



[Subsidiary of Habib Bank AG Zurich]

HABIBMETRO

ANNUAL REPORT 2024

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عَلَّمَ الْقُرْآنَ

OUR VISION

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



OUR VALUES

RESPECT

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

INTEGRITY

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

TEAMWORK

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

RESPONSIBILITY

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

COMMITMENT

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

TRUST

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Khurram Shahzad Khan

DIRECTORS

Ali Abbas Sikander
Hamza Habib
Mohomed Bashir
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

BOARD COMMITTEES

AUDIT

Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

CREDIT

Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib
Mohsin A. Nathani
Rashid Ahmed Jafer

HUMAN RESOURCE & REMUNERATION

Mohamedali R. Habib
Mohomed Bashir
Mohsin A. Nathani
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

Ali Abbas Sikander
Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib

RISK & COMPLIANCE

Khurram Shahzad Khan
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

SHARE REGISTRAR

CDC Share Registrar Services Limited
CDC House, 99-B, Block-B,
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400

OUR BOARD OF DIRECTORS



Mr. Mohamedali R. Habib
Chairman

Mr. Mohamedali R. Habib is a graduate of Business Management in Finance from Clark University, USA. He also holds a Postgraduate Diploma in General Management from Stanford – National University of Singapore. Mr. Habib has worked in the corporate sector for three decades, in various managerial capacities across different industries, including multinational projects. Mr. Habib began his banking career in 1996 with Habib Bank AG Zurich, where he has been serving in various capacities.

In addition to presently serving as the Group CEO of Habib Bank AG Zurich since 2016, Mr. Habib is a Founding Director of Indus Motor Company Limited & appointed as Chairman of the Company in 2020. In addition, he serves as a Member on the Board of Thal Limited, and Habib University Foundation. He is also serving as Chairman of Habib Metropolitan Bank Limited, Pakistan, as well as Chairman of Habib Bank Zurich (Hong Kong) Limited.



Mr. Ali Abbas Sikandar
Director

Mr. Abbas is recognized as a decisive and pioneering C-level Officer and Board advisor reputed for strategy and leadership, with a wealth of experience in the Financial and Banking sectors. For over 25 years he has been driving e-business, customer product solutions, revenue generation and innovative financial solutions through use of technology and strategic partnerships.

As a highly personable subject matter expert in Payments, Microfinance, and Transactional Banking, this trusted board advisor has demonstrated adaptability and strategic thinking to develop high-performing teams, systems and solutions in highly competitive yet traditionally structured environments.

With the technical and commercial expertise to deliver tangible results, Mr. Abbas quickly adds value to any forward-thinking organization and its partners.



Mr. Hamza Habib
Director

Mr. Hamza Habib was appointed as 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. He has over 14 years of banking experience and is currently the Head of Corporate Banking at Habib Bank AG Zurich (HBZ) in Dubai, UAE. Mr. Habib has held various positions within the HBZ Group, including Alternate Chief Executive at Habib Bank Zurich (Hong Kong) Limited prior to which he was an Area Head with HBZ in the UAE. He also worked with Standard Chartered Bank in Geneva and London.

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



Mr. Mohomed Bashir
Director

Mr. Mohomed Bashir brings extensive and diverse experience in commerce and industry and is a highly accomplished businessman recognized as a prominent figure in the textile industry. He joined the Board of Gul Ahmed Textile Mills Limited in 1982. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom.

Currently, Mr. Bashir serves as the Chairman of the Board of Directors of Gul Ahmed Textile Mills Limited. He is also a Founding Director and former Chairman of the Pakistan Business Council. In addition, he holds the position of President of the International Cotton Association (ICA).

Mr. Bashir holds directorships in several leading organizations, including Gul Ahmed Energy Limited, Ideas (Private) Limited, Gul Ahmed Holdings, Gul Ahmed Textile Mills (Europe) Ltd., UK, Gul Ahmed International Limited (FZC), UAE, Habib Metropolitan Bank Limited, the Education Fund for Sindh, and Habib University Foundation. He is also a member of the Pakistan-France Business Council, Pakistan-German Business Council, and Pakistan-Swedish Business Council.

Previously, Mr. Bashir has served as the President of the International Textile Manufacturers Federation (ITMF), Chairman of the All Pakistan Textile Mills Association, and Honorary Consul General of Sweden.

In recognition of his outstanding contributions, Mr. Bashir was awarded the Sitara-e-Imtiaz by the President of Pakistan in 2006. He has also been designated as a Justice of Peace. On April 7, 2017, he was honoured with the Grade d'Officier in the National Order of Merit by the President of the French Republic. Additionally, on February 19, 2020, he was conferred the Knight of the Royal Order of the Polar Star (First Class) by His Majesty King Carl XVI Gustaf of Sweden.



Mr. Mohsin Ali Nathani
Director

Mohsin Ali Nathani is a member of the General Management of Habib Bank AG Zurich and Head of Asian Markets & Canada since June 2024. He also serves on the Board of Directors of four subsidiaries of Habib Bank AG Zurich – Habib Metropolitan Bank Ltd. (Pakistan), Habib Canadian Bank, Habib Bank Zurich (Hong Kong) Limited and HBZ Bank Limited (South Africa). Mohsin has over 30 years of banking experience in the Middle East, Africa, South Asia, Asia Pacific and Levant regions, where he has held various leadership positions with responsibilities in areas such as corporate banking, Islamic banking, credit, treasury and syndications.

From 2018 to 2023, Mohsin was the President & CEO at Habib Metropolitan Bank Ltd. Prior to this, he served at Standard Chartered as CEO in Pakistan, and later in the UAE where he was approved by the UK Financial Services Authority for "Significant Influence Function". Between 2007 and 2010, he was the Commercial Banking Director (Emerging Markets) at Barclays UAE, and subsequently, the Country Head & Managing Director at Barclays Pakistan. Between 2000 and 2007, Mohsin was engaged by Citigroup Hong Kong as Co-Head of Asia Debt Markets and later by Citigroup Dubai as Regional Head of Corporate Banking (Middle East, Pakistan & Levant) and CEO Global Islamic Banking. From 1993 to 2000, Mohsin held various senior roles at ABN AMRO in Singapore and Pakistan.

Mohsin Ali Nathani holds a Master in Business Administration from the Institute of Business Administration (IBA) Karachi.



Mr. Muhammad H. Habib
Director

Mr. Habib is a banker by profession, with over 40 years of experience. He is currently 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. Mr. Habib is a graduate in Finance from Babson College, Boston MA, USA.



Mr. Rashid Ahmed Jafer
Director

Mr. 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. He is a fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and enjoys expertise in statutory audit.

He has been a member of the Professional Standards and Technical Advisory Committee of ICAP for several years and was a member of the SBP – ICAP Coordination Committee. Currently, he is also a member of the Quality Assurance Board of ICAP.



Ms. Tahira Raza
Director

Ms. Tahira Raza carries with her an experience of over four decades in the banking industry of Pakistan. Previously, she has served as the President/ Chief Executive Officer of First Women Bank Limited and Chief Risk Officer in National Bank of Pakistan. Her areas of expertise include but not limited to, Enterprise Risk Management, Underwriting, Credit Risk, Human Resource Management, Trade Finance & General Banking.

Besides serving on HabibMetro's board she is also serving on the boards of PIA, Green Star Social Marketing and SAFCO Microfinance company. She strongly believes in diversity and leadership that challenges status quo.

Ms. Raza has a Master in Business Administration (MBA) Major in Banking and Finance from the Institute of Business Administration (IBA) Karachi. She is also a diplomaed Associate of the Institute of Bankers in Pakistan (IBP) with distinction in Practice and Law of Banking.



Mr. Khurram Shahzad Khan
President & CEO

Khurram Shahzad Khan is a seasoned banking professional with over three decades of diverse experience across corporate, risk and credit management, investment and transactional banking.

Prior to his appointment as the President & Chief Executive Officer of HABIBMETRO, he led the Corporate and Transaction Banking Group of the Bank and served as a member of the Central Management Committee since 2018.

Khurram has also held various senior management positions, including Chairman of the Board of Directors at Standard Chartered Modaraba and Standard Chartered Leasing and Director at HABIBMETRO Financial Services (HMFS).

In addition to his experience in the local market, he also brings international experience from roles such as Country Senior Credit Officer at Standard Chartered Bank in Thailand and Bangladesh.

During his career Khurram has served as Country Chief Risk Officer and Chief Credit Officer at Standard Chartered Bank Pakistan and Country Head, Group Special Assets Management.

Khurram has an MBA from the University of Rochester, USA. He also holds a BSc Engineering Degree.

OUR MANAGEMENT

Ahmed Shah Durrani
Group Executive Retail Banking
& Chief Digital Officer

Adeel Ahmed
Head of Systems,
Policies & Procedures

Ali Mansoor
Chief Risk Officer

Muhammad Raza Dyer
Head of Operations

Syed Intikhab Hussain Rizvi
Country Treasurer

Asad Ali
Head of Human
Resources



Najeeb Gilani
Head of Internal Audit

Syed Abu Tufail
Head of Information Technology

Syed Hasnain Haider Rizvi Chief Compliance Officer **Saleemullah Shaikh** Head of Islamic Banking **Madiha Sarim Alvi** Head of Marketing & Corporate Communications **Syed Ather Ahmed** Head of Commercial Banking (South) & FI **Amanullah Shaikh** Head of Corporate & Transaction Banking **Haris Ahmed** Joint Head Commercial North **Mehvish Muneera Ismail** Head of Legal & Designated Company Secretary



Khurram Shahzad Khan
President & Chief Executive

Fuzail Abbas
Group Executive/Chief Financial Officer

Wahid Younus Dada
Group Executive Remedial Management & General Services Division

AWARDS AND ACCOLADES



DEI Structure and Implementation (Progressive), DEI Learning and Development (Progressive), Community, Government Relations and Philanthropy (Best Practice)
Global Diversity, Equity & Inclusion Benchmarks Awards

Best Islamic Bank for Islamic Conversion Strategy in Pakistan 2024
Islamic Retail Banking Awards

PSX Top 25 Companies Awards 2023
Pakistan Stock Exchange Limited



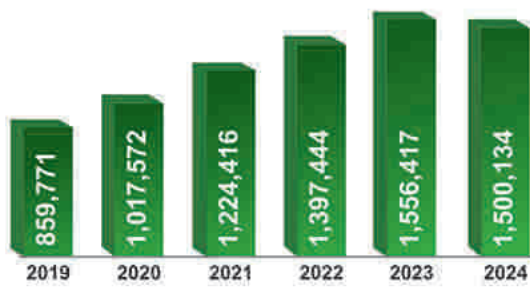
Most Improved Debit Authorization in the Industry in 2024
VISA

Best Bank (Runner-Up) FY 2023 (Mid-Size Banks)
CFA Society Pakistan

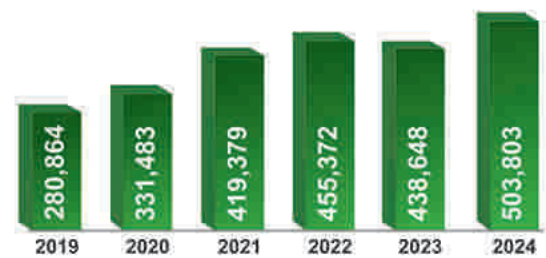
Domestic Cash Management Bank of the Year - Pakistan 2024
Asian Banking & Finance Awards

Financial Highlights (Rs. in Million)

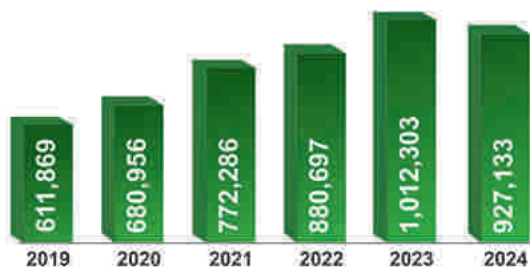
Total Assets



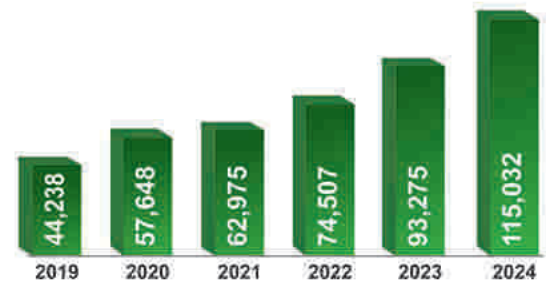
Advances - Gross



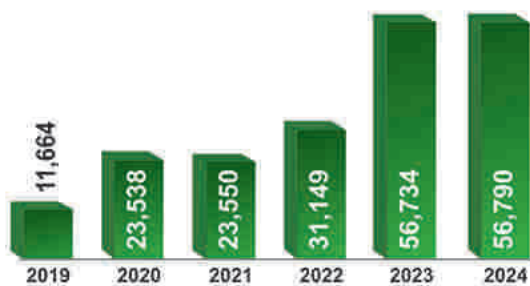
Deposits



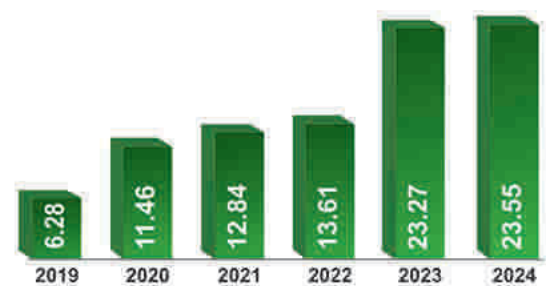
Shareholder's Equity



Operating Profit



EPS



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 2024. The operating financial results and appropriations on an unconsolidated basis, as recommended by the Board of Directors, are summarized below:

	Rupees in '000
Profit before credit loss allowances and tax	56,789,856
Credit loss allowances and write offs - net	(4,129,875)
Profit before tax	52,659,981
Taxation	(27,986,473)
Profit after tax	24,673,508
Un-appropriated profit brought forward	47,560,186
Impact of Adoption of IFRS-9 - net of tax	461,044
Transfer from surplus on revaluation of assets - net of tax	164,605
Gain on sale of equity investments - FVOCI - net of tax	445,658
Other comprehensive income - net of tax	118,513
Profit available for appropriation	73,423,514
Appropriations:	
Transfer to Statutory Reserve	(4,934,702)
Cash dividend (Rs. 5.50 per share) - 2023	(5,763,073)
Interim Cash dividend (Rs. 7.50 per share) - 2024	(7,858,737)
	(18,556,512)
Un-appropriated profit carried forward	<u>54,867,002</u>

The Directors are pleased to propose a final cash dividend of Rs. 4.50 per share (45%) for the year under review. This is in addition to the interim cash dividend of Rs. 7.50 per share (75%) already paid. As such, the total dividend for the year 2024 amounts to Rs. 12.0 per share (120%).

