساتھ مہلک آپریٹنگ خطرات، نافذ العمل کنٹرولز اور مدارک اور متوقع خطرات کے جائزے اور تعین کیلئے رابطہ میں رہتا ہے۔ اس کے نتیجے میں کنٹرول انفراسٹرکچر کا معیار بلند اور تمام تر افعال اور انتظامی معلومات کو استحکام فراہم ہوتا ہے۔

بینک آپریٹنگ رسک کو ترجیح بڑھانے اور اسے دیگر خطرات کی درجہ بندی (مارکیٹ، کریڈٹ رسک، کمپلائنس اور قانونی خطرات) کے ساتھ ایک جامع اپروچ کے تحت مربوط بنانے کے لئے پُر عزم ہے تاکہ کام کا شاندار ماحول بشمول خطرات سے نمٹنے کے لئے ایک منظم صورتحال کو برقرار رکھا جاسکے۔ بینک کے آپریٹنگ رسک مینجمنٹ انفراسٹرکچر کو مزید مستحکم کرنے کیلئے علیحدہ آپریٹنگ رسک اینڈ کنٹرول کمیٹی (او آر سی) تشکیل دی گئی ہے۔

۷۔ کوڈ آف کارپوریٹ گورننس کے بہترین پریکٹس (طریقہ ہائے کار) جو کہ لسٹنگ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019ء میں مفصل طور پر درج ہیں سے کوئی رُوگردانی نہیں کی گئی ہے۔

۸۔ بینک کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا برائے گزشتہ 6 سال درج ذیل ہے:

2017	2018	2019	2020	2021	2022	روپے بلین میں
40,498	37,002	44,238	57,648	62,975	74,507	شیئر ہولڈرز کی ایکویٹی
10,478	10,478	10,478	10,478	10,478	10,478	اداشدہ سرمایہ
660,666	673,396	859,771	1,017,572	1,224,416	1,397,444	مجموعی اثاثہ جات
508,104	543,578	611,869	680,956	772,286	880,697	ڈپازٹس
174,319	226,690	263,948	312,167	398,382	433,503	ایڈوانسز
396,637	346,666	448,910	584,532	667,996	723,579	سرمایہ کاریاں
9,129	10,074	11,238	20,037	21,541	27,617	منافع قبل از ٹیکس
5,509	6,161	6,583	12,008	13,459	14,261	منافع بعد از ٹیکس
5.26	5.88	6.28	11.46	12.84	13.61	آمدنی فی حصص (روپے)
30	20	25	25	30	32.5	نقد منافع منقسمہ (فیصد)۔ حتمی
-	-	-	20	20	20	عبوری
4,719	4,841	4,192	5,603	6,410	6,915	عملی کی تعداد
320	352	392	406	459	500	برانچوں/ذیلی برانچوں کی تعداد

پراویڈنٹ فنڈ اور گریجویٹ اسکیم کی سرمایہ کاریوں کی قدر و قیمت درج ذیل ہے:

- پراویڈنٹ فنڈ 5,495.26 ملین روپے برطانیہ 31 دسمبر 2022ء

- گریجویٹ فنڈ 2,151.61 ملین روپے برطانیہ 31 دسمبر 2022ء

## رиск مینجمنٹ

### رиск مینجمنٹ فریم ورک پر بیان

حبیب میٹرو، نظام کی پیچیدگی، حجم اور نارگٹ مارکیٹ کی بنیاد پر ایک متحرک اور فعال و موثر رиск مینجمنٹ فریم ورک کا حامل ہے۔ حبیب میٹرو کے فلسفے، حکمت عملی اور انتظامی ڈھانچے میں خطرات کے پہلو پر غور کرنا شامل ہے۔ بینک کریڈٹ، آپریشنز، انفارمیشن، تسلسل، لیکویڈیٹی اور مارکیٹ رиск کیلئے منظم اپروچ اور منظم کنٹرول کے ایک مربوط و منظم رиск مینجمنٹ اسٹرکچر کا حامل ہے۔

فریم ورک بینک کے تمام شعبوں میں خطرات کے جامع انتظام کو یقینی بناتا ہے، یہ بینک کی تمام سطحوں اور مراحل پر اسٹرٹیجک، موزوں طریقہ کار اور آپریشنل سطحوں پر خطرات کے انتظام کے ساتھ ایک کردار کا حامل ہے۔ یہ ریگولیٹری نیز اندرونی خطرات پر رد عمل کے لئے مناسب گنجائش اور پلگ سے آراستہ ہے۔

بینک کا مکمل برانچ نیٹ ورک آن لائن اور جدید ترین پروسیجرنگ سسٹم محفوظ اور مناسب گنجائش کا حامل ہے۔ بینک کے نظام اور ادارے میں فرانٹس کی تقسیم بطور کنٹرول موجود ہے۔ کنٹرول سسٹم کی جانچ پڑتال کیلئے انٹرل آڈٹ ڈویژن، بینک کی برانچوں اور دیگر امور کا آزاد اور خطرات پر مبنی جائزہ لینا اور توثیق کرتا ہے۔ مینجمنٹ کیلئے رиск کنٹرول کی مناسبت سے جامع اندرونی رپورٹ اور مینجمنٹ انفارمیشن سسٹم بطور اضافی سہولیات مہیا کیا گیا ہے۔ رиск مینجمنٹ ڈویژن ماہر اور تجربے کار پیشہ ور افراد پر مشتمل ہے جو بینک میں موجود خطرات سے نمٹنے کی معلومات اور صلاحیت کے حامل ہیں۔

بینک کا بورڈ آف ڈائریکٹرز بشمول بورڈ رиск و کمپلائنس کمیٹی، سینئرل مینجمنٹ کمیٹی اور آپریشنل رиск و کمپلائنس کمیٹی بینک کی حکمت عملی (اسٹرٹیجی)، کاوشوں اور رиск مینجمنٹ سے متعلق تمام تر عوامل کی نگرانی کرتے ہیں۔

## بورڈ کی ری میونریشن پالیسی

نان۔ ایگزیکٹو ڈائریکٹر بشمول آزاد ڈائریکٹر کی ری میونریشن پالیسی بینک کے شیئر ہولڈرز کی جانب سے 28 ویں سالانہ اجلاس عام بتاریخ 31 مارچ 2020ء میں منظور کی گئی تھی جسے اسٹیٹ بینک آف پاکستان کی رہنماد ایات کے مطابق تیار کیا گیا تھا۔ اس پالیسی کے نمایاں نکات درج ذیل ہیں:

- تمام نان۔ ایگزیکٹو ڈائریکٹر بورڈ کی جانب سے وقتاً فوقتاً متعین کردہ معاوضہ کے حقدار ہوں گے جو انہیں بورڈ اس کی ذیلی کمیٹیوں اور شیئر ہولڈرز کے اجلاسوں میں شرکت بشمول بورڈ کے چیئرمین کے عہدے یا اس کی ذیلی کمیٹیوں کے اجلاس میں شرکت کے ضمن میں ادا کیا جائے گا۔
- پالیسی کے تحت معاوضہ بورڈ کی سفارش پر شیئر ہولڈرز کے قبل از یا بعد از اجلاس کی اجازت کے تحت ہوگا۔
- معاوضوں کا ختم کسی بھی صورت میں اسٹیٹ بینک آف پاکستان کی جانب سے مقرر کردہ حدود سے زائد نہ ہوگا۔
- بینک کے امور سے متعلق اجلاسوں یا تقریبات میں شرکت کے مقاصد کیلئے تمام ڈائریکٹر سفر، بورڈنگ اور لاگت اخراجات بشمول اتفاقی اخراجات کا استحقاق رکھتے ہیں۔
- ڈائریکٹر کے معاوضے کے سلسلے میں معلومات مالیاتی اسٹیٹمنٹ کے نوٹ 37 میں فراہم کی گئی ہیں۔

## بورڈ اور بورڈ کمیٹیوں کی تشکیل

بورڈ اور بورڈ کی کمیٹیوں کی موجودہ تشکیل کو لحد کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے اسٹیٹمنٹ آف کمپلائز میں فراہم کر دیا گیا ہے۔

## پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2022ء کا پیٹرن آف شیئر ہولڈنگ رپورٹ کے ساتھ منسلک ہے۔

بینک، حبیب بینک اے جی زیورخ۔ سوزر لینڈ (ہولڈنگ کمپنی جس کے پاس بینک کے 51 فیصد شیئرز ہیں) جو سوزر لینڈ میں انکوارپریٹڈ ہے، کی ذیلی کمپنی ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہوئے اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرری کیلئے پیش کیا۔

کوڈ آف کارپوریٹ گورننس کی ہدایات کے مطابق، آڈٹ کمیٹی کی تجویز پر بورڈ نے کے پی ایم جی تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی 31 دسمبر 2023ء کو ختم ہونے والے سال کیلئے بینک کے آڈیٹرز کی حیثیت سے تقرری کی سفارش کی ہے۔

## کارپوریٹ و فنانشل رپورٹنگ فریم ورک

- 1۔ بینک کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹ اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو اور انکویٹی میں تبدیلی کو شفاف انداز میں پیش کیا گیا ہے۔
- 2۔ بینک کی جانب سے حسابات کی باقاعدہ کتب تیار کی گئی ہیں۔
- 3۔ موزوں اکاؤنٹنگ پالیسیاں اور تخمینہ جات، مالیاتی حسابات کی تیاری میں تسلسل کے ساتھ لاگو کئے گئے ہیں۔
- 4۔ مالیاتی حسابات کی تیاری میں پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عمل کیا گیا ہے اور ان سے کسی بھی رُوگردانی کو مناسب طور پر ظاہر کیا گیا ہے۔
- 5۔ انٹرنل کنٹرول کا نظام مستحکم طور پر پوزیشن کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہا ہے۔
- 6۔ بینک کے کاروبار کو جاری رکھنے کی صلاحیت پر کسی قسم کے شبہات نہیں ہیں۔



## ذاتی اثرات میں کمی

بینک نے ماحول اور ماحولیاتی آلودگی کے اثرات میں کمی کیلئے اپنے اندرونی آپریشنز اور طریقہ ہائے کار میں توجہ پر اضافہ کیا ہے۔ ماحول اور معاشرے پر منفی اثرات میں بینک نے توانائی کے موثر استعمال کے حل تلاش کئے ہیں جن میں کم توانائی صرف ہونے والی ایل ای ڈیز لائٹس کی تبدیلی، انورٹر کے حامل ایئر کنڈیشننگ یونٹس کی تنصیب اور یو پی ایس وسولر پنل کو آئی ایم کیلئے پرائمری بیک اپس کے طور پر استعمال کرنا شامل ہے۔

## کپسٹی بلڈنگ

اپنے اقدامات کے ضمن میں آگاہی، اور اس کی قبولیت کو بڑھانے کیلئے بینک نے اپنی ٹیم کیلئے سیکھنے اور تربیت کے مواقع کا بندوبست کیا۔ یہ انتظام گرین بینکنگ کے تصور کو بہتر طور پر سمجھنے اور کریڈٹ تجاویز کی جانچ کے دوران ماحولیاتی تشخیص، ذاتی اثرات کی کمی کے اقدامات کو رائج کرنے اور کاروباری سہولت میں معاونت کی صلاحیت کا اہل بنانا ہے۔

## صارفین کی شکایات

حبیب میٹرو بینک ایک بے عیب کسٹمر سروس فراہم کرنے پر کاربند ہے۔ صارفین کو درپیش مشکلات سے نمٹنے کا موثر طریقہ کار بینک صارفین کی مشکلات کے خلاف دفاع کی پہلی صف کے طور پر کام کرتا ہے۔ یہ طریقہ کار اس امر کو یقینی بناتا ہے کہ موصول ہونے والی تمام شکایات کو منصفانہ، شفاف اور موثر طور پر نمٹایا جائے۔

شکایات درج کرانے اور اس سے نمٹنے کے عمل کے سلسلے کو مزید واضح اور قابل رسائی بنانے کے ضمن میں بینک کے صارفین کو وقتاً فوقتاً شکایات درج کرانے کے طریقہ ہائے کار کے حوالے سے آگاہی ارسال کی جاتی ہیں۔

سال 2022ء کے دوران مجموعی طور پر 41,976 شکایات بینک کو موصول ہوئیں جن کو (حل شدہ شکایات) نمٹانے کا اوسطاً وقت 5.5 ایام تھا (علاوہ فراڈ کی شکایات اور انٹرنیٹ/پی او ایس سے متعلق شکایات) جبکہ مجموعی طور پر شکایات کے تدارک کا اوسطاً دورانیہ 7.9 ایام رہا۔ بینک کسی بھی مرحلے، پروڈکٹس اور خدمات کی فراہمی میں موجود خلاء کی شناخت اور بہتری کے لئے مسلسل طور پر بنیادی و مفصل تجزیے کا اہتمام کرتا ہے۔

## کارپوریٹ گورننس

### بورڈ کے اجلاس

سال 2022ء کے دوران بورڈ آف ڈائریکٹرز اور اس کی سب کمیٹیوں کے اجلاس اور ہر ایک ڈائریکٹر/کمیٹی ممبر کی جانب سے اس کی شرکت کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	کریڈٹ کمیٹی	ہیومن ریسورسز و دی مینوفیکچرنگ کمیٹی	ریسک و کمپلائنس کمیٹی	انفارمیشن اینڈ ٹیکنالوجی کمیٹی
جناب محمد علی آر۔ حبیب *	4/4	-	3/3	1/1	-	-
جناب انجم زید۔ اقبال	4/4	4/4	3/3	-	4/4	2/2
جناب فراسٹ علی	4/4	-	-	2/2	4/4	2/2
جناب حمزہ حبیب	4/4	4/4	-	-	-	-
جناب محمد بشیر	4/4	-	-	-	-	-
جناب محمد راجح۔ حبیب	4/4	-	3/3	-	-	-
جناب رشید احمد جعفر	4/4	4/4	-	-	-	-
محترمہ طاہرہ رضا	4/4	-	-	2/2	4/4	-
جناب محسن اے۔ ناتھانی	4/4	-	3/3	1/1	4/4	2/2
منعقدہ اجلاس	4	4	3	2	4	2

\* 11 فروری 2022 کو محسن اے۔ ناتھانی کی جگہ محمد علی آر۔ حبیب منتخب ہوئے۔

ڈی ای آئی ہماری بنیادی توجہ کا مرکز ہے اور ہم 16 فیصد خواتین اسٹاف کے ساتھ 2022 کیلئے طے کردہ ہدف عبور کر چکے ہیں۔ ان کوششوں میں خواتین کے افسران ہیچ کی شمولیت، ملک بھر میں خواتین اسٹاف کی رہنمائی کیلئے 30 نامزد کردہ خواتین لیڈرز کے فی میل لیڈر شپ فورم کی تشکیل اور مخصوص خواتین کے ایجنٹ سیشنز شامل ہیں۔ بینک نے ادارے میں اعلیٰ سطح پر خواتین کی نمائندگی بڑھانے کیلئے مواقع فراہم کرنے کے لئے مستحکم کوششیں کرنے کی ہدایت جاری کر دی ہے۔

مزید برآں بینک معذور افراد کو اپنے ساتھ شامل کر کے اور ان کو بحیثیت خود مختار پیشہ ور بنانے کیلئے کام کا جامع ماحول فراہم کر رہا ہے۔

بینک اپنے ہیومن ریسورس کے ذریعے برانچوں کی نمایاں گروتھ میں معاونت اور دیگر اقدامات کا سلسلہ جاری رکھے ہوئے ہے، اس کے نتیجے میں سال کے دوران اسٹاف کا رکرڈنگی اسکیل کے پیمانے پر توجہ کے لئے ساتھ شامل کیا گیا ہے۔

COVID-19 (کورونا وائرس) کے بعد ملازمین کی سیکھنے اور ترقی کی صلاحیت ابھر کر سامنے آئی۔ ذاتی طور پر کلاس روم سیشنز باقاعدہ ایس او پیز کے ساتھ منعقد کئے گئے جبکہ متعدد ورچوئل ٹریننگ اور ای لرننگ ماڈلز بھی اسٹاف کیلئے دستیاب تھے۔

اعتماد اور عزم کے اپنے تسلسل کو قائم رکھتے ہوئے سال کے دوران جو نیز اور درمیانے درجے کے انتظامی گریڈ کیلئے ایک عبوری مہنگائی الاؤنس متعارف کرایا گیا تاکہ معاشی بحران کی صورتحال میں اسٹاف کو مالیاتی ریلیف اور سکون فراہم کیا جائے۔ بینک نے اپنی 30 ویں سالگرہ کی تقریبات کو مناتے ہوئے ایک وقتی خصوصی پولس کا بھی اعلان کیا۔

حبیب میٹرو ملازمت کے یکساں مواقع فراہم کرنے والا آج ادارہ ہے اور موجودہ مستقبل کے بینکرز کے انتخاب کا حامل ادارہ بننے کے لئے کوشاں ہے۔

## کارپوریٹ سماجی ذمہ داریاں

بحیثیت ایک ذمہ دار و فعال کارپوریٹ شہری آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں کو بخوبی سمجھتا اور سماجی اداروں کی معاونت کرتا ہے۔ بینک مختلف سماجی اور فلاحی اقدامات اور سرگرمیوں میں اپنے عمل کی شمولیت کے ذریعے کے بھی سماجی اداروں کے ساتھ بھرپور شراکت کیلئے کوشاں رہتا ہے۔

بینک پسماندہ طبقات کیلئے صحت کی دیکھ بھال، تعلیم اور سماجی بہبود کے ضمن میں بھی تعاون جاری رکھے ہوئے ہے جس میں سیلاب سے متاثرہ افراد کیلئے راشن/خوراک کی تقسیم، میڈیکل کیسپس اور بحالی کے پروجیکٹس پر مشتمل ایک جامع فلوڈ ریلیف سرگرمی بھی شامل ہے۔ یہ رضا کارانہ امداد 200.4 ملین روپے مالیت پر مشتمل ہے۔ آپ کے بینک کی سماجی شراکت کے بارے میں تفصیلات اکاؤنٹس کے نوٹس میں دیکھی جاسکتی ہے۔

آپ کا بینک سال 2022ء کے دوران حکومت پاکستان کو 11.4 ملین روپے سے زائد بلا واسطہ (ڈائریکٹ) ٹیکسوں کی مدد میں ادائیگی کے ساتھ ملک کے بڑے ٹیکس دہندگان میں سے ایک رہا۔ مزید برآں بینک نے اپنے نیٹ ورک کے ذریعے تقریباً 22.7 ملین روپے بلواسطہ ٹیکس اور وہولڈنگ انکم ٹیکس کوٹیوں کی مدد میں قومی خزانے کے لئے جمع کئے۔

مزید برآں بینک نے پاکستان کے پوم آزادی 2022 کی تقریبات آئی آئی چندریگر روڈ کے داخلی راستے پر ایچ بی زیڈ مومنٹ (یادگار) کی نقاب کشائی کے ذریعے منائی۔ یہ اقدام کراچی اور ملک کی فاضل اسٹریٹ کی خوبصورتی میں اضافے کے لئے تھا۔

## گرین بینکنگ کے اقدامات

حبیب میٹرو ماحولیات، سماجی اور گورننس کے حوالے سے اپنی ذمہ داریوں کو تسلیم کرتا ہے۔ بینک گرتی ہوئی ماحولیاتی اور سماجی صورتحال کے خاتمے کے لئے جاری قومی اور عالمی اقدامات میں اپنا کردار ادا کرنے پر یقین رکھتا ہے۔ ماحولیات، سماجی اور گورننس (ESG) کے پہلو بینک کی حکمت عملی نیز آپریشنل سرگرمیوں کا ایک حصہ بن چکے ہیں۔ بینک اس سلسلے میں ریگولیٹری توقعات اور شرائط سے خود کو ہم آہنگ رکھنے کیلئے بھی کوشاں ہے اور گرین بینکنگ پالیسی پر یقین رکھتے ہوئے درج ذیل حصوں پر عمل کرنے کیلئے کوشاں ہے:

### • ماحولیاتی اور سماجی خطرات سے نمٹنے کا انتظام

فنانسنگ پورٹ فولیو میں ماحولیاتی اور سماجی ایکسپوژر کے خاتمے اور انتظامات کے ذریعے ماحولیاتی استحکام کو بہتر بنانے کے لئے حبیب میٹرو کریڈٹ رسک کی جانچ پڑتال کے عمل میں ای ایس جی عوامل کی شمولیت کے مراحل میں ہے۔

### • کاروباری سہولت

بینک غیر آلودہ توانائی اور باکفایت وسائل کے منصوبوں میں سرمایہ کاری کے ذریعے ”گرین مارکیٹ“ کو فروغ دینے کے لئے کوشاں ہے۔ بینک گرین پورٹ فولیو میں اضافے کے لئے اسٹیٹ بینک آف پاکستان کی ریویو ایبل انرجی ری فنانس اسکیم کے ذریعے ریویو ایبل انرجی فنانسنگ سے متعلق کلائنٹس کو راغب کرنے پر زور دے رہا ہے۔

## کمٹنٹس

بینک کے مالیاتی سال اور رپورٹ کی تاریخ کے درمیان بینک کی مالیاتی پوزیشن کو متاثر کرنے والی کمٹنٹس میں کوئی نمایاں تبدیلی وقوع پذیر نہیں ہوئی۔

## کریڈٹ ریٹنگ

بینک نے طویل مدت کیلئے AA+ (ڈبل اے پلس) کی ریٹنگ اور مختصر مدت کیلئے A1+ (ایون پلس) کی ریٹنگ برقرار رکھی۔ یہ ریٹنگز کریڈٹ کے اعلیٰ معیار، کریڈٹ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

## صارفین تک اضافی رسائی

حبیب میٹرو نے 2022ء میں مزید 41 نئی برانچوں کا اضافہ کر کے اپنی رسائی کو وسعت دی۔ 28 نئے شہروں کے اضافے کے ساتھ بینک نے پاکستان بھر کے 194 شہروں میں 500 برانچوں کے ساتھ اپنے دائرہ کار کو وسیع کیا۔

حبیب میٹرو 100 سے زائد ممالک میں مستحکم بینکوں کے ساتھ تعلقات رکھتا ہے اور متعدد دیگر بینکوں سے باقاعدہ کریڈٹ لائنز کا بھی حامل ہے۔ حبیب میٹرو پورے ملک میں اپنے صارفین کو جامع بینکاری کی خدمات پیش کرتا ہے یہ پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس، ان میں خصوصی ٹریڈ فنانس پروڈکٹس شامل ہیں اس کے ساتھ پروڈکٹس اور سروسز مثلاً محفوظ SMS اور ویب و موبائل بینکنگ سروسز، عالمی سطح پر قابل قبول ویزا ڈیبٹ کارڈ اور ملک گیر 500 سے زیادہ ATM میٹ ورک بھی اس کا حصہ ہیں۔

آپ کے بینک کی ذیلی کمپنی حبیب میٹرو پولیٹن فنانشل سروسز باسہولت اور قابل اعتماد ایکویٹی بروکرینج اور کسٹمی خدمات فراہم کرتی ہے۔ مزید برآں حبیب میٹرو پولیٹن مضاربہ منجمنٹ بذریعہ فرسٹ حبیب مضاربہ، اسلامی مالیاتی حل تک رسائی فراہم کرتا ہے۔

## ڈیجیٹلری جھنڈو

2022ء ڈیجیٹل جدت طرازی اور حبیب میٹرو بینک کے قابل قدر اور معزز صارفین کیلئے نئی پیشکشوں کا سال رہا۔ بینک نے دوائنڈسٹری فرسٹ ڈیبٹ کارڈز، ہائی۔ میٹ ورتھ صارفین کیلئے ویزا میٹل ڈیبٹ کارڈ اور برنس کیلئے ویزا برنس ڈیبٹ کارڈ متعارف کرائے۔ اس کے علاوہ خواتین کیلئے ایک خصوصی ڈیبٹ کارڈ بھی خواتین کی مرکزی پیشکشوں اور رعایتوں کو مد نظر رکھتے ہوئے متعارف کرایا گیا۔

بینک نے نئی انشامو بائل ایپ کو بہتر فچر کے ساتھ متعارف کرایا۔ متعدد اضافی خصوصیات اور صارفین کی بہتری کیلئے ہمارا انشامو بائل ایپ اب بینکاری صنعت میں دوسری بہترین ایپ ہے۔ ایپ نے 200 ہزار صارفین تک رسائی کے ساتھ ٹرانزیکشنز میں 110 فیصد گروتھ بھی ظاہر کی ہے۔