During the year under review, Pakistan economy witnessed recovery with key macroeconomic indicators moving in the right direction, inflation and interest rates going down, current account balance achieved surplus in later part of the year, GDP rebounded to 2.5% in FY24. While the economic indicators are promising, it is imperative to address structural challenges in key sectors operating in the country.

By the Grace of Allah, your Bank sustained the massive growth achieved last year. The total assets remained above Rs. 1.5 trillion, gross advances increased to Rs. 503.8 billion at year-end with 14.9% growth. Investments and deposits closed at Rs. 810.9 billion and Rs. 927.1 billion at year end respectively.

HabibMetro posted profit before tax of Rs. 52.7 billion for the year 2024. The performance translates into after tax earnings of Rs. 23.55 per share.

At year-end, HabibMetro's equity stands at Rs. 115.0 billion, with a capital adequacy level of 19.3% against the required 11.5%.

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 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.

An internal board performance evaluation process is in place to enhance the overall effectiveness of the Board, its sub-committees and individual directors including the Chief Executive Officer. The evaluation is based on questionnaire on Board effectiveness which includes areas covering various aspects like Board composition, its responsibilities & duties, strategic plan & performance review, quality of information received & its timeliness, among others.

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: 19 February 2025

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the audited annual financial statements of Habib Metropolitan Bank Limited (HABIBMETRO) for the financial year ended 31 December, 2024.

ECONOMIC AND BANKING REVIEW

During the period under review, Pakistan's economic and financial trajectory has remained positively aligned with recovery, owing to the resumption of funding from multilateral and bilateral partners alongside remedial policy measures including swift implementation of austerity measures suggested by International Monetary Fund (IMF). The country witnessed a sharp decline in inflation throughout the year, resulting in cooling off of interest rates from second half of the year, contributing to the consolidation of fiscal accounts. However, economic growth is projected to be modest, primarily due to subdued agricultural sector performance.

The State Bank of Pakistan (SBP) has undertaken a significant monetary adjustment, reducing the policy rate by 900 basis points from 22.0 percent to 13.0 percent during 2024 and further reducing to 12.0 percent in January 2025, while inflation declined from 23.9 percent in FY24 to 6.6 percent in 7 months of current fiscal year, reaching to 2.4 percent year on year in January 2025 supported by easing global prices, a stable exchange rate, and targeted government policies amidst favorable base effect.

Driven by strong workers' remittances and export earnings, the current account posted surplus in last three months of 2024 resulting in USD 0.7 billion cumulative surplus in 7M-FY25 against USD 1.8 billion deficit in same period last year. Exports grew by 7.3 percent to USD 23.9 billion during 7M-FY25 against 7M-FY24, while imports grew to USD 40.0 billion by 10.6 percent. This deficit is partly offset by significant growth of 31.7 percent growth in workers' remittances to USD 20.8 billion in the 7M-FY25. For FY25, the SBP expects the current account to remain in the range between a surplus and a deficit of 0.5 percent of GDP.

Augmenting by 8.8 percent on a year-on-year basis, the banking sector's deposit base amounted to Rs. 30.3 trillion at the end of December 2024. Advances grew by 29.6 percent year-on-year and stood at Rs. 16.0 trillion. Investments during the period also increased by 15.2 percent year-on-year to be recorded at Rs. 29.1 trillion.

The economic recovery achieved in FY24, with GDP growth rate of 2.5 percent against a contraction of 0.2 percent in FY23, has sustained positive growth of 0.9 percent in the first quarter of FY25. However, growth has slowed compared to the 2.3 percent recorded last year, reflecting moderation across key sectors, particularly in agriculture. The slower growth in agriculture is primarily due to the high base effect in the crop sector of the last fiscal year and the decline in the crop production of cotton, rice, sugarcane, and maize. However, the textile sector, wholesale, retail trade are gradually accelerating and impacting other related sectors positively.

These developments reflect the central bank's proactive approach in stabilizing the macroeconomic environment and fostering conditions conducive to sustainable growth. The significant reduction in policy rates not only lowers borrowing costs for businesses and consumers but also encourages investment and consumption activities. However, while the monetary indicators show promise, it remains crucial to address underlying structural challenges particularly in the agricultural sector to bolster overall economic performance and ensure that the benefits of these policy measures are fully realized across all segments of the economy.

BANK'S PERFORMANCE DURING THE YEAR

By the Grace of Allah, HABIBMETRO has posted the profit before tax of Rs. 52,660 million for year ended December 31, 2024, an increase of 1.3 percent year-on-year. The earnings per share amounts to Rs. 23.55.

The Bank's net interest income amounted to Rs. 70,314 million while non-interest income substantially increased by 39.2 percent and amounted to Rs. 21,287 million including Fee and commission income increased by 14.4 percent and amounted to Rs. 10,753 million compared to Rs. 9,396 million in 2023.

Net advances increased by 15.1 percent to Rs. 474,301 million while investments decreased by 12.4 percent to Rs. 810,875 million. Deposits stood at Rs. 927,133 million as of December 31, 2024 with current accounts mix of 43.7 percent, which increased by 6.7 percent over last year.

The Bank's Net Equity exhibited a growth of 23.3 percent and amounted to Rs. 115,032 million, with a capital adequacy level of 19.3 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.

ESTABLISHMENT OF EXCHANGE COMPANY

HABIBMETRO Exchange Services Limited (HMES) is a wholly owned subsidiary of Habib Metropolitan Bank Limited, which was incorporated on November 22, 2023 as a public limited company under the Companies Act 2017, licensed by the State Bank of Pakistan on March 26, 2024 and has commenced its operations from May 27, 2024. The Company deals in Foreign Currency Services under the Foreign Exchange Regulation Act, 1947 and Regulatory Framework for Exchange Companies issued by the State Bank of Pakistan that includes different services & products. HMES aims to establish and continuously enhance its footprint enabling the company to serve customers across Pakistan to cater to the legitimate foreign exchange needs of general public.

At present HMES has a network of 21 outlets across Pakistan.

CREDIT RATING

The Bank maintained its ratings of AA+ for long term and A1+ for short term assigned by Pakistan Credit Rating Agency Limited (PACRA). 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 26 new branches to its network in 2024 - in doing so, your Bank's outreach spread to 14 new cities, with an increased footprint of 551 branches in 221 cities across Pakistan. The Bank's branch network includes 223 Islamic Banking Branches and 190 Islamic Banking Windows offering a broad range of services.

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 600+ ATMs.

TRANSACTION BANKING

HABIBMETRO's Transaction Banking has successfully served over approx. 1,300 business customers in year 2024.

This year has been recognized as a landmark period for Transaction Banking at HABIBMETRO, highlighted by the introduction of various innovative product offerings tailored to meet the evolving needs of our clients.

The bank has significantly revamped its corporate collections module, Net2Bank, providing state-of-the-art transaction banking facilities designed to enhance client collection requirements and improve overall customer experiences. This module efficiently addresses diverse daily collections for clients in both integrated and non-integrated modes.

HABIBMETRO's dedication to excellence in transaction banking has been recognized with multiple prestigious awards in last two consecutive years.

Also, in a recent survey by "Euromoney" with over 13,500 respondents, HABIBMETRO was recognized as one of the top providers for Transaction Banking services in Pakistan, achieving notable rankings in several categories: it secured the #3 position overall, was rated #2 for products, and also received a #2 ranking for client service, all within the national geographic scope.

DIGITAL CHANNELS

In 2024, HABIBMETRO reports a notable surge in digital banking adoption and engagement. A significant rise in the number of customers actively utilizing digital banking platforms indicates the effective integration of these channels into their banking habits. This expansion is a direct result of HABIBMETRO's focused efforts to upgrade its digital services, refine the user interface, and promote the advantages of digital banking solutions.

The Insta Mobile App has undergone significant security enhancements. These improvements include device binding, biometric enablement, cooling-off periods, and other measures to safeguard customers from potential compromises. These updates ensure that customers can use the app with greater confidence and security.

Mobile App transactions have also hit a historic high, with 20.8 million transactions recorded. This represents a 60 percent growth in the number of transactions, valued at Rs. 855 billion, which is a 50 percent increase compared to 2023. These figures highlight the increasing popularity and usage of the mobile app for financial transactions.

A new foreign currency debit card has been launched to meet the growing needs of freelancers and exporters. This card is designed to provide greater flexibility and convenience for those who work with international clients and need to manage multiple currencies efficiently.

Debit card POS usage has seen substantial growth, reaching Rs. 28.8 billion. This reflects a 22 percent increase from 2023, indicating a growing reliance on debit cards for transactions.

In addition, several new self-service IVR services have been made available to customers. These services include mobile app blocking, multi-lingual IVR, and ROBO call facilities. These enhancements aim to provide customers with more control and ease of use when managing their accounts.

The ATM fleet has expanded to 613 machines, providing 24/7 service to customers. This expansion ensures that customers have greater access to ATMs, making it more convenient to withdraw cash at any time. Furthermore, the cash withdrawal limit at ATMs has been increased to Rs. 50,000 per transaction. This increase allows customers to access more funds when needed, providing greater financial flexibility.

Lastly, RAAST transactions now account for 89 percent of IBFTs, processing over Rs 592 billion in 2024. This demonstrates the growing adoption of RAAST for interbank fund transfers, offering a reliable and efficient method for moving funds between accounts.

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 & an Environmental and Social Risk Management Policy with focus 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 Environmental and Social Risk Management (ESRM) considerations into the credit risk assessment process, for the purpose of enacting ESRM practices effectively.

- **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 through 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. To reduce impact on environment and society, the Bank is working on a scope emission reduction plan and has adopted various administrative and engineering controls and measures to reduce its consumption of natural and other resources.

- **Capacity Building**

To increase the understanding and acceptability towards the initiative and eco-friendly practices, the Bank arranges learning and training opportunities for its team through internal and external sources. This enables better understanding of the Green Banking concepts and assists the team to perform better environmental due diligence in assessing credit proposals, adopting own impact reduction measures and helps in business facilitation.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Sustainability through implementation of ESG is philosophy of HABIBMETRO and the Group, which is naturally embedded in the business functions of the Bank. HABIBMETRO shall Insha Allah continue to take focused initiatives to drive its sustainable journey. The Bank is planning to adopt targeted measures to reduce emissions by adopting the following measures:

- Overall travel budget reduction by preferring meetings through online meeting platforms
- Installation of Solar Panels at the branches and offices, wherever possible, to shift to clean energy
- Take environmentally friendly measures for waste management and material consumption
- Create awareness through on reduction of energy and paper usage through communications
- Introduction and encouragement to use hybrid vehicles to staff
- Indoor and outdoor plantation
- To highlight other measures to reduction emissions

AWARDS AND ACCOLADES

HABIBMETRO is an award-winning Bank, having received the following awards and recognition recently:

- Top 25 Companies Award by Pakistan Stock Exchange Limited
- Best Mid-Size Bank (Runner-up) FY 2023 Award by CFA Society Pakistan
- Best Islamic Bank for Islamic Conversion Strategy in Pakistan 2024 by Islamic Retail Banking Awards
- Domestic Cash Management Bank of the Year – Pakistan 2024 by Asian Banking & Finance Awards
- Best Bank for Transaction Banking and Cash Management in 2024 by The Digital Banker
- Most Improved Debit Authorization in the Industry in 2024 by VISA
- DEI Structure and Implementation (Progressive), DEI Learning and Development (Progressive), Community, Government Relations and Philanthropy (Best Practice) by Global Diversity, Equity & Inclusion Benchmarks Awards

HUMAN RESOURCES

HABIBMETRO has continued to drive growth and development within its workforce by prioritizing employee engagement, well-being, learning and development, and diversity, equity, and inclusion (DEI). Through effective talent management, the organization has fostered an innovative and efficient work environment.

The Bank's branch expansion across the country has been bolstered by the strength of the Human Resources Division. A key achievement in 2024 has been the milestone of reaching 1,500 female employees, resulting in a gender diversity ratio of over 23 percent, up from 19 percent last year. DEI initiatives included the recruitment of female GTO batch hires, female town halls, "Know Your HR" sessions, sensitization activities, and employee engagement events aimed at fostering belonging and inclusion.

HABIBMETRO remains committed to recruiting persons with disabilities, offering internships, job opportunities, and continuous learning to help them become independent professionals.

The Bank has also invested significantly in both in-house training and external learning programs tailored to specific roles. Consistently responsive to staff needs, the Bank has addressed challenges and supported the ongoing development of employees, strengthening relationships built on trust, respect, and dedication across the organization.

In addition, the Bank continued its financial support for staff, with the inflationary allowance, introduced in 2022, continuing into its third year (2024). This initiative, along with the announcement of two additional ex-gratia payments, has provided much-needed financial relief amidst a challenging economic environment.

HABIBMETRO remains an equal opportunity employer and is committed to being an Employer of Choice for both current and future bankers in Pakistan.