2021 میں حبیب میٹرو کا نیٹ ورک ایپلیکیشنز کا میاب نفاذ کے بعد کنٹیکٹل جھنڈو سے 0.4 ملین ٹرانزیکشنز کر رہا ہے۔ مزید برآں ہمارا رابطہ سینٹر صارفین کیلئے تیز ترین چٹ پوائنٹ بن چکا ہے اور 2022 میں 1.2 ملین کانٹریکٹس کی گئیں۔

صارفین کے تجربات کو مد نظر رکھتے ہوئے ایف ایف ایف کی خصوصیات میں اضافہ کیا گیا اور بصارت سے عاری/ناپیدا صارفین کیلئے بولنے والے ایف ایف ایف بھی شامل کیے، اس کے ساتھ نئے جدید ترین ایف ایف ایف بھی ہمارے نیٹ ورک کا حصہ بنے ہیں جس کے بعد ہمارے ایف ایف ایف فلیٹ کی تعداد 525 ہو گئی۔ مزید برآں وائس ایپ بینکنگ کا بھی صارفین کی سہولت کیلئے 13 سے زائد سہولتوں کے ساتھ شروع کیا گیا۔

زیر جائزہ مدت کے دوران حبیب میٹرو کی انشامو بائل ایپ اور انٹرنیٹ بینکنگ سے 221 ملین روپے مالیت کی 6.3 ملین سے زائد ٹرانزیکشنز کی گئیں۔ ڈیبٹ کارڈ کا استعمال بڑھتی ہوئی مارکیٹ کی پہنچ، شاندار ڈیجیٹل پائرنشپ اور صارفین تک رسائی کی کمپنیں کے ذریعے 15.8 بلین روپے تک پہنچ گیا۔

## افراد و وسائل

حبیب میٹرو مستقل طور پر جدت طرازی، ایکویٹی اور اپنی افرادی قوت (ڈی ای آئی) میں اضافے کیلئے نمایاں پیش رفت کا مظاہرہ کر رہا ہے۔ جس کا نتیجہ ہم یقین رکھتے ہیں کہ حبیب میٹرو مستعد کارکردگی اور خوشحالی کے لئے سازگار ماحول فراہم کرے گا۔



## ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی جانب سے ہم انتہائی مسرت کے ساتھ 31 دسمبر 2022ء کو ختم ہونے والے مالی سال کیلئے حبیب میٹرو پولیٹن بینک لمیٹڈ (حبیب میٹرو) کے سالانہ مالیاتی حسابات پیش کر رہے ہیں۔

### اقتصادی اور بینکاری کا جائزہ

زیر جائزہ سال کے دوران پاکستان کو افراط زر کے دباؤ اور کرنٹ اکاؤنٹ خسارے کے ساتھ اقتصادی سرگرمیوں میں سست روی کا سامنا رہا۔

2022ء کے پورے سال کے دوران افراط زر کی شرح بلند رہی، تاہم سال کے آخری دو ماہ میں کچھ بہتری کے آثار دکھائی دیے اور سال بہ سال کا اختتام 24.5 فیصد پر ہوا جو 2022ء میں اکتوبر کے دوران اس کے مقابلے میں سال بہ سال کے لحاظ سے 26.6 فیصد پر تھا، اشیائے خورد و نوش کا مہنگا ہونا افراط زر کے تیزی سے بڑھتے ہوئے دباؤ کی مرکزی وجہ بنا جو 2023ء کی پہلی سہ ماہی سے بڑھنا شروع ہو گئے تھے۔

بیرونی شعبہ مستقل چیلنجز کے دور سے گزر رہا ہے۔ حوصلہ افزاء پالیسی اور درآمدات میں 18.2 فیصد کمی کے باعث کرنٹ اکاؤنٹ خسارے میں 58 فیصد کمی ہوئی جو کہ مالیاتی سال کی پہلی ششماہی میں 3.7 بلین امریکی ڈالر رہا۔ اس کے باوجود فنانشل ان فلو ز میں کمی اور قرضہ جات کی بڑھتی ہوئی ادائیگی کے باعث زرمبادلہ کے ذخائر میں کمی ہوئی۔ اس دوران برآمدات اور ترسیلات زر میں کمی نے امپورٹ میں کمی کے اثر کو جزوی طور پر زائل کیا۔ مزید برآں زر جائزہ مدت میں پاکستانی روپے کی قدر میں امریکی ڈالر کے مقابلے میں 27.1 فیصد کمی ہوئی۔ مالی سال 2022ء کی پہلی ششماہی میں ایف بی آئی کی ٹیکس وصولیاں 17 فیصد سالانہ بڑھتیں، جو بجٹ میں گروتھ کے اندازے سے سست روی کا شکار نظر آئیں۔

آئی ایم ایف کے مطابق پاکستان کو بیرونی قرضوں کی واپس ادائیگی کے ضمن میں تین سالوں (مالی سال 2023-2025) کے دوران 73 بلین امریکی ڈالر کی ادائیگیاں کرنی ہیں، جبکہ اس کے مقابلے میں زرمبادلہ کے موجودہ ذخائر لگ بھگ 3 بلین امریکی ڈالر ہیں۔ مالیاتی سال 2023ء کے 7 ماہ میں پاکستان نے 15 بلین امریکی ڈالر کا قرضہ منگایا تھا جس میں سے 9 بلین امریکی ڈالر ادا کیے گئے اور 6 بلین امریکی ڈالر کے قرض کی تجدید کی گئی۔ مالیاتی سال 2023ء کے باقی ماندہ مہینوں (فروری تا جون 2023ء) میں پاکستان کو 8 بلین امریکی ڈالر کی ادائیگی کرنی ہے جس میں سے ممکنہ طور پر 3 بلین امریکی ڈالر کے قرض کی تجدید کا امکان ہے جبکہ اس رقم کے 2.2 بلین امریکی ڈالر باہمی/تجارتی قرضوں سے متعلق ہیں جن کو بعد از آں ری فننس کر دیا جائے گا۔ اس صورتحال میں آئی ایم ایف کی توسیع شدہ فنانسنگ سہولت (ای ایف ایف) بے یقینی کو کم کرنے اور کثیر لومبیتی اور باہمی ان فلو ز کی رکاوٹ دور کرنے کے لئے اہم ہے۔

سال بہ سال 7.1 فیصد کمی مناسب گروتھ کے ساتھ بینکاری کے شعبے کا ڈیپازٹ میں دسمبر 2022ء کے اختتام پر 22.47 ٹریلین روپے رہا، اسی دوران ایڈوانسز 17.4 فیصد بڑھ کر 11.91 ٹریلین روپے پر موجود تھے جبکہ سرمایہ کاریاں 26.8 فیصد بڑھ کر 17.90 ٹریلین روپے پر ریکارڈ کی گئیں۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے 2022ء کے دوران پالیسی ریٹ مجموعی طور پر 625 بیس پوائنٹس بڑھا کر 16 فیصد کر دیا (اس کے مقابلے میں 2021ء کے دوران 275 بیس پوائنٹس کم کیا گیا تھا)۔ اپنے تازہ ترین مانیٹری پالیسی بیان میں ایس بی پی نے فیصلہ کیا کہ پالیسی ریٹ کو ملک میں افراط زر کے ماحول میں کمی لانے کے پیش نظر 20 فیصد تک بڑھا دیا جائے۔

### سال کے دوران بینک کی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو نے 31 دسمبر 2022ء کو ختم ہونے والے سال کیلئے 27,617 ملین روپے کا منافع قبل از ٹیکس ظاہر کیا، اور سال بہ سال کے لحاظ سے 28.2 فیصد اضافہ دیکھا گیا۔ فی شیئر آمدنی بینکنگ سیکٹر پر لاگو ٹیکس ریٹس میں 39 فیصد تا 49 فیصد اضافے کے بعد 13.61 روپے فی شیئر رہی۔

بینک کے خالص انٹرسٹ مارجن 37.6 فیصد تک بڑھ کر 40,611 ملین روپے ہو گیا۔ نان انٹرسٹ آمدنی کا حجم 18.6 فیصد تک بڑھ کر 13,215 ملین روپے ہو گیا۔ فیس اور کمیشن کی آمدنی 14.8 فیصد تک بڑھ کر 7,931 ملین روپے ہو گئی جو اس کے مقابلے میں گزشتہ سال کی اس مدت کے دوران 6,906 ملین روپے تھی۔

اس سال کے دوران سرمایہ کاریاں اور خالص ایڈوانسز بالترتیب 8.3 فیصد اور 8.8 فیصد تک بڑھ کر 723,579 ملین روپے اور 433,503 ملین روپے ہو گئے۔ ڈیپازٹس سال 2021ء کے اختتام کی سطح 880,697 ملین روپے سے 14.0 فیصد بڑھ گئے۔ بینک نے مستقل طور پر کم لاگتی ڈیپازٹس کو فروغ دینے پر توجہ جاری رکھی ہوئی ہے۔ جس کے نتیجے میں کرنٹ ڈیپازٹس سال کے دوران 14.4 فیصد تک بڑھ کر 306,840 ملین روپے ہو گئے، اس کے ساتھ کرنٹ اکاؤنٹ کا تناسب بڑھ کر 34.8 فیصد ہو گیا۔

بینک کی خالص ایکویٹی 18.3 فیصد تک بڑھ کر 74,507 ملین روپے رہی، جس کے نتیجے میں کپٹل ایکویٹی 14.6 فیصد رہا۔

## BRANCH NETWORK

### Registered Office and Head Office

Ground Floor, HABIBMETRO Head Office,  
I.I. Chundrigar Road, Karachi-74200, Pakistan  
U.A.N.: (92-21) 111-14-14-14 Fax: (92-21) 32630404-05

### HMB Connect: 111-1(HABIB)42242

For information / query: [info@habibmetro.com](mailto:info@habibmetro.com)  
website: <http://www.habibmetro.com/atm-branch-locator/>

## SOUTHERN REGION

### KARACHI

Main Branch  
Abul Hassan Isphani Road Branch  
Aisha Manzil Branch  
Alamgir Road Branch  
Allama Iqbal Road Branch  
Askari - IV Branch - Karachi  
Askari V, Malir Cantt. Branch  
Baara Market Branch  
Bahadurabad Branch  
Bahria Town Branch  
Baitul Mukkaram Branch  
Bilal Chowrangi Branch  
Block-L, North Nazimabad  
Block-M, North Nazimabad  
Block-N, North Nazimabad  
Boat Basin Branch  
Bohri Bazar Branch  
Bombay Bazar Branch  
Bukhari Commercial Branch  
Business Avenue Branch  
Caesars Tower Branch  
Ceramic Market Branch  
Chandni Chowk Branch  
Chartered Accountants Avenue  
Branch (Sub Branch of Gizri)  
City Court Branch  
Civil Lines Branch  
Clifton Block 2 Branch  
Clifton Branch

Cloth Market Branch  
Dalmia Road Branch  
Dastagir Branch  
Denso Hall Branch  
DHA Branch  
DHA Phase I Branch  
DHA Phase II Branch  
DHA Phase IV Branch  
DHA Phase VI Branch  
DHA Phase VIII Branch  
Dhoraji Colony Branch  
Eidgah Branch  
Falcon Complex Branch  
Garden East Branch  
Gizri Branch  
Gulistan-e-Johar Branch  
Gulshan Chowrangi Branch  
Gulshan-e-Ali Branch  
Gulshan-e-Iqbal 13-C Branch  
Gulshan-e-Iqbal Branch  
Gulshan-e-Maymar Branch  
Hasrat Mohani Road  
Hassan Square Branch  
HBZ Plaza Branch  
Hussainabad Branch  
Hyderi Branch  
Industrial Area Korangi Branch  
Ittehad Branch  
Jodia Bazar Branch  
Juna Market Branch  
Karachi Export Processing Zone  
Karimabad Branch

Khalid Bin Walid Road Branch  
Khayaban-e-Bukhari Branch  
Khayaban-e-Nishat Branch  
Khayaban-e-Sehar Branch  
Khayaban-e-Shahbaz Branch  
Khayaban-e-Tanzeem Branch  
Khayaban-e-Ittehad PhVI Branch  
Korangi Branch  
Kutchi Gali Branch  
Landhi Industrial Area Branch  
Liaquatabad Branch  
M.A. Jinnah Road Branch  
Malir Cantt Branch  
Malir City Branch  
Manghopir Road Branch  
Marriot Road Branch  
Mereweather Branch  
Mission Road Branch  
Mithadar Branch  
Naval Colony Branch  
Nazimabad No. 3 Branch  
(Nazimabad)  
New Sabzi Mandi Branch  
NHS Branch Karachi  
NHS Complex Karsaz Branch  
Nishtar Road Branch  
North Karachi Industrial Area Branch  
North Napier Road Branch  
North Nazimabad Branch  
Nursery Branch  
Paper Market Branch  
Paposh Nagar Branch

PECHS Block 6 Branch  
 Philips Chowrangi Branch  
 PIB Colony Branch  
 Plaza Square Branch  
 Port Qasim Branch  
 Preedy Street Branch  
 Progressive Plaza Branch  
 SITE Branch  
 SITE Police Station Branch  
 SITE - II Branch  
 Saadi Town Branch  
 Saba Avenue Branch  
 Saddar Branch  
 Saeedabad Baldia Branch - KHI  
 Safoora Chowrangi Br. Karachi  
 Safoora Goth Branch  
 Samanabad Gulberg Branch  
 Saudabad Branch  
 Sehba Akhtar Road Branch  
 Shahbaz Priority Branch  
 Shahrah-e-Faisal Branch  
 Shahrah-e-Liaquat Branch  
 Shahrah-e-Quaideen Branch  
 Sharfabad Branch  
 Shershah Branch  
 Shireen Jinnah Colony Branch  
 Sindhi Muslim Society Branch  
 Soldier Bazar Branch  
 South Park Avenue Branch  
 Stadium Road Branch  
 Star Gate Branch  
 Stock Exchange Branch  
 Tariq Road Branch  
 Textile Plaza Branch  
 Timber Market Branch  
 Tipu Sultan Road Branch  
 University Road Branch  
 UP More Branch  
 Water Pump Branch  
 West Wharf Branch  
 Writers Chamber Branch-Karachi  
 Zamzama Branch

## HYDERABAD

Autobhan Road Br.-Hyderabad  
 Hala Naka Branch Hyderabad  
 Hyderabad Branch  
 Latifabad Branch  
 Market Road Branch-Hyderabad  
 Qasimabad Branch

## OTHER SOUTHERN REGION CITIES

Daharki Branch  
 Dhoru Naro Branch  
 Ghotki Branch  
 Gwadar Branch  
 Hub Chowki Branch  
 Jacobabad Branch  
 Kandhkot Branch  
 Khairpur Branch  
 Larkana Branch  
 Loralai Branch  
 M. A. Jinnah Road Quetta  
 Mazai Adda Branch  
 Military Road Branch, Sukkur  
 Mirpurkhas Branch  
 Muslim Bagh Branch  
 Nawabshah Branch  
 Pano Aqil Branch  
 Quetta Branch  
 Sakrand Branch  
 Sanghar Branch  
 Shikarpur Branch  
 Sirki Road Branch  
 Sukkur Branch  
 Tandoadam Branch  
 Tando Muhammad Khan Branch  
 Thatta Branch  
 Turbat Branch - Baluchistan  
 Umerkot Branch  
 Zhob Branch - Baluchistan

## NORTHERN REGION

### LAHORE

Badami Bagh Branch  
 Badian Road Branch  
 Baghbanpura Branch  
 Bahria Town Branch Lahore  
 Bank Square Market Model Town  
 Brandreth Road Branch  
 Cantt. Branch  
 Cavalry Ground Branch  
 Circular Road Branch  
 D.H.A Phase I Branch Lahore  
 Daroghawala Branch  
 Davis Road Branch  
 DHA Branch Lahore  
 DHA Phase IV Branch  
 DHA Phase V Branch  
 DHA Phase VI Branch  
 DHA Phase VIII, Cantt. Branch  
 EME Society Branch  
 Faisal Town Branch  
 Ferozepur Road Branch  
 Fruit & Sabzi Market Branch  
 Garden Town Branch  
 Garhi Shahu Branch  
 Gulberg Branch  
 Gulshan-e-Ravi Branch  
 Hall Road Lahore  
 Iqbal Town Branch  
 Jail Road Branch  
 Johar Town Branch  
 Lahore Main Branch  
 Lalik Chowk Branch  
 Main Boulevard Branch  
 Mcleod Road Branch  
 Misri Shah Branch  
 Model Town Link Road Branch  
 Muslim Town Branch Lahore  
 Punjab C.H.S. Branch