GENDER PAY GAP STATEMENT

Gender Pay Gap reporting aims towards narrowing and eventually eliminating the pay differential between men and women. Gender pay gap, at the financial year end, calculated at HABIBMETRO as under:

- i) Mean Deviation 42.09 percent
- ii) Median Deviation 34.59 percent

CORPORATE SOCIAL RESPONSIBILITY

HABIBMETRO has always upheld its commitment as a responsible corporate citizen, having made significant contributions to the well-being of communities. Our efforts span various sectors, including education, healthcare, support for marginalized communities, environmental sustainability, and inclusion of persons with disabilities (PWDs). These initiatives are strategically aligned with the United Nations Sustainable Development Goals (SDGs) to drive meaningful impact.

During the year, the Bank partnered with renowned organizations to benefit the community, particularly the underprivileged segment. The total contribution for the year amounted to PKR 520.0 million, with detailed information available in the notes to the accounts.

Throughout the year the Bank and its staff members have been involved in hundreds of social activities contributing towards health, education, education development, vocational trainings, helping beach cleaning, tree plantations, etc.

The Bank also acknowledges its role in driving economic growth and contributing to the development of our nation. It continues to be one of the leading corporate taxpayers with more than Rs. 33.7 billion paid as direct taxes to the Government of Pakistan during the year 2024. Additionally, an amount of Rs. 45.0 billion indirect tax and withholding income tax deductions for the exchequer was collected through the Bank's network.

CUSTOMER GRIEVANCES HANDLING:

HABIBMETRO Bank is committed to provide an immaculate customer experience, which is considered as one of the most important factors in driving growth. The Bank's consumer grievance handling mechanism serves as the first line of defense against the grievances of the Bank's customers and therefore it is ensured that all the grievances received are handled fairly, transparently and efficiently as per the regulatory framework.

In order to make the complaint lodging and handling process more visible and accessible, continuous customer awareness was given through ATM screens, social media platforms, SMS notifications and In-App notifications regarding complaint lodging process and modes i.e.:

- Call at Contact Center (+92-21) 111-142-242
- Email at complaints@habibmetro.com
- Letter to Complaint Resolution Unit, Habib Metropolitan Bank Ltd, Al-Manzoor Building, 1st Floor, Dr. Ziauddin Ahmed Road, Karachi-74200
- Mobile App / Website: www.habibmetro.com/customer-charter/complaint
- Branch: Complaint Form and Drop Box available at Branches / ATM vestibules

All complaints received are investigated and resolved / disposed at the earliest and the customer is kept up-to-date with respect to the progress of the grievances through SMS, email and letters. Further, customers' feedback mechanism is also in-place for complaint resolution and grievance handling for improvement in complaint handling process.

In the year 2024, total of 57,335 complaints were received at the Bank and the overall turnaround time of resolved complaints was 6.5 working days. The Bank also conducts detailed root cause analysis to identify gaps and improve processes, products and services on a continuous basis to enhance customer satisfaction.

CORPORATE GOVERNANCE

BOARD MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during the year 2024 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	5/5	-	4/4	2/2	-	3/3
Mr. Ali Abbas Sikander	5/5	-	-	-	-	3/3
Mr. Hamza Habib	5/5	-	4/4	-	-	2/3
Mr. Mohomed Bashir	5/5	-	-	1/2	-	-
Mr. Muhammad H. Habib	5/5	4/4	1/2	-	4/4	-
Mr. Rashid Ahmed Jafer	5/5	4/4	4/4	-	4/4	-
Ms. Tahira Raza	5/5	4/4	-	2/2	4/4	-
Mr. Mohsin A. Nathani	5/5	4/4	4/4	2/2	4/4	-
Mr. Khurram Shahzad Khan	5/5	-	4/4	-	4/4	3/3
Meetings held	5	4	4	2	4	3

BOARD REMUNERATION POLICY

The remuneration policy of non-executive directors, including independent directors, has been approved in line with the 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 40 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 2024 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, retired 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 2025.

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

	2024	2023	2022	2021	2020	2019
Shareholders' Equity	115,032	93,275	74,507	62,975	57,648	44,238
Paid-up capital	10,478	10,478	10,478	10,478	10,478	10,478
Total assets	1,500,134	1,556,417	1,397,444	1,224,416	1,017,572	859,771
Deposits	927,133	1,012,303	880,697	772,286	680,956	611,869
Advances	474,301	412,049	433,503	398,382	312,167	263,948
Investments	810,875	925,412	723,579	667,996	584,532	448,910
Profit pre-tax	52,660	51,995	27,617	21,541	20,037	11,238
Profit post-tax	24,674	24,384	14,261	13,459	12,008	6,583
Earnings per share (Rs)	23.55	23.27	13.61	12.84	11.46	6.28
Cash dividend (percent) - final	45	55	32.5	30	25	25
- interim	75	50	20	20	20	-
No. of staff	7,245	7,193	6,915	6,410	5,603	5,192
No. of branches/sub branches	551	525	500	459	406	392

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

- Provident Fund Rs. 6,851 million as at 31 December 2024
- Gratuity Fund Rs. 2,662 million as at 31 December 2024

RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT FRAMEWORK

HABIBMETRO has a robust and rigorous risk management framework catering to its complexity, size, and target market. Risk Management considerations are embedded into 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 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 as 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 reviews and verification of the Bank's branches and major functions throughout the year for evaluation of the control system. Comprehensive internal reports and an effective Management Information System has been developed as an additional tool for the management of risk control. The Risk Management Division is staffed with seasoned and experienced professionals, who have the capacity and knowledge to cover all aspects of risks faced by the Bank.

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

CREDIT RISK

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

HABIBMETRO has implemented the IFRS-9 standards. IFRS 9 replaces the existing guidelines of the IAS 39 Financial Instruments: Recognition and Measurement. This 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.

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. 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 the economic & business environment and recommends levels of exposure 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 regularly.

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, strengthened processes and management information.

The Bank is committed to enhance Operational Risk coverage and integrating 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 a dedicated effort 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 increased 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 aims to respond to disastrous situations. It complies with the regulatory framework and best industry practices, subject to regular reviews and audits. From an execution perspective, a Crisis Management Team consisting of the 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. The department 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 is in place 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. Inquiries from Law Enforcement Agencies (LEAs) are also facilitated through Compliance Function.

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. Bank has acquired renowned external third-party TMS software backed by Oracle, known as 'Financial Crime and Compliance Management' and is under implementation phase. Furthermore, the Bank has a robust Customer Due Diligence (CDD) process that allows the Bank to document/update each profile of customer and conduct comprehensive CDD as per regulatory requirements. Bank regularly reports Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) to the Financial Monitoring Unit (FMU) through goAML portal.

Being a trade-oriented bank, cross border transactions are screened and pre-approved by Compliance to ensure that transactions, which includes sanctioned elements, are not conducted. Bank has taken additional steps to curb risks associated with Trade Based Money Laundering. This includes performing due diligence of all trade transactions and updating trade KYCs / risk profiles of trade customers, screening of counterparties and goods, vessels, banks etc. Bank has in place 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. 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 mitigant 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.

The 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 Board Audit Committee and adds value towards the Bank's risk mitigation endeavors.

FUTURE OUTLOOK

Pakistan's economy shows promising growth despite global challenges like trade recovery and geopolitical uncertainties. With inflation down, policy rates easing, and stable commodity prices, the environment is favorable for investment and private sector expansion. However, issues like structural imbalances, fiscal rigidity, and high public debt need ongoing reforms.

The economic outlook is encouraging, with stabilizing macroeconomic fundamentals and gradual recovery of key sectors. Inflation is expected to stabilize around long term average 7 percent in the coming quarters, promoting economic activity and likely leading to further policy rate reductions resulting in lower borrowing costs which will further should boost investment and economic momentum, especially in Large Scale Manufacturing and services, the key growth drivers this year.

Trade dynamics are forecasted to improve, with growth in exports and imports supporting broader economic activity. Remittance inflows are expected to continue rising, contributing to a stable external account and boosting household consumption. Reduced borrowing costs will enhance fiscal sustainability and strengthen public finances, paving the way for economic recovery initiatives. These trends suggest potential reductions in unemployment as economic activity gains momentum. With sustained reforms and resilience, Pakistan's economy is on a path towards greater stability and prosperity.

ACKNOWLEDGEMENTS

In conclusion, we extend our sincere thanks to the Ministry of Finance, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan for their continued support. We also thank our valued shareholders and customers for their trust, the Board of Directors for their guidance and the staff of HABIBMETRO for their dedication, which enables us to grow from strength to strength.

On behalf of the Board

KHURRAM SHAHZAD KHAN
President & Chief Executive Officer

MOHAMEDALI R. HABIB
Chairman

Karachi: 19 February 2025

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 2024 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 Core Technologies, Digital Channels, Information / Cyber security functions as well as ensuring that required measures are in place for Disaster recovery and business continuity. BITC is further responsible for advising and reporting to the BOD on the IT strategies and initiatives being carried out and executed at the bank. The BITC ensures that overall IT infrastructure and enterprise risk management is carried out according to approved policies. It also provides an oversight on all major technology-related projects and procurements along with monitoring the human capital development plans within the technology functions.

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 Mechanism

The Board of Directors meet the SB members on half yearly basis to have a detailed briefing 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 which is also published in the annual report 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, Chairperson 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 hold the Chairperson position for HabibMetro Sirat. Previously, he held Chairmanships for the Shariah Advisory Council (SAC) of Astana International Financial Centre (AIFC), Kazakhstan, Central Bank of Malaysia, and the Securities Commission of Malaysia for more than 2 decades. He was also the former Chairman of Federal Territory Islamic Religious Council (MAIWP), 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 has published more than 40 books and his well-known book titled "Shariah Minds in Islamic Finance" has received the "Islamic Finance Book of the Year 2016" award by the Global Islamic Finance Award (GIFA). 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 in 2014. 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 Member Shariah Board at HabibMetro Sirat. Mufti Laghari is among the senior Shariah Scholars in the field of Islamic Banking & Finance. He has been associated with HMB as Resident Shariah Board Member (RSBM) & Head Shariah Compliance since 2015 to June 2021. Mufti Laghari holds a Shahada-tul-Aalamiyah (Dars-e-Nizami) from Jamia Darul-Uloom, Korangi, Karachi. He

holds Specialization (Takhassus) in Islamic Fiqh and Fatwa from Darul Ifta wal Irshad Nazimabad 4 Karachi, an institution founded by grand Mufti of Pakistan Mufti Rasheed Ahmad Ludhyanvi (late) with Masters in Islamic Studies from University of Karachi.

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

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

Mufti Khawaja Noor ul Hassan, Resident Shariah Board Member

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

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

Mufti Noor is the registered Shariah advisor at the Securities and Exchange Commission of Pakistan (SECP) and Certified Director as per the code of corporate governance, SECP. He is also enrolled as an advocate, High Court and is a member of Sindh Bar Council and Karachi Bar Association. He has vast teaching experience of religious and Islamic banking courses and is the visiting faculty member in different institutions such as in Institute of Business Administration (IBA), Jamia Yousufia Binnoria, Jamia tur Rasheed, Karachi and Centre of Islamic Economics (a division of Jamia Darul Uloom, Karachi), National Institute of Banking & Finance (NIBAF), Institute of Cost and Management Accountants of Pakistan, Centre of Excellence (ICMA, COE).

Key Terms of Reference of Shariah Board

The Shariah Board (SB) shall be empowered to consider, decide and supervise all Shariah related matters, cause to 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 Bank'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 complete reports of external Shariah audit, SBP Shariah compliance inspection and summaries/key findings of the reports of Internal Shariah Audit and Shariah compliance reviews shall be submitted to the SB for consideration and prescribing appropriate corrective/enforcement action. The SB shall 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 governance framework to any other person or any of its members and 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.

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 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 2024

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

1. The total number of directors are 9 (nine) as per the following:

Gender	Number
Male	8
Female	1

2. The composition of board is as follows:

Category	Names
Independent Directors	Mr. Ali Abbas Sikander Mr. Rashid Ahmed Jafer
Female Independent Director	Ms. Tahira Raza
Non-Executive Directors	Mr. Hamza Habib Mr. Mohamedali R. Habib Mr. Mohomed Bashir Mr. Mohsin Ali Nathani Mr. Muhammad H. Habib
President & CEO	Mr. Khurram Shahzad Khan

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. Mohsin A. Nathani	Member	Non-Executive Director
	Mr. Muhammad Hyder Habib	Member	Non-Executive Director
	Ms. Tahira Habib	Member	Independent Director
Human Resources & Remuneration Committee	Ms. Tahira Raza	Chairperson	Independent Director
	Mr. Mohamedali R. Habib	Member	Non-Executive Director
	Mr. Mohamed Bashir	Member	Non-Executive Director
	Mr. Mohsin A. Nathani	Member	Non-Executive Director
Risk & Compliance Committee	Mr. Muhammad Hyder Habib	Chairman	Non-Executive Director
	Mr. Khurram Shahzad Khan	Member	President & Chief Executive
	Mr. Mohsin A. Nathani	Member	Non-Executive Director
	Ms. Tahira Raza	Member	Independent Director
	Mr. Rashid Ahmed Jafer	Member	Independent Director
Credit Committee	Mr. Mohamedali R. Habib	Chairman	Non-Executive Director
	Mr. Hamza Habib	Member	Non-Executive Director
	Mr. Khurram Shahzad Khan	Member	President & Chief Executive
	Mr. Mohsin A. Nathani	Member	Non-Executive Director
	Mr. Rashid Ahmed Jafer	Member	Independent Director
IT Committee	Mr. Ali Abbas Sikander	Chairman	Independent Director
	Mr. Hamza Habib	Member	Non-Executive Director
	Mr. Khurram Shahzad Khan	Member	President & Chief Executive
	Mr. Mohamedali R. Habib	Member	Non-Executive Director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance. The Board has not constituted a separate Nomination Committee, as its functions are being performed by the Board.