Raiwind Road Branch  
 Ravi Road Branch  
 Samanabad Branch  
 Shad Bagh (Sub Br Badami Bagh)  
 Shadman Branch  
 Shahalam Market Branch  
 Shahdara Branch  
 Shahrah-e-Quaid-e-Azam Branch  
 Tajpura Branch  
 Thokar Niaz Baig Br. Lahore  
 Township Branch  
 Urdu Bazar Branch  
 Valencia Town Branch  
 Wahadat Road Branch  
 Walton Road Branch  
 WAPDA Town Branch

## FAISALABAD

Canal Road Branch-Faisalabad  
 Faisalabad Main Branch  
 Ghulam Muhammadabad Branch  
 Gulberg Branch Faisalabad  
 Khurrianwala Branch  
 Millat Chowk Branch  
 Muridwala Branch  
 Peoples Colony Branch  
 Sahianwala Branch Faisalabad  
 Samanabad Branch  
 Sargodha Road Branch  
 Samundri Branch  
 Satiana Road Branch  
 Susan Road Branch  
 University of Faisalabad

## MULTAN

GhallaMandi Branch  
 Gulgash Colony Branch  
 Hussain Agahi Branch  
 Model Town Branch - Multan  
 Multan Main Branch  
 Shahrugn-e-Alam Branch

## SIALKOT

Bhagowal Branch - Sialkot  
 Gohadpur Branch  
 Khadim Ali Road  
 Kotli Loharan Branch  
 Ladhar Branch  
 Pasrur Branch - Sialkot  
 Pasrur Road Branch  
 Sambrial Branch  
 Sialkot Cantt. Branch  
 Sialkot Main Branch  
 Small Industrial Estates Branch

## ISLAMABAD

B-17 Branch  
 Bahria Town Branch  
 Bhara Kahu Branch  
 Civic Center Bahria Town  
 Diplomatic Enclave Branch-ISB  
 DHA-II Branch  
 E-11 Branch  
 F-6 Markaz Branch  
 F-10 Markaz Branch  
 F-11 Markaz Branch  
 F-8 Markaz Branch  
 G - 6 Markaz Branch  
 G - 8 Markaz Branch  
 G-11 Markaz Branch  
 Gulberg Green Br. - Islamabad  
 Humak Industrial Area Branch  
 I-8 Markaz Branch  
 I-10 Markaz Branch  
 I-11 Grain Market Br.Islamabad  
 Islamabad Main Branch  
 Kuri Road Branch - Islamabad  
 Markaz F-7 Branch - Islamabad  
 Tarnol Branch

## RAWALPINDI

Chaklala Scheme III Branch  
 Dhamial Camp Branch

Iqbal Road Branch  
 Kashmir Road Branch  
 Khanna Branch  
 Lalazar Branch - Rawalpindi  
 Muree Road Branch  
 Peshawar Road Branch  
 PWD Commercial Area Branch  
 Raja Bazar Branch  
 Rawalpindi Main Branch  
 Shamsabad Branch

## GUJRANWALA

DC Colony Branch - Gujranwala  
 Gujranwala Branch  
 GT Road Aimanabad Morr Branch  
 Jinnah Road Dhullay Branch  
 Hafizabad Road Br. Gujranwala  
 Kangniwala Rd. Br.- Gujranwala  
 Mandiala Tegha Branch  
 Muhafiz Town Branch  
 Qila Deedar Singh Branch  
 Satellite Town Br. Gujranwala  
 Sheikhpura Road Branch  
 Wazirabad Branch Gujranwala

## PESHAWAR

Chamkani Branch  
 Khyber Bazar Branch  
 Patang Chowk Branch - Peshawar  
 Peshawar Branch  
 Rampura Branch  
 Ring Road Branch - Hayatabad  
 University Road Branch

## AZAD KASHMIR

ArraJattan Branch  
 Barnala Branch  
 Bhimbar Branch Azad Kashmir  
 Mirpur (A.K) Branch  
 Muzafarabad Branch  
 Pang Peeran Branch  
 Pallandri Branch

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## **GILGIT BALTISTAN**

Alamdard Chowk Branch, Skardu  
Aliabad Branch  
Astore Branch  
Chillas Branch  
Danyore Branch  
Gilgit Branch  
Jutial Branch  
Khaplu Branch  
Sikandrabad Branch Nagar  
Skardu Branch  
Sost Branch

## **FATA / PATA**

Besham Branch  
Chakdara Branch - Lower Dir  
Chitral Branch  
Dargai Branch Malakand  
Dassu Branch  
Hangu Branch  
Khawazakhela Branch  
Mingora Branch  
Miran Shah Branch  
Parachinar Branch  
Pattan Branch - Lower Kohistan  
Sadda Branch  
Sambat Branch - Swat  
Swari Bazar Branch, Buner  
Totakan Branch  
Wazir Dhand Shakas Branch

## **OTHER NORTHERN REGION CITIES**

Abbotabad Cantt. Branch  
Abbottabad Branch  
Ahmedpur East Branch  
Alipur Chatha Branch  
Arifwala Branch  
Attock Branch  
Bahawalpur Branch  
Bannu Branch

Bhalwal Branch  
Bhikhi Sharif Branch  
Burewala Branch  
Chak #111 SB Branch  
Chakwal Branch  
Chak Jhumra Branch  
Charsadda Branch  
Chenab Nagar - Rabwah  
Chichawatni Branch  
Chiniot Branch  
Circular Road Branch, Narowal  
D. I. Khan Branch  
D. G. Khan Branch  
Depalpur Branch  
Dharanwala Branch  
Dinga Branch - Gujrat  
Do-BurjiMalhiyan Branch  
Faizpur Branch Sheikhpura  
FaqirWali Branch  
Farid Town Branch, Sahiwal  
Fateh Jhang Branch Attock  
Fazilpur Branch  
Ganjanwali Khurd Branch  
Ghakhar Mandi Branch  
Gojra Branch  
Gojra Br. Distt.Mandibahauddin  
Gujrat Branch  
Hafizabad Branch  
Haripur Branch  
Hasilpur Branch  
Jamkey Cheema Branch-Sialkot  
Jauharabad Branch  
Jhang Branch  
Jagam Branch  
Jhelum Branch  
KallarSyedan Branch  
Kamalia Branch  
Kamoke Branch  
Kasur Branch  
Khalabut Haripur Branch  
Kharian City Branch

Khudian Khas Branch - Kasur  
Khushab Branch  
Kohat Branch  
Kot Abdul Malik Branch  
Kotla Arab Ali Khan Branch  
Kutchery Chowk Branch-Gujrat  
Lala Musa Branch  
Mailsi Branch  
Malakwal Br. Mandibahauddin  
MandiBahauddin Branch  
Mansehra Branch  
Mardan Branch  
Marrot Branch  
Mateela Branch, Sarghoda  
MianChannu Branch  
Mianwali Branch  
MouzaKachi Jamal Branch  
Muslim Bazar Branch  
Nankana Sahib Branch  
New City Branch-Wah  
Oghi Branch  
Okara Branch  
Pakpattan Branch  
Pezu Branch  
Phalia Branch  
Quaidabad Branch-Sargodha  
Rahim Yar Khan Branch  
Renala Khurd Branch  
Sadiqabad Branch  
Sahiwal Branch  
Salar Wahan Branch  
Sargodha Branch  
Sarai Alamgir Branch  
Satellite Town Br. Bahawalpur  
Satellite Town Branch Sargodha  
Shabqadar Branch - Charsadda  
Shahkot Branch  
Shakargarh Branch - Narowal  
Sakhakot Branch  
Sheikhpura Branch  
Sohawa Branch  
Swabi Branch



Tank Branch  
Talagang Branch  
Toba Tek Singh Branch  
Ugoki Branch  
Wah Cantt Branch  
Yazman Branch  
ZahirPir Branch

## ISLAMIC BANKING BRANCHES

### KARACHI

Alfalsh Court Branch  
Clifton Branch  
Dhorajee Colony Branch  
DMCHS-Karachi  
Gulzar-e-Hijri Branch  
Gulshan-e-Jamal Branch  
Jodia Bazar Branch  
Khayaban-e-Jami  
Korangi Branch  
Korangi Township Branch  
Naya Nazimabad  
Nazimabad No.1-Karachi  
North Karachi Branch  
Rashid Minhas Road Branch

Shah Faisal Colony - Karachi  
Shahbaz Commercial Branch  
Shaheed-e-Millat Branch  
Shahrah-e-Faisal Branch  
SITE Branch

### LAHORE

BadamiBagh Branch  
Ciruar Road Branch  
DHA RAYA - Lahore  
Gulberg Branch  
Azam Cloth Market Branch  
Islamic Banking

### OTHER CITIES

Bajour Branch  
Batkheela Branch  
Battagram Branch  
Dhillam Ballagan  
Dara Adam Khel  
Dir Upper Branch  
Gujranwala Branch  
Gujrat Branch  
Haroonabad Branch  
Hayatabad Branch  
Hyderabad Branch

Havelian Branch  
Islamabad Branch  
Kanju Branch  
Karkhana Bazar Branch  
Khanewal Branch  
Kotwali Road-Faisalabad  
Machka Branch  
Mingora Branch  
Multan Branch  
Muzaffargarh Branch  
Nowshera Branch  
Peshawar Branch  
Peshawar Cantt.  
Qazi Ahmed Branch  
Qilla Abdullah Branch  
Raiwind City Branch  
Rawalakot-Azad Kashmir  
Rawalpindi Branch  
Sahiwal Branch  
Samanabad Faisalabad Branch  
Saidu Sharif Branch  
Saleh Khana Branch  
Sialkot Branch  
Timergarah Branch  
Usta Muhammad Branch

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-first Annual General Meeting of the shareholders of Habib Metropolitan Bank Ltd. will be held at the ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi on Thursday, March 30, 2023 at 9.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts, standalone as well as consolidated, of the Bank for the year ended December 31, 2022 together with the Directors' and Auditors' reports thereon.
2. To approve, as recommended by the Board of Directors, final dividend @ 32.5% (Rs. 3.25 per share) in the form of cash for the year ended December 31, 2022, in addition to already paid interim dividend @ 20% (Rs. 2.00 per share) in the form of cash for the year ended December 31, 2022.
3. To elect eight (8) directors as fixed by the Board.
4. To appoint Auditors for the financial year ending December 31, 2023 and fix their remuneration. The present Auditors, Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

5. To approve revised remuneration to the directors for attending Board and its Sub-committee meetings.

### ANY OTHER BUSINESS

6. To consider any other business with the permission of the Chair.

By Order of the Board

**ATHER ALI KHAN**  
Company Secretary

Karachi: March 9, 2023

### NOTES:

#### 1. Election of Directors including statement under Section 166(3) of the Companies Act, 2017:

The number of directors to be elected pursuant to Section 159(1) of the Companies Act, 2017, has been fixed at eight (8). The following are the retiring directors:

Mr. Anjum Z. Iqbal, Mr. Firasat Ali, Mr. Hamza Habib, Mr. Mohomed Bashir, Mr. Mohamedali R. Habib, Mr. Muhammad H. Habib, Mr. Rashid Ahmed Jafer and Ms. Tahira Raza.

Any shareholder desirous to contest the election of Directors shall file the following with the Company Secretary of the Bank at HABIBMETRO Head Office, I.I. Chundrigar Road, Karachi, not later than fourteen days before the day of the above said meeting:

- a) Intention to offer himself / herself for the election in terms of Section 159(3) of the Companies Act, 2017 together with a consent on Form 28.

The candidate should also confirm that he / she is:

- (i) not ineligible to become a director of the Bank under any applicable laws, rules and regulations.

(ii) or his / her spouse is not engaged in the business of brokerage or is a sponsor or director or officer of a corporate brokerage house and / or exchange company.

(iii) not serving as a director in more than seven listed companies.

b) FPT documents as communicated in CGRF by SBP along with other documents as outlined in the standard operating procedures in respect of onboarding assessment for directors.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Companies Act, 2017. They shall meet the criteria laid down under Section 166 of the Companies Act, 2017, the Companies (Manner and Selection of Independent Directors) Regulations, 2018 and the Corporate Governance Regulatory Framework (CGRF) dated November 22, 2021 issued by the State Bank of Pakistan (SBP).

A detailed profile of the candidate including his/her office address (the same shall be placed on the Bank's website as per requirements of SECP's notification S.R.O.1196 (I)/2019 dated 3 October 2019).

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019, minority shareholders, will be facilitated to contest the election.

## 2. Online Facility for attending Annual General Meeting

The Bank has made necessary arrangements for shareholders to attend the AGM physically and virtually, therefore, those shareholders that wish to attend the AGM proceedings virtually are requested to get their particulars registered with the Company Secretary by providing the following information through email at [agm@habibmetro.com](mailto:agm@habibmetro.com) and/or WhatsApp # +92-301-1177809 by 5.00 pm on March 27, 2023 (Monday):

S.No.	Name of the Shareholder	CNIC / Passport #	Folio / CDC #	Cell Number	Email Address

Link to electronic connectivity will only be sent to the registered shareholders. The login facility will be opened at 8.45 a.m. on March 30, 2023 enabling the shareholders to join the proceedings.

- A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend the meeting and vote for him/her. Proxy form is enclosed with the Annual Report. A proxy must be a shareholder of the Bank. In order to be effective, proxies must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty-eight) hours before the meeting.
- CDC account holders and sub-account holders are required to bring with them their original National Identity Card or Passport along with the participants ID numbers and their account numbers in order to facilitate identification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee is also required.
- Shareholders are requested to notify the change of addresses to the Share Registrar, at the below address:

### CDC Share Registrar Services Limited

CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 (Pakistan)

Tel: 0800-23275, Fax No. (92-21) 34326053, Email: [info@cdcsrsl.com](mailto:info@cdcsrsl.com), URL: [www.cdcsrsl.com](http://www.cdcsrsl.com)

- The share transfer book of the Bank will remain closed from March 23, 2023 to March 30, 2023 (both days inclusive).

## 7. Bank Account Details for Payment of Cash Dividend

In accordance with the Section 242 of the Companies Act, 2017, any cash dividend shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Therefore, please provide the following information to the Bank's Share Registrar (in case of physical shareholders); or CDC Participant (in case of shareholding in book-entry form) along with a copy of your valid CNIC:

Details of shareholder	
Name of shareholder	
Folio / CDS account no.	
CNIC no.	
Cell number of shareholder	
Landline number of shareholder, if any	
Email address (Mandatory)	
Details of bank account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK _____ (24 digits)
Bank's name	
Branch name	
Branch address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
_____ Signature of shareholder	

## 8. Mandatory Submission of CNIC

Pursuant to the directives of the Securities & Exchange Commission of Pakistan (SECP), shareholders having shares in physical form are requested to submit a copy of their valid CNIC (if not already provided) to the Bank's Share Registrar without any delay.

## 9. Deduction of Withholding Tax from Dividend

The Government of Pakistan through Finance Act, 2020 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- (a) For filers of income tax returns: 15%
- (b) For non-filers of income tax returns: 30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all shareholders whose names are not entered in the Active Tax-Payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL at the earliest possible (as and when declared) otherwise tax on their cash dividend will be deducted @ 30%.

For shareholders holding their shares jointly as per the clarification issued by the FBR withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them follows:

Folio / CDC account no.	Total shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC no.	Shareholding proportion (no. of shares)	Name and CNIC no.	Shareholding proportion (no. of shares)

In case of non-receipt of above information, the shareholding will be divided among the joint-holders equally.

## 10. Unclaimed Shares and Dividends:

As per the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividends declared by the Bank, which remain unclaimed or unpaid for a period of three years from the date they became due and payable shall vest with the Federal Government after compliance of procedures prescribed under the Act. In compliance of the above, the Bank has already sent individual letters to the concerned shareholders requesting them to claim their outstanding cash dividends and/or bonus shares. In this respect and for facilitation of the shareholders, the details of unclaimed shares and dividends can also be accessed from the Bank's website.

Therefore, in view of the above, those shareholders who have not yet collected their pending entitlements are once again advised to lodge their claims with the Bank's Share Registrar at the address given above.