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, 2024
Human Resources & Remuneration Committee	Two meetings were held during the financial year ended December 31, 2024
Risk & Compliance Committee	Four meetings were held during the financial year ended December 31, 2024
Credit Committee	Four meetings were held during the financial year ended December 31, 2024
IT Committee	Three meeting was held during the financial year ended December 31, 2024

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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.
 19. Pursuant to SECP's notification (SRO(1)/2024) dated June 12, 2024, introducing new regulation 10A and amendments to regulations 10 and 35, the Bank is in the process of formalizing its approach to environmental, social, and governance (ESG) matters. These aspects have been reviewed by the Board through the BCC and BHR&RC. However, deliberations on establishing a dedicated committee or assigning additional responsibilities to an existing committee will be considered in due course.

On behalf of the Board

KHURRAM SHAHZAD KHAN

President & Chief Executive Officer

Karachi: 19 February 2025

MOHAMEDALI R. HABIB

Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Metropolitan Bank Limited

Review Report on the 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 2024 in accordance with the requirements of regulation 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 2024.

Karachi: 06 March 2025
UDIN: CR202410188H87TnGwVF

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF INTERNAL CONTROLS

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

MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2024, 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
Chief Compliance Officer

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

Karachi: 19 February 2025

REPORT OF SHARI'AH BOARD

FOR THE YEAR ENDED 31 DECEMBER 2024

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 twenty-one years of successful operations of Islamic Banking. The Bank is continuously expanding its Islamic Banking network and at the end of the year 2024, the number of Islamic Banking Branches and Islamic Banking Windows were 223 and 190, 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 Shariah 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 2024:

1. Islamic Business

During the year 2024, diversified Islamic financing products including but not limited to Istisna, Murabaha/Musawamah, Working Capital Musharakah, Al-Bai, Currency Salam, Diminishing Musharakah and Ijarah were utilized. Further the Bank has also participated in Islamic syndicate transactions. In this regard, Shariah Board has reviewed and approved different structures for Corporate, SME and Commercial customers. The breakup is as follows:

S. No.	Islamic Financing Modes	Number
1.	Istisna	53
2.	Murabaha/Musawamah	48
3.	Working Capital Musharakah	30
4.	Al-Bai	20
5.	Currency Salam	06
6.	Diminishing Musharakah	05
7.	Ijarah	01
8.	Participation in Islamic Syndicated transactions	03
	Total	166

2. Islamic Branches/Windows: Expansion & Conversion

During the year, the Bank has converted 91 conventional branches into Islamic branches, opened 15 new Islamic branches and 03 new Islamic banking windows.

3. Shariah Compliance and Shariah Audit

During the year, Shariah Compliance & Shariah Audit teams have conducted different regulatory and regular reviews, and audits on sample basis. The Shariah reviews and audits include different segments and portfolios across different regions under Islamic financing, deposits (profit and loss distribution), Islamic treasury, website, Shariah compliant deposit protection mechanism, Islamic branches/windows and existing Islamic products. During the year, 17 reports were issued by Shariah Compliance & Shariah Audit department which were reviewed, and corrective actions were provided by the Shariah Board, where required.

4. Charity Amounts

The opening balance of the charity account on January 01, 2024 was Rs. 402,247/-. During the year, Rs. 356,272/- has been credited in the charity account which includes the amount received due to delayed payments by the customers, Shariah non-compliance and other reasons. An amount of Rs. 301,009/- was utilized for different charitable organizations and the remaining will also be distributed to approved charitable and social welfare institutions.

5. Training & Capacity Building

During the year, 5,549 staff have attended Islamic Banking trainings sessions through in-house, h-learning modules & external programs. The participants include senior management, relationship managers, support functions, staff at Islamic Banking Branches, Islamic Banking Windows, and others.

Shariah Board's Opinion

As per the Shariah Governance Framework, the Board of Directors and the executive management are solely 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 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 environment. In this regard, the level of awareness, capacity and sensitization of the staff, management and the Board in appreciating the importance of Shariah compliance in the products and processes of the Bank, is acceptable.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties. However, considering the increase in the business, network and volume of the work, it is suggested to further strengthen the Shariah compliance function in the Bank.

Recommendations

Based on the above, we recommend that, the Bank should:

1. Enhance monitoring mechanism at all levels to continue expanding its network through conversion of conventional branches & portfolios and booking of new financings & opening of new Islamic banking branches ensuring conformity with the Constitution of Pakistan and the State Bank of Pakistan's strategic directives.
2. Continue to make robust arrangements as per the SBP instructions for capacity building measures including intensive Islamic banking trainings, refresher sessions, awareness programmes and change of mindset sessions for their senior management, all staff, customers & others, considering the adherence of regulatory requirements, satisfaction of the stakeholders and foster growth of the Bank.
3. Continue to promote Islamic Banking products and services at all available forums.
4. Promote sustainable development goals & green banking through Islamic banking products to align with national priorities and global best practices.

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

Karachi: 19 February 2025 | Shaban 20, 1446 A.H.

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 2024, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 30 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of material accounting policy 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 profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and unconsolidated cash flow statement 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 2024 and of the profit, the 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 period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Credit loss allowance against advances and off-balance sheet items: (Refer note 10.5 & 20.1 to the unconsolidated financial statements)	
	<p>As at 31 December 2024, the Bank's Credit loss allowance against advances and off-balance sheet items amounted to Rs. 29,502 million and Rs. 354 million, respectively.</p> <p>As per the BPRD Circular No. 07 of 2023, the Bank adopted requirements of IFRS 9 along with the Application Instructions issued by State Bank of Pakistan (SBP) (hereafter referred as "application instruction of IFRS 9") from 1 January 2024 which requires the Bank to recognise Expected Credit Losses (ECL) on advances and off-balance</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ▫ Performing risk assessment procedures over the credit loss allowance against advances and off-balance sheet exposure within the Bank's unconsolidated financial statements. As part of these risk assessment procedures, identifying the elements associated with risk of material misstatement on application including those arising from judgements over the estimation of ECL either due to, methods / models, assumptions or data.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>sheet items. The estimation of ECL, involves judgement and complexity.</p> <p>The key areas which are subject to complexity and judgement in the estimation of ECL are:</p> <ul style="list-style-type: none"> ▫ Model estimations - judgmental modelling and assumptions are used to estimate ECL which involves determining Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). Respective model's assumptions are key driver of uncertainty, and are required in the application of these model for calculation of the ECL estimate. ▫ Economic scenarios - IFRS 9 requires the Bank to measure ECL on an unbiased forward-looking basis reflecting a range of future economic conditions. Complex Statistical methodology is applied in determining the forward-looking economic scenarios used as an input to calculate ECL, the associated scenario probability weightings, and the key economic variables that drive the scenarios. ▫ Qualitative criteria - the criteria selected to identify a SICR involves judgment and can lead to unreliable ECL recognised for certain portfolios. <p>In line with the application instructions of IFRS 9, the Bank must compare the ECL for Stage 3 with the provision determined under the Prudential Regulations (PR) issued by the SBP. The PR requires specific provisioning against the advances on the basis of time-based criteria which should be supplemented by a Bank's subjective evaluation of credit worthiness of customers. The determination of provision, therefore, involves use of management's judgement, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the Bank.</p> <p>Because of the high degree of estimation uncertainty and complexity involved in the calculation of ECL we considered the area of ECL as a key audit matter.</p>	<ul style="list-style-type: none"> ▫ Assessing the design, implementation and operating effectiveness of key controls established by the Bank over measurement of ECL and provision calculated as per PR. ▫ We involved in-house specialist who assisted in the following: <ul style="list-style-type: none"> – Evaluating the Bank's ECL model methodologies for compliance with application instructions of IFRS 9; – Assessing the reasonableness of the Bank's methodology for determining the economic scenarios used and the probability weightings applied to them by independently validating and challenging the assumption, methodologies and outputs of the models; – Assessing the reasonableness of macro-economic variables and economic forecasts by comparing these to external sourced data extracted; and – Performing independent testing of the Expected Credit Loss (ECL) allowance on a sample basis. ▫ Assessing the appropriateness of SICR criteria applied by the Bank by ensuring that the SICR criteria and staging methodology are consistent with the application instructions of IFRS 9. ▫ Ensuring relevance and completeness of the key inputs into the ECL calculations with their respective sub-ledgers and general ledgers. ▫ Performing testing on sample basis over key inputs into the ECL calculations with their respective source documents. ▫ Performing sensitivity analysis on the key assumption, that is probability weighted economic scenarios, to assess reasonableness and the risk of biasness by changing weights assigned to each economic scenario. ▫ In accordance with the PR, we sampled at least sixty percent of the total advances outstanding exposure and performed credit reviews through the following substantive procedures: <ul style="list-style-type: none"> – verifying repayments of advances / interest installments and checked that non-performing advances have been correctly classified and categorised based on the number of days overdue; – examining watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate; and

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li data-bbox="916 450 1431 577">– assessing the accuracy of specific provision made against non-performing advances in accordance with the criteria prescribed under the PRs by performing recalculation. <li data-bbox="887 593 1431 846">▫ Assessing the appropriateness of ECL categorised as Stage 3 by performing a comparison of ECL computed, through the use of methodology and models with the provision required to be computed as required under the PR to ensure that an amount which is higher of the ECL and PR requirements is appropriately recognised for these stage 3 customers pursuant to the requirement of application instructions of IFRS 9. <li data-bbox="887 862 1431 958">▫ Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.

Information other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the consolidated and unconsolidated financial statements and our auditor's 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 period 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

1. 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 profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement 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.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total advances of the Bank.

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

Karachi: 06 March 2025
UDIN: AR202410188ATNFU5btK

KPMG Taseer Hadi & Co.
Chartered Accountants

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	2024	2023
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	86,815,817	91,466,596
Balances with other banks	7	6,434,551	21,123,950
Lendings to financial institutions	8	5,570,998	5,496,284
Investments	9	810,875,400	925,411,965
Advances	10	474,300,584	412,048,924
Property and equipment	11	17,046,127	15,715,033
Right-of-use assets	12	8,608,382	7,601,453
Intangible assets	13	496,214	323,254
Deferred tax assets	19	-	5,164,164
Other assets	14	89,985,707	72,065,464
Total Assets		1,500,133,780	1,556,417,087
LIABILITIES			
Bills payable	15	28,478,822	28,352,699
Borrowings	16	330,010,768	323,269,590
Deposits and other accounts	17	927,132,777	1,012,302,844
Lease liabilities	18	10,463,713	9,051,378
Sub-ordinated debts		-	-
Deferred tax liabilities	19	3,077,177	-
Other liabilities	20	85,938,708	90,165,243
Total Liabilities		1,385,101,965	1,463,141,754
NET ASSETS		115,031,815	93,275,333
REPRESENTED BY			
Share capital	21	10,478,315	10,478,315
Reserves		35,352,814	30,418,061
Surplus on revaluation of assets - net of tax	22	14,333,684	4,818,771
Unappropriated profit		54,867,002	47,560,186
		115,031,815	93,275,333
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer **KHURRAM SHAHZAD KHAN** President & Chief Executive Officer **MOHOMED BASHIR** Director **RASHID AHMED JAFER** Director **MOHAMEDALI R. HABIB** Chairman

UNCONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
		Rupees in '000	
Mark-up / return / interest earned	25	234,238,668	205,612,424
Mark-up / return / interest expensed	26	(163,924,780)	(134,194,789)
Net mark-up / interest income		70,313,888	71,417,635
NON MARK-UP / INTEREST INCOME			
Fee and commission income	27	10,752,584	9,395,774
Dividend income		746,054	625,579
Foreign exchange income		7,085,082	5,203,162
Income / (loss) from derivatives		-	-
Gain / (loss) on securities - net	28	2,450,620	(5,272)
Net loss on derecognition of financial assets measured at amortised cost	29	(3,602)	-
Other income	30	256,148	75,297
Total non mark-up / interest income		21,286,886	15,294,540
Total income		91,600,774	86,712,175
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	31	33,483,644	28,752,611
Workers' welfare fund		1,139,470	1,101,762
Other charges	32	187,804	123,489
Total non mark-up / interest expenses		(34,810,918)	(29,977,862)
Profit before credit loss allowance		56,789,856	56,734,313
Credit loss allowance and write offs - net	33	(4,129,875)	(4,739,101)
PROFIT BEFORE TAXATION		52,659,981	51,995,212
Taxation	34	(27,986,473)	(27,611,394)
PROFIT AFTER TAXATION		24,673,508	24,383,818
Basic and diluted earnings per share	35	23.55	23.27

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
		Rupees in '000	
Profit after taxation for the year		24,673,508	24,383,818
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Effect of translation of net investment in an offshore branch - net of tax		51	6,380
Movement in surplus on revaluation of debt investments through FVOCI - net of tax		7,757,554	-
Movement in surplus on revaluation of available for sale investments - net of tax		-	3,239,522
		<u>7,757,605</u>	<u>3,245,902</u>
Items that will not be reclassified to profit and loss in subsequent periods:			
Remeasurement gain on defined benefit obligations - net of tax		118,513	71,003
Movement in surplus on revaluation in equity investments through FVOCI - net of tax		1,884,497	-
Movement in deficit on revaluation of property and equipment - net of tax	22.1	(101,927)	(193,816)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	22.2	769,953	(94,289)
		<u>2,671,036</u>	<u>(217,102)</u>
Total comprehensive income		<u><u>35,102,149</u></u>	<u><u>27,412,618</u></u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Reserves					Surplus / (deficit) on revaluation			Total	
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Property, equipment & Non-banking assets		Un-appropriated profit
Rupees in '000										
Opening balance as at 1 January 2023	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
Profit after taxation	-	-	-	-	-	-	-	-	24,383,818	24,383,818
Other comprehensive income - net of tax										
Effect of translation of net investment in an offshore branch - net of tax	-	6,380	-	-	-	-	-	-	-	6,380
Movement in surplus on revaluation of investments - net of tax	-	-	-	-	-	-	3,239,522	-	-	3,239,522
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	-	71,003	71,003
Movement in deficit on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	(94,289)	-	(94,289)
Movement in deficit on revaluation of property and equipment - net of tax	-	-	-	-	-	-	-	(193,816)	-	(193,816)
Total comprehensive income	-	6,380	-	-	-	-	3,239,522	(288,105)	24,454,821	27,412,618
Transfer to statutory reserve	-	-	-	4,876,764	-	-	-	-	(4,876,764)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(162,415)	162,415	-
Transactions with owners, recorded directly in equity										
Final Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2022	-	-	-	-	-	-	-	-	(3,405,452)	(3,405,452)
Interim cash dividend (Rs. 5.00 per share) for the year 2023	-	-	-	-	-	-	-	-	(5,239,157)	(5,239,157)
Balance as at 31 December 2023	10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,550,763)	6,369,534	47,560,186	93,275,333
Impact of adoption of IFRS 9 as at 1 January 2024 - net of tax	-	-	-	-	-	-	(184,901)	-	461,044	276,143
Balance as at 1 January 2024 on adoption of IFRS 9	10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,735,664)	6,369,534	48,021,230	93,551,476