## 11. Availability of Annual Audited Accounts on website:

The audited accounts of the Bank for the year ended December 31, 2022 have been made available on the Company's website [www.habibmetro.com](http://www.habibmetro.com). Additionally, the annual and quarterly accounts for the prior years and periods are also available.

Further, in accordance with SRO # 470(I)/2016 dated May 31, 2016, the shareholders of Habib Metropolitan Bank Limited in AGM held on March 30, 2017 had accorded their consent for transmission of annual reports including annual audited accounts and other information contained therein of the Bank through CD/DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send the standard request form available on the Bank's website to the Company Secretary / Share Registrar, and the Bank will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand.

## 12. Transmission of Annual Audited Accounts & Notice through email:

The shareholders who are interested in receiving the annual reports and notice of annual general meeting electronically through email in future are requested to send their email addresses on the consent form placed on the Bank's website.

The shareholders, in general, are encouraged to have their email addresses and cell numbers registered with the Bank through the Share Registrar.

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### 13. Video Conference Facility:

In terms of the Companies Act, 2017, shareholders residing in a city other than Karachi holding at least 10% of the total paid up share capital may demand the facility of video-link for participating in the annual general meeting. The request for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the standard form available on the Bank's website.

### 14. Postal Ballot/e-voting:

Shareholders will be allowed to exercise their right to poll in accordance with the requirements of Sections 143 to 145 of the Companies Act, 2017 and the Companies (Postal Ballot) Regulations, 2018.

### 15. Conversion of Physical Shares into Book-entry Form:

As per Section 72 of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act. In this respect, the Securities & Exchange Commission of Pakistan (SECP) vide its Letter No. CSD/ED/Misc/2016-639-640, dated 26 March 2021 has advised all listed companies to pursue such shareholders still holding shares in physical form, requiring conversion of their shares into book-entry form.

Accordingly, the shareholders having physical shareholding are once again advised to open CDC sub-account with any of the CDC Participants to place their physical shares into book-entry form at their earliest. This will facilitate them in number of ways including safe custody and easy sale of shares at the time of need, as the trading of physical shares is not permitted under existing regulations of the Pakistan Stock Exchange Limited.

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

The statement sets out the material facts pertaining to the special business to be transacted at the 31st Annual General Meeting of the Bank:

In terms of Board Remuneration Policy approved by the shareholders, the Board in their meeting held on 24 February 2023 recommended to revise the remuneration paid to the directors for attending meeting as under:

For attending Board Meetings:	Rs. 500,000/- per meeting
For attending Board Committee Meetings:	Rs. 400,000/- per meeting
For attending Board Committee Meetings by the Committee Chairperson(s):	Rs. 500,000/- per meeting

No remuneration to be paid to nominee directors of the holding company.

The directors' remuneration was previously approved at the 29th Annual General Meeting of the Bank held on 30th March 2021 for attending Board meetings at Rs. 200,000/-, for Board Committees meetings at Rs. 150,000/- and for the Chairperson(s) of Board Committees at Rs. 200,000/-.

The shareholders are requested to consider and, if thought fit, approve the revised remuneration and to pass the following resolution as an ordinary resolution:

"Resolved that the remuneration payable to the Board Members for attending Board meetings be and is hereby fixed at Rs.500,000/- per meeting, and for Board Committee Meetings by the members at Rs.400,000/- per meeting and for the Chairperson(s) at Rs.500,000/- per meeting effective April 1, 2023."

Directors have no direct or indirect interest, except to the extent of their respective shareholding and payment of remuneration, if any.

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## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being member(s) of Habib Metropolitan Bank Limited and holding \_\_\_\_\_

ordinary shares, as per Folio No. / CDC participant ID - A/C No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ Folio No. / CDC participant ID - A/C No. \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_ Folio No. / CDC participant ID - A/C No. \_\_\_\_\_

of \_\_\_\_\_

another member of the Bank to vote for my / our behalf at the 31st Annual General Meeting of the Bank to be held on 30 March 2023 and at any adjournment thereof.

As Witness my / our hand this \_\_\_\_\_ day of March 2023.

Witness

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

REVENUE  
STAMP  
Rs. 5/-

Signature of Member(s)

A member entitled to attend General Meeting is entitled to appoint a person as his / her proxy to attend and vote instead of him / her. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his / her attorney duly authorized in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies, in order to be valid, must be deposited at the Registered Office of the Bank not less than 48 hours before the time of meeting.

## پراکسی فارم

میں/ہم \_\_\_\_\_

ساکن \_\_\_\_\_

بحیثیت ممبر حبیب میٹرو پولیٹن بینک لمیٹڈ اور ہولڈنگ \_\_\_\_\_

عام شیئرز جنکے فوئیو نمبر / سی ڈی سی پارٹیسپنٹ آئی ڈی۔ اکاؤنٹ نمبر \_\_\_\_\_ رکھتا ہوں / رکھتی ہوں / رکھتے ہیں۔

بذریعہ ہذا \_\_\_\_\_ فوئیو نمبر / سی ڈی سی پارٹیسپنٹ آئی ڈی۔ اکاؤنٹ نمبر \_\_\_\_\_

ساکن \_\_\_\_\_

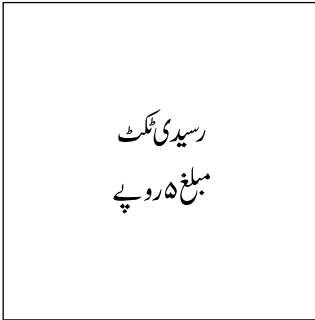
اور اگر ان کے لئے ممکن نہ ہو تو \_\_\_\_\_ فوئیو نمبر / سی ڈی سی پارٹیسپنٹ آئی ڈی۔ اکاؤنٹ نمبر \_\_\_\_\_

ساکن \_\_\_\_\_

جو کہ بینک کے میجر ہیں کو بینک کے ۳۱ واں سالانہ اجلاس عام جو مورخہ ۳۰ مارچ ۲۰۲۳ء کو منعقد ہو رہا ہے یا اس کے کسی بھی التواء میں میری / ہماری جگہ شرکت کرنے اور ووٹ دینے کیلئے پراکسی مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں۔

بطور سند میرے / ہمارے دستخط مورخہ \_\_\_\_\_ مارچ ۲۰۲۳ء۔

گواہان



ممبر (ممبران) کے دستخط

۱۔ دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

۲۔ دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

ایک ممبر جو کہ ایک اجلاس عام میں شرکت کا حق رکھتا ہے یہ حق بھی رکھتا ہے کہ اس کی جگہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے وہ کسی فرد کو نامزد کر سکتا / سکتی ہے۔ پراکسی بینک کا ممبر ہونا چاہیے۔ کوئی شخص بطور پراکسی (کارپوریشن مشنٹی) شرکت نہیں کر سکتا / سکتی تا آنکہ وہ بذات خود اجلاس میں موجود ہونے اور ووٹ دینے کا حق نہ رکھتا / رکھتی ہو۔

شیئرز ہولڈر کے اپنے اور پراکسی کے سی این آئی سی / پاسپورٹ کے سلسلے میں دونوں مصدقہ نقول پراکسی فارم کے ساتھ ارسال کرنا ہوں گی۔ کارپوریٹ اداروں کے سلسلے میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع مصدقہ دستخط کے پراکسی فارم کے ساتھ ارسال کرنا ہوں گی۔

پراکسی کی تقرری کے دستاویز ممبر یا اس کے تحریری طور پر مجاز کئے ہوئے اٹارنی کی دستخط شدہ ہونی چاہیے۔ اگر ممبر کوئی کارپوریشن ہے تو اس کی عمومی مہر (اگر کوئی ہو تو) دستاویز پر ثبت ہونی چاہیے۔

پراکسی بینک کے رجسٹرڈ دفتر میں اجلاس شروع ہونے سے ۲۸ گھنٹے قبل جمع کرادینی چاہیے۔

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# HABIBMETRO

## Registered Address

Head Office Building, I.I. Chundrigar Road, Karachi, Pakistan

Tel: (92-21)111-14-14-14

Call Center: 111-1-HABIB(42242)

Fax: (92-21) 2630404

## For Complaints & Feedback

Complaint Resolution Unit, Habib Metropolitan Bank Ltd,  
Al-Manzoor Building, 1st Floor, Dr. Ziauddin Ahmed Road, Karachi-74200.

Email us at: [complaints@habibmetro.com](mailto:complaints@habibmetro.com)