	Reserves					Surplus / (deficit) on revaluation			Total	
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Property, equipment & Non-banking assets		Un-appropriated profit
	Rupees in '000									
Profit after taxation	-	-	-	-	-	-	-	-	24,673,508	24,673,508
Other comprehensive income - net of tax										
Effect of translation of net investment in an offshore branch - net of tax	-	51	-	-	-	-	-	-	-	51
Movement in surplus on revaluation of debt securities measured at FVOCI - net of tax	-	-	-	-	-	-	7,757,554	-	-	7,757,554
Movement in surplus on revaluation of equity securities measured at FVOCI - net of tax	-	-	-	-	-	-	1,884,497	-	-	1,884,497
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	-	118,513	118,513
Movement in deficit on revaluation of property and equipment - net of tax	-	-	-	-	-	-	-	(101,927)	-	(101,927)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	769,953	-	769,953
Total comprehensive income	-	51	-	-	-	-	9,642,051	668,026	24,792,021	35,102,149
Gain on sale of equity investments - FVOCI	-	-	-	-	-	-	(445,658)	-	445,658	-
Transfer to statutory reserve	-	-	-	4,934,702	-	-	-	-	(4,934,702)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(164,605)	164,605	-
Transactions with owners, recorded directly in equity										
Final cash dividend (Rs. 5.50 per share) for the year ended 31 December 2023	-	-	-	-	-	-	-	-	(5,763,073)	(5,763,073)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 31 March 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 June 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 September 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Balance as at 31 December 2024	<u>10,478,315</u>	<u>11,360</u>	<u>2,550,985</u>	<u>31,050,108</u>	<u>240,361</u>	<u>1,500,000</u>	<u>7,460,729</u>	<u>6,872,955</u>	<u>54,867,002</u>	<u>115,031,815</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer **KHURRAM SHAHZAD KHAN** President & Chief Executive Officer **MOHOMED BASHIR** Director **RASHID AHMED JAFER** Director **MOHAMEDALI R. HABIB** Chairman

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		52,659,981	51,995,212
Less: Dividend income		(746,054)	(625,579)
		<u>51,913,927</u>	<u>51,369,633</u>
Adjustments			
Net mark-up / interest income (excluding mark up on lease liability against right-of-use assets)		(71,513,297)	-
Depreciation on property and equipment	11.2	2,465,078	1,980,576
Depreciation on right-of-use assets	12	1,542,854	1,460,229
Amortisation	13	255,885	131,824
Markup on lease liability against right-of-use assets	26	1,199,409	963,868
Credit loss allowance against cash and balances with banks	33	(3,473)	-
Credit loss allowance against lending to financial institutions	33	(85)	-
Credit loss allowance for diminution in value of investments	33	337,945	-
Credit loss allowance against loans and advances	33	4,114,350	4,817,908
Credit loss allowance against other assets	33	(50,872)	-
Credit loss allowance against off-balance sheet obligation	20.1	(197,990)	-
Gain on sale of property and equipment - net	30	(41,338)	(33,833)
Gain on sale of ijarah assets	30	(71,725)	-
Gain on termination of right-of-use-assets - net	30	(20,980)	-
Unrealised gain on FVTPL securities		(1,176,593)	-
Provision against workers welfare fund		1,139,470	1,101,762
Provision against defined benefit plan	31.1	310,200	-
Provision against compensated absences	31.1	149,026	164,748
		<u>(61,562,136)</u>	<u>10,587,082</u>
		(9,648,209)	61,956,715
(Increase) / decrease in operating assets			
Lendings to financial institutions		(74,631)	70,835,323
Securities classified as FVTPL		(39,136,408)	-
Advances		(65,404,645)	16,696,513
Other assets (excluding dividend and non-banking assets)		(8,735,060)	(12,300,178)
		<u>(113,350,744)</u>	<u>75,231,658</u>
Increase / (decrease) in operating liabilities			
Bills payable		126,123	8,814,271
Borrowings from financial institutions		1,116,946	(20,247,945)
Deposits and other accounts		(85,170,067)	131,606,061
Other liabilities (excluding current taxation)		(15,922,085)	14,209,163
		<u>(99,849,083)</u>	<u>134,381,550</u>
		(222,848,036)	271,569,923
Payment against compensated absences		(118,010)	(108,216)
Contribution to the defined benefit plan		(60,000)	-
Mark-up / Interest received		242,410,706	-
Mark-up / Interest paid		(166,333,202)	-
Income tax paid		(33,737,128)	(24,909,910)
		<u>(180,685,670)</u>	<u>246,551,797</u>
Net cash flow (used in) / generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in amortised cost securities		17,364,288	-
Net investment in securities classified as FVOCI		158,372,865	-
Net investment in available-for-sale securities		-	(317,539,667)
Net investment in held-to-maturity securities		-	121,009,128
Investment in new subsidiary		(1,000,000)	-
Dividend received		740,211	628,057
Investment in property and equipment		(3,810,499)	(2,778,725)
Investment in intangible assets		(428,845)	(357,110)
Proceeds from sale of property and equipment		55,665	45,246
Proceeds from sale of ijarah assets		265,937	-
Effect of translation of net investment in an offshore branch		51	2,661
		<u>171,559,673</u>	<u>(198,990,410)</u>
Net cash flows generated from / (used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(13,522,536)	(9,678,226)
Payment of lease obligation against right-of-use assets		(2,315,877)	(2,041,743)
		<u>(15,838,413)</u>	<u>(11,719,969)</u>
Net cash flows used in financing activities			
(Decrease) / Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		111,701,908	75,860,490
Cash and cash equivalents at the end of the year	36	<u>86,737,498</u>	<u>111,701,908</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer	KHURRAM SHAHZAD KHAN President & Chief Executive Officer	MOHOMED BASHIR Director	RASHID AHMED JAFER Director	MOHAMEDALI R. HABIB Chairman
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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 repealed 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 551 (2023: 525) branches, including 223 (2023: 117) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (2023: 1) sub branch in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

- 1.1** During the year, the Bank established a wholly owned subsidiary company, HabibMetro Exchange Services Limited (HMES). The Company (HMES) is incorporated in Pakistan with the objective of dealing in foreign exchange and facilitating remittances. The registered office is situated at ground floor Al Manzoor Building I.I. Chundrigar Road, Karachi.
- 1.2** The Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long term rating as AA+ (31 December 2023: AA+) and short term rating as A1+ (31 December 2023: A1+) dated 31 December 2024.

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 profit 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 utilised and the appropriate portion of profit thereon.

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

- 2.2** The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on the going concern basis.

2.3 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.

2.3.1 SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Also, SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

2.3.2 The disclosures requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual and quarterly financial statements have been based on a format prescribed by SBP vide BPRD Circular Letter No. 02 dated 09 February 2023.

2.3.3 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O. 633(I)/2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O. 56(I)/2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.3.4 The State Bank of Pakistan (SBP) adopted IFRS 9 through BPRD Circular No. 07 of 2023, dated April 13, 2023, but deferred certain requirements. Similarly, the requirement to carry unquoted securities at fair value has been deferred until January 1, 2025. Furthermore, Islamic banking institutions may follow Islamic Financial Accounting Standards (IFAS) 1 & 2 where applicable and continue existing accounting practices for other Islamic products until further instructions. Moreover, Banks have received exemption of recording income and expense at Effective interest rate. Consequently, these deferred requirements of IFRS 9 have not been considered in the preparation of these financial statements. Furthermore, Banks are required to apply modification accounting retrospectively however it will be applied only on the loans modified on or after 1st January 2020 as allowed by SBP.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

As directed by SBP via BPRD Circular letter no. 7 of 2023 dated 13 April 2023 of IFRS 9, (Financial Instruments) is effective in Pakistan for periods beginning on or after January 1, 2024. In addition, due to the application of IFRS 9, SBP vide BPRD Circular No. 02 dated February 9, 2023, has also amended the format of the annual financial statements. Details regarding the aforementioned adoption and amendment, including the impact thereof, are discussed in more detail in note 4.1 to these unconsolidated financial statements.

Except for the above, there are certain other interpretations and amendments that are mandatory for the Bank's accounting periods beginning January 1, 2024. However, these are not considered to be relevant or do not have any significant effect on the Bank's operations and therefore have not been detailed in these unconsolidated financial statements.

2.5 Standards, interpretations of and amendments to existing accounting and reporting standards that are not yet effective

2.5.1 Certain requirements of IFRS 9 were deferred by SBP and they are disclosed in the statement of compliance.

2.5.2 Furthermore, following standards, interpretations of and amendments to approved accounting and reporting standards will be effective from the dates (for the accounting periods) as stated below against the respective standards, interpretations of and amendments to:

Standards and amendments	Effective date (annual periods beginning on or after)
Lack of Exchangeability - Amendments to IAS 21	1 January 2025
IFRS S1 - General Requirements for Disclosure of Sustainability - related Financial Information	1 January 2025
IFRS S2 - Climate - related Disclosures	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 & IFRS 7	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalised

The amendments in IFRS 9 will have a significant impact on the Bank's financial statements while the management of the Bank is assessing the impact of the changes in the other mentioned standards on the Bank's financial statements

2.6 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires the management to exercise judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets, liabilities, income, and expenses. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgement was exercised 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 Property and equipment (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 liabilities (note 4.14)
- ix) Impairment of non-financial assets (excluding deferred tax asset) (note 4.21)

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.

3. BASIS OF MEASUREMENT

Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for certain fixed assets and non-banking assets acquired in satisfaction of claims which have been carried at revalued amounts, certain investments and derivative contracts which have been marked to market and are carried at fair value, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liabilities (adjusted for any lease payments and costs) and depreciated over the respective lease terms.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2023, except as disclosed in note 4.1 below.

4.1 Changes in accounting policies

4.1.1 Revised format of unconsolidated financial statements

SBP through its BPRD Circular No. 02 dated February 9, 2023, has amended the format of annual financial statements of banks. All banks are required to prepare their annual financial statements on the revised format effective from accounting year starting from January 1, 2024. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by the SBP. The adoption of the new format contains additional disclosures and certain changes in the financial statements' presentation, primarily due to the implementation of IFRS 9 as applicable in Pakistan. However, the corresponding figures continue to be classified and disclosed in accordance with the previous financial accounting and reporting framework.

Adoption of revised financial statements format has also resulted in following material changes (due to which the corresponding presentations have also been changed):

- Right-of-use-assets (note 12) amounting to Rs 8,608,382 thousands (December 31, 2023: Rs 7,601,453 thousands) which were previously shown as part of property and equipment (note 11) are now shown separately on the unconsolidated statement of financial position.
- Lease liabilities (note 18) amounting to Rs 10,463,713 thousands (December 31, 2023: Rs 9,051,378 thousands) which were previously shown as part of other liabilities (note 20) are now shown separately on the unconsolidated statement of financial position.

4.1.2 IFRS 9 - Financial Instruments

During the year, as directed by the SBP vide its BPRD Circular No. 07 of 2023 dated April 13, 2023, IFRS 9: 'Financial Instruments' (the Standard) became applicable to the Bank.

BPRD Circular No. 03 of 2022 dated July 5, 2022, issued by the SBP provides detailed instructions on implementation of IFRS 9 (the IFRS 9 Application Instructions) for ensuring smooth and consistent implementation of the standard across banks. Furthermore, the SBP vide its BPRD Circular Letter No. 16 of 2024 and SBP wide BPRD Circular Letter No. 01 of 2025 has made further amendments in the application instructions issued. All deferrals made through these amendments are disclosed in statement of compliance.

The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach as previously followed. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

The Bank has adopted IFRS 9 in accordance with the Application Instructions from January 1, 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period and the differences in carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2024, as permitted under the specific transitional provisions in the Standard. Accordingly, the information presented for 2023 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2024 under IFRS 9.

4.1.2.1 Impact on the statement of financial position

The effect of this change in accounting policy is as follows:

Financial Asset / Liabilities	Note	Classification under IFRS 9	Balances as of December 31, 2023	Impact due to				Taxation	Total impact - net of tax	Balances as of January 01, 2024
				Change in classification	Remeasurements	Recognition of expected credit loss (ECL)	Reversal of Provision held			
Rupees in '000										
Assets										
Cash and balances with treasury banks		Amortised cost	91,466,596	-	-	(2,486)	-	(2,486)	-	91,464,110
Balances with other banks		Amortised cost	21,123,950	-	-	(2,826)	-	(2,826)	-	21,121,124
Due from financial institutions		Amortised cost	5,496,284	-	-	(87)	-	(87)	-	5,496,197
Investments										
- Classified as available for sale	a	FVTPL	-	9,573,871	-	-	-	-	9,573,871	9,573,871
- Classified as available for sale	b	FVOCI	821,009,112	(9,573,871)	(219,607)	(87,683)	307,290	(9,573,871)	-	811,435,241
- Classified as Held to maturity	c	Amortised cost	103,572,853	-	-	(578)	-	(578)	-	103,572,275
- Subsidiary		Outside the scope of IFRS 9	830,000	-	-	-	-	-	-	830,000
Advances										
- Temporary Export Refinance Facility (TERF)	d	Amortised cost	28,959,380	-	(6,121,783)	(529,563)	-	(6,651,346)	-	22,308,034
Modified financial asset		Amortised cost	381,017	-	(31,001)	(188,695)	-	(219,696)	-	161,321
- Staff loans		Amortised cost	8,441,104	-	(3,681,409)	(468)	-	(3,681,877)	-	4,759,227
- Advances other than TERF and staff loans		Cost	400,866,645	-	-	-	-	-	-	400,866,645
- Provision		Amortised cost	(26,599,222)	-	-	(23,332,060)	25,237,364	1,905,304	-	(24,693,918)
Property and equipment		Outside the scope of IFRS 9	15,715,033	-	-	-	-	-	-	15,715,033
Right of use assets		Outside the scope of IFRS 9	7,601,453	-	-	-	-	-	-	7,601,453
Intangible assets		Outside the scope of IFRS 9	323,254	-	-	-	-	-	-	323,254
Deferred tax assets		Outside the scope of IFRS 9	5,164,164	-	-	-	-	(265,313)	(265,313)	4,898,851
Other assets										
- Financial other assets		Amortised cost	25,076,677	-	-	(88,854)	-	(88,854)	-	24,987,823
- Non-financial other assets		Outside the scope of IFRS 9	44,100,027	-	3,681,409	-	-	3,681,409	-	47,781,436
- Forward foreign exchange contracts		FVTPL	2,888,760	-	-	-	-	-	-	2,888,760
Total assets			1,556,417,087	-	(6,372,391)	(24,233,300)	25,544,654	(5,061,037)	(265,313)	1,551,090,737
Liabilities										
Bills payable		Amortised cost	28,352,699	-	-	-	-	-	-	28,352,699
Due to financial institutions		Amortised cost	323,269,590	-	(6,328,485)	-	-	(6,328,485)	-	316,941,105
Deposits and other accounts		Amortised cost	1,012,302,844	-	-	-	-	-	-	1,012,302,844
Lease liabilities		Amortised cost	9,051,378	-	-	-	-	-	-	9,051,378
Subordinated sukuk		Amortised cost	-	-	-	-	-	-	-	-
Other liabilities										
- Financial other liabilities		Amortised cost	72,116,069	-	-	551,873	(32,583)	519,290	-	72,635,359
- Non-financial other liabilities		Outside the scope of IFRS 9	13,845,473	-	206,702	-	-	206,702	-	14,052,175
- Forward foreign exchange contracts		FVTPL	4,203,701	-	-	-	-	-	-	4,203,701
Total liabilities			1,463,141,754	-	(6,121,783)	551,873	(32,583)	(5,602,493)	-	1,457,539,261
Net Assets			93,275,333	-	(250,608)	(24,785,173)	25,577,237	541,456	(265,313)	93,551,476
Represented By										
Share capital			10,478,315	-	-	-	-	-	-	10,478,315
Reserves			30,418,061	-	-	-	-	-	-	30,418,061
Deficit on revaluation of investments			4,818,771	(362,551)	-	-	-	(362,551)	177,650	4,633,870
Unappropriated profit			47,560,186	362,551	(250,608)	(24,785,173)	25,577,237	904,007	(442,963)	48,021,230
			93,275,333	-	(250,608)	(24,785,173)	25,577,237	541,456	(265,313)	93,551,476

- Certain non-trading debt securities are held by the Bank in separate portfolios and are managed with an objective of realising cash flows through sale. The Bank primarily focuses on fair value information and uses that information to assess the securities' performance and to make decisions. In addition, certain asset-backed securities have contractual cash flows that are not SPPI. These assets are therefore measured at FVTPL under IFRS 9.
- Certain debt securities are held by the Bank in separate portfolios to meet everyday liquidity needs. The Bank seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Moreover, certain equity investments held by the Bank for strategic purposes have been designated under IFRS 9 as at FVOCI.
- Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Bank intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. (HTM to AC).
- Advances except for Temporary Economic Refinance Facility (TERF), staff loans and modified loans are stated at cost, whereas TERF scheme and staff loans are stated at amortised cost.

4.1.2.2 Impact on regulatory capital

The introduction of IFRS 9 has resulted in reduction in regulatory capital of the Banks, which has reduced their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for the banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP has detailed the transitional arrangement.

The transitional arrangement applies only to provisions for stage 1 and stage 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET1 capital over the "transition period" of five years.

Moreover, the SBP has allowed to adjust the amount of Stage 1 and Stage 2 provisions in Tier 2 Capital that have not been added back to CET 1 and vice versa as per Annexure-A of BPRD Circular no 16 of 2024 dated July 29, 2024.

Had IFRS 9 not been applied then CAR would have been higher by 18 bps from 19.29% to 19.47%.

4.1.2.3 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed based on business model and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit and loss (FVTPL) regardless of the business model in which they are held.

Recognition and initial measurement

Debt securities issued are initially recorded when they are originated. All other financial assets and financial liabilities are initially recognised when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price. The fair value of a financial asset on initial recognition is generally its transaction price. If the Bank determines that the fair value on initial recognition differs from the transaction price then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in unconsolidated profit and loss account on an appropriate basis over the life of the asset but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Advances other than Temporary Economic Refinance Facility (TERF), staff loans and modified loans are initially measured at transaction price, i.e., the amount of loan disbursed at disbursement date.

Staff loans and Temporary Economic Refinance Facility (TERF) loans are recognised at fair value at the time of disbursement. The fair value is determined by discounting the expected future cash flows using the prevailing market rates for instruments. The difference between the disbursed amount and the fair value at initial recognition is recorded as "Prepaid employment benefit" for Staff loans under other assets and "Deferred grant income" for TERF loans under other liabilities.

Classification

Financial Assets

On initial recognition, a financial asset is classified as either amortised cost, FVOCI, or FVPL where as Advances except for staff financing, the Temporary Economic Refinance Facility (TERF), and modified financing, are carried at cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Advances are carried at cost, net of expected credit loss allowances, except for Temporary Economic Refinance Facility (TERF), staff loans and modified loans which are measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business models for managing financial assets, in which cases all affected financial assets are reclassified on the first day of the first reporting period following changes in the business model.

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different basis. The SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorised as Level 3 in terms of the IFRS 13 hierarchy.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Financial Liabilities

Financial liabilities are either classified as fair value through profit and loss account (FVTPL), when they are held for trading purposes, or at amortised cost. Financial liabilities classified as FVTPL are measured at fair value and all the fair value changes are recognised in the unconsolidated profit and loss account. Financial liabilities classified at amortised cost are initially recorded at their fair value and subsequently measured using the effective interest rate method. Markup expense and foreign exchange gain and losses are recognised in unconsolidated profit and loss account. Any gain or loss on derecognition is also recognised in unconsolidated profit and loss account.

4.1.2.4 Business model assessment

A financial asset is classified as either Held to collect, Held to collect and sale and Others based on Business model assessment. The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The assessment requires judgement based on facts and circumstances on the date of assessment. The assessment considers the policies and objectives for the portfolio of financial assets, risk affecting, performance evaluation, business manager's compensation and historical sales information.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.1.2.5 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit, including reasonable compensation for early termination.

4.1.2.6 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any markup or dividend income, are recognised in unconsolidated profit and loss account.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Markup, foreign exchange gains and losses and impairment are recognised in the unconsolidated profit and loss account.
Debt investments at FVOCI	These assets are subsequently measured at fair value and is assessed for impairment under the new ECL model. Markup income is calculated using the effective interest method and includes Amortisation of premiums

	and accretion of discount, foreign exchange gains and losses and impairment are recognised in the unconsolidated profit and loss account. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the unconsolidated profit and loss account.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are adjusted from the carrying value of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit and loss account.
Advances	Advances are carried at cost, net of expected credit loss allowances, except for Temporary Economic Refinance Facility (TERF) and staff financing, modified financing which are carried at amortised cost, net of expected credit loss allowances.

4.1.2.7 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2024).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

4.1.2.8 Calculation of markup income and expense

Income on financial assets, comprising performing advances and debt securities and other financial assets, of the domestic operations is recognised on a time proportion basis as per the terms of the contract. However, where debt securities, classified as investments in the unconsolidated financial statements, are purchased at premium or discount, such premium / discount including the transaction cost is amortised through the unconsolidated Profit and Loss account over the remaining maturity of the debt security using the effective interest rate method. Similarly, under the local regulatory requirement, income recoverable on classified advances and investments (debt securities), is recognised on a receipt basis.

Income on rescheduled / restructured advances and investments is recognised as permitted by SBP regulations.

Markup expense on financial liabilities (comprising deposits, subordinated debts, and borrowings) is recognised on an accrual basis in the period in which it is incurred, based on their contractual rates.

Islamic Banking Institutions (IBIs) are allowed to follow Islamic Financial Accounting Standards (IFAS) 1 & 2 where applicable and continue the existing accounting methodology on other Islamic products until issuance of further instruction in this regard.

4.1.2.9 Derecognition

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the unconsolidated profit and loss account, except that in case of the derecognition of equity securities held at FVOCI, cumulative gains or losses are transferred to unappropriated profit.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

4.1.2.10 Modification

Financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of to its customers. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss account as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit-impaired assets (POCI).

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognised the resulting adjustment as a modification gain or loss in profit and loss account. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as markup income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability recognised and consideration paid is recognised in profit and loss account. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss account. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4.1.2.11 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. At 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, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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'.

Non-Performing financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit_impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'non-performing' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

Under the IFRS 9 Application instructions, the Bank is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency. The Bank is required to calculate ECL on its non-performing financial assets as higher of provision under Prudential Regulations (PR) and ECL under IFRS 9.

For Stage 3, The Bank calculates the ECL against corporate, commercial & SME loan portfolios as higher of PR and ECL under IFRS 9 at borrower / facility level, whereas against the retail borrowers the Bank calculates the ECL at higher of PR and ECL under IFRS 9 at segment/product basis as instructed under Annexure-A of BPRD Circular no 16 of 2024.

ECL is the probability weighted estimate of expected cash shortfalls which is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). Based on the requirements of IFRS 9 and Application Instructions, the Bank has performed an ECL assessment considering the following key elements:

– **Probability of default (PD):**

The Probability of Default represents the likelihood that a counterparty will default within a specific timeframe, such as 12 months (12-month ECL for Stage 1) or the lifetime of the financial instrument (lifetime ECL for Stage 2). The Bank calculates PD on Islamic financing and related assets which is further bifurcated into retail and non retail portfolios. Following is the methodology through which non retail and retail PD are calculated:

– **Non-Retail PD:**

The Bank utilises its internal risk rating system to assign Obligor Risk Ratings (ORR) to borrowers. The Bank has used a statistical method called Markov Chain, also known as Transition Matrices / Migration matrices, for the estimation of TTC PDs associated with each of its Obligor Risk Rating (ORR).

– **Retail PD:**

The Bank has used market benchmark PDs for retail segments. The Bank has recently started developing its retail portfolio and does not have sufficient data to develop PD and LGD Models. In the absence of required data and after discussing with consultants, management has decided to use the market benchmark PDs and BASEL prescribed 45% LGD for retail segment. Moreover, the Bank has used its internal data to develop the TTC- PD models using Pluto and Tasche technique for the calculation of

Expected Credit Loss (ECL) on Investments, Balances with other banks (BWOB) and Lending to Fls. TTC-PD were converted into PiT PDs by applying Macro Economic variable with Vasicek approach.

– **Incorporation of forward-looking information:**

Forward looking information is incorporated to convert TTC PD to Point in Time Probability of Default (PiT) PD. The Bank has estimated the PiT PDs using the Vasicek framework in its PD Model. For this purpose, the Bank incorporated 5-year forecasts obtained from the Macro Economic Variable (MEV) database of the International Monetary Fund (IMF). The MEVs used in the Model are the Consumer Price Index (CPI) and Gross Domestic Product (GDP) etc.

– **Exposure at Default (EAD):**

The Bank has defined EAD for financial assets carried at an amortised cost equal to principal plus accrued markup at the default date. Each repayment date is assumed to be a default point in the model, and the ECL is calculated on the EAD at each repayment date and discounted at the effective interest rate to arrive at the discounted ECL under three scenarios, i.e., base, worst, and best-case scenarios. The unutilised exposures are multiplied with Credit Conversion Factors (CCFs) to compute the EAD of revolving facilities. For non-revolving facilities, CCF is only applied to unutilised exposures when the Bank doesn't have unconditional right to revoke the undrawn portion. Additionally, cash and cash equivalent collateral the Bank holds against non-retail facilities are adjusted from the EAD, and ECL is calculated on the net amount. The Bank has developed CCF models for its revolving and non revolving facilities based on the historical utilisation of credit limits which are currently being applied to the revolving portfolio.

– **Loss Given Default:**

Loss Given Default (LGD) represents the forecasted economic loss in the event of default, calculated independently of credit quality and applied consistently across all stages. LGD is determined as the percentage of loss expected in case of borrower default, incorporating historical data, cash recovery experience (including settlements), costs and time of recoveries, collateral realisations, and recovery projections. For non-collateralised portfolios, the Bank estimates LGD based on actual recoveries from defaulted accounts over a historical period of 8 years prior to the assessment date. Forward-looking information is incorporated into the LGD calculation to reflect the impact of macroeconomic factors on the expected recoveries. The Bank uses a statistical approach, specifically the Jacob Frye model, to estimate Point-in-Time (PiT) LGD. This model accounts for forward-looking information, including macroeconomic variables, to estimate LGD for all credit segments.

Purchase or Originated Credit Impaired Financial Assets

Purchase or Originated Credit Impaired (POCI) financial assets are assets that are credit-impaired on initial recognition. Expected credit loss for these assets is not recognised in a separate loss provision on initial recognition, as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance after initial recognition is equal to the changes in lifetime ECL since the initial recognition of the asset.

Presentation of allowance for Expected Credit Loss in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: as a provision in Other Assets / Liabilities.

- where a financial instrument includes both a drawn and an undrawn component, and the Bank does not identify the ECL on the loan commitment component separately from those on the drawn component and instead presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

4.1.2.12 Significant increase in credit risk (SICR)

A 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 used several qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or markup payments are 60 & 120 days past due for advances and trade bills respectively. Qualitative factors include the Watchlist and restructured/rescheduled.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of PR 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. However, a minimum period of 06 months from the end of downgrade reason is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility and after observing of 03 months cooling off period. An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially.

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

4.1.2.13 Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss account and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

4.1.2.14 Off-setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.1.2.15 Undrawn loan commitments and guarantees:

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

When estimating lifetime ECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected cash flows if the loans are drawn down, based on a probability-weighting of the three scenarios.

4.1.2.16 Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank's Risk Management Division has developed Models/ methodologies for PD, LGD and Credit Conversion Factors (CCF). These models are validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department defines the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk department also take the ownership of the impact of ECL on bank's capital.

Risk Management division of the Bank is responsible for the implementation of IFRS 9. Further the Bank has engaged a consultant for the calculation of ECL on a quarterly basis. The same is provided to the Risk Management Division which reviews and assesses the ECL and submits to the same to Finance Division for financial reporting requirements.

Finance Division then uses the financial information for preparing the financial statements and related financial ratios.

Risk Management Division prepares and submits the analysis to board risk committee on a quarterly basis. Further financial statements prepared on the basis of IFRS-9 is then submitted to the Board Audit Committee on a quarterly basis.

The IT Department provides support to all the stakeholders for preparing and extracting the data required for the risk parameters modelling. IT department also provides support to project owners for system development and upgrades.

4.2 Cash and cash equivalents

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

4.3 Lendings to / borrowings from financial institutions

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

Purchase under resale agreement (reverse repo)

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the unconsolidated 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 unconsolidated statement of financial position and are measured in accordance with accounting policies for investments and amount received under these agreements are recorded as repurchase agreement borrowings. 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 / Modaraba

In Musharaka / Modaraba, 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.

Modaraba 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 modaraba 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 (Applicable before January 1, 2024)

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

4.4.2 Other investments are classified as follows:

Held-for-trading

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

Held-to-maturity

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

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

Available-for-sale

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

4.4.3 Initial Measurement

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

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

Subsequent Measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

Impairment

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

Provision for impairment in the value of 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 (Applicable before January 1, 2024)

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 amortised 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 utilisation 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 recognised 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 Shirkat-ul-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 Property and equipment

4.6.1 Capital work-in-progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.6.2 Property and equipment

Property and equipment 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 to these unconsolidated financial statements. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged till the date of disposal.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the unconsolidated 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 property and equipment account. If an asset's carrying amount is decreased as a result of a revaluation, the decrease

shall be recognised in the unconsolidated profit or loss account. However, if the increase reverses a deficit on the same asset previously recognised in the unconsolidated profit and loss account, such an increase is also recognised in the unconsolidated profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of property and equipment 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 property and equipment (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) realised on disposal of land and building is transferred directly to unappropriated profit.

4.6.3 Right-of-use assets and their related lease liabilities

The Bank recognises 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 unconsolidated statement of financial position date.

4.8 Non-banking assets acquired in satisfaction of claims

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 the unconsolidated profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to the unconsolidated profit and loss account.

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

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 property and equipment. 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 property and equipment along with any related surplus.

4.9 Derivative financial instruments

Derivative financial instruments consist of Forward foreign exchange contracts, which 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 unconsolidated profit and loss account.

4.10 Credit loss allowance / Provisions

Expected credit loss allowance 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gain/ losses recognised in unconsolidated statement of 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 unconsolidated 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 the unconsolidated profit and loss account in subsequent periods.

Past service cost resulting from changes to defined benefit plan is recognised in the unconsolidated profit and loss accounts in accordance with arterial's valuation and their assessment.

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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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

The Bank earns fee and commission income from the banking services to retail and corporate customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the services to the customer. Unearned fee and commission are included under other liabilities.

The fee pertaining to banking services to retail and corporate customers are based on schedule of charges, reviewed periodically by the Bank.

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 and translations

Foreign currency transactions are translated into functional currency of the Bank 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 unconsolidated 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 the unconsolidated 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 unconsolidated 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 unconsolidated statement of 'other comprehensive income' under 'exchange translation reserve'.

4.17.3 Contingencies and commitments

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

4.18 Segment reporting

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

4.18.1 Business segments

a) Trading and sales

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

b) Retail banking

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

c) Commercial banking

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

d) Islamic banking

This represents Islamic banking operations of the Bank.

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 the unconsolidated statement of financial position date are considered as non-adjusting event and are

not recorded in these 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 year. 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 unconsolidated 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 in the unconsolidated profit and loss account. 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.

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	2024	2023
		Rupees in'000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		15,321,375	11,629,146
Foreign currencies		1,393,358	4,164,225
		<u>16,714,733</u>	<u>15,793,371</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	46,256,955	48,615,441
Foreign currencies current account	6.2	2,321,162	1,991,420
Foreign currency deposit accounts			
– cash reserve account	6.3	6,731,041	6,308,767
– deposit account - special cash reserve	6.4	12,058,642	11,497,335
		<u>67,367,800</u>	<u>68,412,963</u>
With National Bank of Pakistan in			
Local currency current accounts		2,670,896	7,125,824
Local currency deposit accounts		47,103	26,958
National Prize Bonds			
		16,080	107,480
Less: Credit loss allowance held against cash and balances with treasury banks	6.5	(795)	–
Cash and balances with treasury banks - net of credit loss allowance		<u>86,815,817</u>	<u>91,466,596</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 return on this account is declared by the SBP on a monthly basis and, as at 31 December 2024, carries mark-up at the rate of 3.53% (2023: 4.34%) per annum.

6.5 Credit loss allowance against Cash and balances with treasury banks are all classified as Stage 1.

7. BALANCES WITH OTHER BANKS

	Note	2024	2023
		Rupees in'000	
In Pakistan			
In current accounts		10,050	21,746
In deposit accounts	7.1	108	758
		<u>10,158</u>	<u>22,504</u>
Outside Pakistan			
In current accounts	7.2	6,425,438	21,101,446
Less: Credit loss allowance held against balances with other banks	7.3	(1,045)	–
Balances with other banks - net of credit loss allowance		<u>6,434,551</u>	<u>21,123,950</u>

7.1 This carries mark-up at the rate of 11.50% (2023: 20.50%) per annum.

7.2 These include balances in current accounts amounting to Rs. 322,178 thousand (2023: Rs. 680,649 thousand) with branches of the holding company.

7.3 Credit loss allowance against Balances with other banks are all classified as Stage 1.

	Note	2024	2023
		Rupees in'000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	8.2	5,571,000	5,496,284
Repurchase agreement lendings (reverse repo)		-	-
Bai Muajjal receivable			
- with State Bank of Pakistan		-	-
- with other financial institutions		-	-
Modaraba placements		-	-
Musharakah placements		-	-
Less: Credit loss allowance held against lending to financial institutions	8.4	(2)	-
Lendings to financial institutions - net of credit loss allowance		<u>5,570,998</u>	<u>5,496,284</u>

8.1 Particulars of lendings

In local currency - secured		-	-
In foreign currency - unsecured	8.2	5,570,998	5,496,284
		<u>5,570,998</u>	<u>5,496,284</u>

8.2 These foreign currency lendings carry mark-up rate ranging from 7.00% to 7.85% (2023: 9.80% to 12.00%) per annum and are due mature latest by 18 Feb 2025 (2023: 04 April 2024).

8.3 Lending to FIs - Particulars of credit loss allowance

		2024		2023	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
Rupees in '000					
Overseas					
Performing	Stage 1	5,571,000	2	5,496,284	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
Total		<u>5,571,000</u>	<u>2</u>	<u>5,496,284</u>	<u>-</u>
2024					
		Stage 1	Stage 2	Stage 3	Total
Rupees in '000					
Balance at the start of the year		-	-	-	-
Impact of adoption of IFRS 9		87	-	-	87
Transfer to stage 1		-	-	-	-
Transfer to stage 2		-	-	-	-
Transfer to stage 3		-	-	-	-
Net remeasurement of credit loss allowance		<u>87</u>	<u>-</u>	<u>-</u>	<u>87</u>
New financial assets originated or purchased		-	-	-	-
Financial assets that have been derecognised		-	-	-	-
Written off / charged off		-	-	-	-
Unwind of discount		-	-	-	-
Changes in risk parameters		(85)	-	-	(85)
Balance at the end of the year		<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>

9. INVESTMENTS

9.1 Investments by types

	2024				2023			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
- Debt Instruments								
Classified / Measured at amortised cost								
Federal Government securities	83,208,565	-	-	83,208,565	-	-	-	-
Non Government debt securities	3,000,000	(52)	-	2,999,948	-	-	-	-
	86,208,565	(52)	-	86,208,513	-	-	-	-
Classified / Measured at FVOCI								
Federal government securities	642,446,225	-	12,480,359	654,926,584	-	-	-	-
Non Government debt securities	9,767,355	(426,154)	(354,523)	8,986,678	-	-	-	-
	652,213,580	(426,154)	12,125,836	663,913,262	-	-	-	-
Classified / Measured at FVTPL								
Federal government securities	42,055,433	-	(10,052)	42,045,381	-	-	-	-
Non Government debt securities	1,997,589	-	(9,249)	1,988,340	-	-	-	-
	44,053,022	-	(19,301)	44,033,721	-	-	-	-
Instruments mandatorily classified / measured at FVTPL								
Mutual funds	2,700,000	-	85,219	2,785,219	-	-	-	-
Real estate investment trust	1,814,314	-	1,254,365	3,068,679	-	-	-	-
	4,514,314	-	1,339,584	5,853,898	-	-	-	-
- Equity Instruments								
Classified / Measured at FVTPL								
Shares								
Listed companies	-	-	-	-	-	-	-	-
Unlisted companies	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Classified / Measured at FVOCI (Non-Reclassifiable)								
Shares								
Listed companies	5,157,310	-	3,827,127	8,984,437	-	-	-	-
Unlisted companies	130,640	-	(79,071)	51,569	-	-	-	-
	5,287,950	-	3,748,056	9,036,006	-	-	-	-
Available-for-sale securities								
Federal government securities	-	-	-	-	806,507,307	-	(3,855,444)	802,651,863
Shares	-	-	-	-	4,047,185	(206,844)	839,682	4,680,023
Non-government debt securities	-	-	-	-	11,953,893	(87,683)	(189,864)	11,676,346
Mutual funds	-	-	-	-	16,949	(12,763)	4,069	8,255
Real estate investment trust	-	-	-	-	1,831,780	-	160,845	1,992,625
	-	-	-	-	824,357,114	(307,290)	(3,040,712)	821,009,112
Held-to-maturity securities								
Federal government securities	-	-	-	-	98,872,853	-	-	98,872,853
Non-government debt securities	-	-	-	-	4,700,000	-	-	4,700,000
	-	-	-	-	103,572,853	-	-	103,572,853

	2024				2023			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
- Subsidiaries								
Habib Metropolitan Modaraba Management Company (Private) Limited	350,000	-	-	350,000	350,000	-	-	350,000
Habib Metropolitan Financial Services Limited	300,000	-	-	300,000	300,000	-	-	300,000
HabibMetro Exchange Services Limited	1,000,000	-	-	1,000,000	-	-	-	-
First Habib Modaraba (FHM)	180,000	-	-	180,000	180,000	-	-	180,000
	1,830,000	-	-	1,830,000	830,000	-	-	830,000
Total investments	794,107,431	(426,206)	17,194,175	810,875,400	928,759,967	(307,290)	(3,040,712)	925,411,965

9.2 Investment in subsidiaries - incorporated in Pakistan

	Holding %	Assets	Liabilities	Revenue	Profit after tax	Total comprehensive income
2024						
Habib Metropolitan Financial Services Limited	100%	600,488	265,997	99,516	(4,200)	24,774
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	843,479	17,956	168,034	128,620	184,084
First Habib Modaraba (FHM)	5.43%	30,500,563	24,773,681	5,430,581	972,084	1,001,161
HabibMetro Exchange Services Limited	100.00%	1,054,315	35,038	166,594	19,277	19,277
2023						
Habib Metropolitan Financial Services Limited	100%	356,760	46,836	53,857	(20,406)	(16,869)
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	723,378	13,465	105,652	105,968	98,208
First Habib Modaraba (FHM)	5.43%	22,878,502	17,913,536	4,425,279	811,792	816,442

9.2.1 During the year, the Bank invested Rs. 1,000,000 thousand (2023: Nil thousand) in its 100% owned subsidiary, HabibMetro Exchange Services Limited.

9.3 Investments by segments

	2024				2023			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
Federal government securities								
Market treasury bills	130,988,178	-	842,314	131,830,492	335,775,414	-	878,703	336,654,117
Pakistan investment bonds	496,455,165	-	7,980,831	504,435,996	479,399,875	-	(5,459,487)	473,940,388
Ijarah sukuk	137,785,245	-	3,647,162	141,432,407	84,720,427	-	725,340	85,445,767
Islamic Naya Pakistan certificate modaraba investment pool:								
– foreign currencies	1,709,911	-	-	1,709,911	4,999,907	-	-	4,999,907
– Pak rupees	771,724	-	-	771,724	484,537	-	-	484,537
	<u>767,710,223</u>	<u>-</u>	<u>12,470,307</u>	<u>780,180,530</u>	<u>905,380,160</u>	<u>-</u>	<u>(3,855,444)</u>	<u>901,524,716</u>
Shares								
Listed companies	5,157,310	-	3,827,127	8,984,437	3,915,456	(127,773)	839,682	4,627,365
Unlisted companies	130,640	-	(79,071)	51,569	131,729	(79,071)	-	52,658
	<u>5,287,950</u>	<u>-</u>	<u>3,748,056</u>	<u>9,036,006</u>	<u>4,047,185</u>	<u>(206,844)</u>	<u>839,682</u>	<u>4,680,023</u>
Non-government debt securities								
Listed								
Term finance certificates	957,621	(64,946)	2,478	895,153	1,387,701	(64,946)	(5,274)	1,317,481
Sukuk certificates / bonds	6,683,993	(340,000)	(235,423)	6,108,570	6,768,455	-	(180,655)	6,587,800
Unlisted								
Term finance certificates	3,724,914	(2,792)	(125,549)	3,596,573	3,295,000	-	-	3,295,000
Sukuk certificates / bonds	398,416	(18,416)	(5,278)	374,722	502,737	(22,737)	(3,935)	476,065
Certificates of investment	3,000,000	(52)	-	2,999,948	4,700,000	-	-	4,700,000
	<u>14,764,944</u>	<u>(426,206)</u>	<u>(363,772)</u>	<u>13,974,966</u>	<u>16,653,893</u>	<u>(87,683)</u>	<u>(189,864)</u>	<u>16,376,346</u>
Mutual funds								
Open end	2,700,000	-	85,219	2,785,219	-	-	-	-
Close end	-	-	-	-	16,949	(12,763)	4,069	8,255
	<u>2,700,000</u>	<u>-</u>	<u>85,219</u>	<u>2,785,219</u>	<u>16,949</u>	<u>(12,763)</u>	<u>4,069</u>	<u>8,255</u>
Real estate investment trust								
	1,814,314	-	1,254,365	3,068,679	1,831,780	-	160,845	1,992,625
Subsidiaries								
Habib Metropolitan Financial Services Limited	300,000	-	-	300,000	300,000	-	-	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited	350,000	-	-	350,000	350,000	-	-	350,000
First Habib Modaraba	180,000	-	-	180,000	180,000	-	-	180,000
HabibMetro Exchange Services Limited	1,000,000	-	-	1,000,000	-	-	-	-
	<u>1,830,000</u>	<u>-</u>	<u>-</u>	<u>1,830,000</u>	<u>830,000</u>	<u>-</u>	<u>-</u>	<u>830,000</u>
	<u>794,107,431</u>	<u>(426,206)</u>	<u>17,194,175</u>	<u>810,875,400</u>	<u>928,759,967</u>	<u>(307,290)</u>	<u>(3,040,712)</u>	<u>925,411,965</u>

	2024	2023
	———— Rupees in '000 ————	
9.3.1 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	34,402,365	129,183,999
Pakistan investment bonds	191,534,393	54,741,950
	<u>225,936,758</u>	<u>183,925,949</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 (2023: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

	2024	2023
	———— Rupees in '000 ————	
9.4 Credit loss allowance for diminution in value of investments		
Opening balance	307,290	577,533
Impact of remeasurement on adoption of IFRS 9	(219,607)	-
Impact of ECL recognised on adoption of IFRS 9	578	-
Charge for the year	337,945	63,244
Reversal for the year	-	(2,813)
Net charge for the year	337,945	60,431
Reversal on disposal	-	(330,674)
Investment written off	-	-
Closing balance	<u>426,206</u>	<u>307,290</u>

9.5 Particulars of credit loss allowance / provision against debt securities

9.5.1 Investments - exposure

	2024		
	Stage 1	Stage 2	Stage 3
	———— Rupees in '000 ————		
Opening balance	7,700,000	-	427,683
Impact of adoption of IFRS 9	-	-	-
New investments	-	-	-
Investments derecognised or repaid	(1,700,000)	-	(4,321)
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Amounts written off / charged Off	-	-	-
Others	-	-	-
Closing balance	<u>6,000,000</u>	<u>-</u>	<u>423,362</u>

		2024	
		Outstanding amount	Credit loss allowance held
		— Rupees in '000 —	
9.5.2 Investments - Credit loss allowance			
Performing	Stage 1	6,000,000	2,843
Underperforming	Stage 2	-	-
Non-Performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		423,363	423,363
		423,363	423,363
Total		<u>6,423,363</u>	<u>426,206</u>
		2024	2023
		Cost / amortised cost	
		— Rupees in '000 —	

9.6 Quality of securities

Details regarding quality of securities held under "Held to Collect and Sell" model

Federal Government Securities - Government guaranteed

Market treasury bills	110,428,094	335,775,414
Pakistan investment bonds	397,206,935	383,491,620
Ijarah sukuk	134,811,196	81,755,829
Islamic Naya Pakistan certificate Modaraba investment pool:		
- foreign currencies	-	4,999,907
- Pak rupees	-	484,537
	<u>642,446,225</u>	<u>806,507,307</u>

Shares

Listed companies

Technology and communication	400,250	-
Cement	269,754	6,965
Engineering	181,569	-
Commercial banks	1,510,340	1,318,152
Fertiliser	305,587	674,210
Investment banks / investment companies / securities companies	278,410	121,516
Cable and electrical goods	57,674	-
Insurance	245,665	-
Oil and gas exploration, power generation and distribution	1,210,195	1,552,500
Pharmaceuticals	118,605	40,376
Textile	408,304	121,398
Transport	170,957	80,339
	<u>5,157,310</u>	<u>3,915,456</u>

	2024		2023	
	Cost	Break-up value	Cost	Break-up value
Rupees in '000				
Unlisted companies				
Pakistan Export Finance Guarantee Limited	11,361	–	11,361	–
DHA Cogen Limited	50,000	–	50,000	–
Dawood Family Takaful Limited	35,000	25,387	35,000	25,387
Society for World Wide Inter Bank Financial Telecommunication (Swift)	6,755	83,900	7,844	92,577
Pakistan Corporate Restructuring Company Limited	27,524	25,817	27,524	25,817
	<u>130,640</u>	<u>135,104</u>	<u>131,729</u>	<u>143,781</u>
Non-government debt securities				
Rupees in '000				
Listed				
AAA			199,840	629,920
AA+			442,835	42,835
AA				
A+			340,000	340,000
AA-			200,000	600,000
A			50,000	50,000
A-			–	–
Unrated *			<u>6,408,939</u>	<u>6,493,401</u>
			<u>7,641,614</u>	<u>8,156,156</u>
Unlisted				
AAA			3,974,914	3,250,000
AA+			130,000	425,000
AA			–	–
A+			–	–
AA-			–	–
A			–	100,000
Unrated			<u>18,416</u>	<u>22,737</u>
			<u>4,123,330</u>	<u>3,797,737</u>
Mutual funds				
Unrated			<u>2,700,000</u>	<u>16,949</u>
Real estate investment trust				
Listed				
AAA (rfr)			<u>831,780</u>	<u>831,780</u>
Unlisted				
RM 3+			<u>982,534</u>	<u>1,000,000</u>

* This includes Investment in Pakistan Energy Sukuk-I issued by Power Holding Limited, wholly owned by the Government of Pakistan. These sukuk is guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements amounting to Rs 6,343,993 thousands (2023: Rs 6,428,455 thousands).

	Note	2024	2023
		Cost / amortised cost	
		Rupees in '000	
9.7 Particulars relating to securities classified Under "Held to Collect" model			
Federal government securities - Government guaranteed			
Pakistan investment bonds		80,234,516	95,908,255
Ijarah sukuk		2,974,049	2,964,598
		<u>83,208,565</u>	<u>98,872,853</u>
Non-government debt securities - unlisted			
Certificates of investment - unrated	9.7.1	<u>3,000,000</u>	<u>4,700,000</u>

9.7.1 This represents certificates of investment (musharaka) carrying expected profit rates ranging from 11.37% to 13.25% (2023: 22.10%) per annum with maturity upto 05 March 2025 (2023: 29 March 2024).

9.7.2 The market value of federal government securities classified as held-to-maturity is Rs. 85,407,793 thousand (2023: Rs. 91,477,864 thousand).

10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2024	2023	2024	2023	2024	2023
		Rupees in '000					
Loans, cash credits, running finances, etc.	10.1	329,647,770	261,089,008	19,153,873	16,160,613	348,801,643	277,249,621
Islamic financing and related assets		92,867,464	114,143,049	3,139,699	554,851	96,007,163	114,697,900
Bills discounted and purchased		56,120,236	43,580,472	2,873,698	3,120,153	58,993,934	46,700,625
Advances - gross		<u>478,635,470</u>	<u>418,812,529</u>	<u>25,167,270</u>	<u>19,835,617</u>	<u>503,802,740</u>	<u>438,648,146</u>
Credit loss allowance against advances							
- Stage 1		(853,418)	-	-	-	(853,418)	-
- Stage 2		(4,527,310)	-	-	-	(4,527,310)	-
- Stage 3		-	-	(24,121,428)	-	(24,121,428)	-
- Specific provision		-	-	-	(19,273,580)	-	(19,273,580)
- General provision		-	(7,325,642)	-	-	-	(7,325,642)
		<u>(5,380,728)</u>	<u>(7,325,642)</u>	<u>(24,121,428)</u>	<u>(19,273,580)</u>	<u>(29,502,156)</u>	<u>(26,599,222)</u>
Advances - net of credit loss allowance /provision		<u>473,254,742</u>	<u>411,486,887</u>	<u>1,045,842</u>	<u>562,037</u>	<u>474,300,584</u>	<u>412,048,924</u>

10.1 Includes net investment in finance lease as disclosed below:

	2024			2023		
	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	44,324	17,111	61,435	63,051	24,341	87,392
Residual value	87,720	6,704	94,424	98,474	7,526	106,000
Minimum lease payments	132,044	23,815	155,859	161,525	31,867	193,392
Financial charges for future periods	(8,709)	(1,163)	(9,872)	(14,319)	(1,913)	(16,232)
Present value of minimum lease payments	123,335	22,652	145,987	147,206	29,954	177,160

10.2 Particulars of advances - gross

	2024	2023
	Rupees in '000	
In local currency	386,583,391	371,132,659
In foreign currencies	117,219,349	67,515,487
	<u>503,802,740</u>	<u>438,648,146</u>

10.2.1 Advances to Women, Women-owned and Managed Enterprises

Women	1,817,641	1,549,528
Women Owned and Managed Enterprises	585,672	711,225
	<u>2,403,313</u>	<u>2,260,753</u>

10.2.2 Gross loans disbursed to women, women-owned and managed enterprises during the current year is Rs. 1,693.483 thousands (2023: Rs 1,437.434 thousands).

10.3 Particulars of credit loss allowance

10.3.1 Advances - exposure

	2024		
	Stage 1	Stage 2	Stage 3
	Rupees in '000		
Gross carrying amount - Current year	368,745,800	40,219,825	20,190,897
New advances	170,694,801	15,101,095	150,585
Advances derecognised or repaid	(101,964,864)	(10,933,556)	(1,595,464)
Transfer to stage 1	7,577,960	(7,577,960)	-
Transfer to stage 2	(30,818,928)	30,818,928	-
Transfer to stage 3	(492,732)	(5,270,443)	5,763,175
	44,996,237	22,138,064	4,318,296
Amounts written off / charged off	-	-	(24,838)
Changes in risk parameters	-	2,535,543	682,916
Closing balance - Current year	<u>413,742,037</u>	<u>64,893,432</u>	<u>25,167,271</u>

10.3.2 Advances - Credit loss allowance

	2024		
	Stage 1	Stage 2	Stage 3
	Rupees in '000		
Opening balance	-	-	-
Impact of adoption of IFRS 9	2,227,772	2,054,740	19,768,274
New advances	236,843	3,037,877	271,322
Advances derecognised or repaid	(1,292,683)	(524,860)	(1,413,187)
Transfer to stage 1	10,281	(10,281)	-
Transfer to stage 2	(325,222)	351,186	(25,964)
Transfer to stage 3	(3,573)	(384,947)	388,520
	(1,374,354)	2,468,975	(779,309)
Amounts written off / charged off	-	-	(24,838)
Changes in risk parameters	-	3,595	5,157,301
Closing balance	853,418	4,527,310	24,121,428

10.3.3 Advances - Credit loss allowance details Internal / External rating / stage classification

Outstanding gross exposure

Performing - Stage 1

ORR 1 to 9	384,717,046	-	-
Others	29,024,991	-	-

Under Performing - Stage 2

ORR 1 to 9	-	64,246,900	-
Others	-	646,532	-

Non-performing - Stage 3

Substandard	-	-	475,602
Doubtful	-	-	1,901,249
Loss	-	-	22,790,419
	-	-	25,167,270

Total

	413,742,037	64,893,432	25,167,270
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Corresponding ECL

Stage 1 and 2	(853,418)	(4,527,310)	-
Stage 3	-	-	(24,121,428)
	412,888,619	60,366,122	1,045,842

10.4 Advances include Rs. 25,167,270 thousand (31 December 2023: Rs. 19,835,617 thousand) which have been placed under non-performing status as detailed below:

Category of classification in Stage 3	2024		2023	
	Non-performing loans	Credit loss allowance	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Other asset especially mentioned	-	-	20,395	-
Substandard	475,602	270,348	243,168	58,876
Doubtful	1,901,249	1,190,825	485,917	242,959
Loss	22,790,419	22,660,255	19,086,137	18,971,745
Total	<u>25,167,270</u>	<u>24,121,428</u>	<u>19,835,617</u>	<u>19,273,580</u>

10.5 Particulars of credit loss allowance against advances

Note	2024					2023		
	Stage 3	Stage 1 & 2	Specific	General	Total	Specific	General	Total
	Rupees in '000							
Opening balance	-	-	19,273,580	7,325,642	26,599,222	17,249,750	4,619,505	21,869,255
Impact of adoption of IFRS 9 as of 1 January 2024	19,768,274	4,282,512	(19,273,580)	(5,963,784)	(1,186,578)	-	-	-
Charge for the year	5,817,144	3,636,187	-	-	9,453,331	6,295,438	2,706,137	9,001,575
Reversals for the year	(1,439,152)	(2,537,971)	-	(1,361,858)	(5,338,981)	(4,244,098)	-	(4,244,098)
Net charge / (reversal)	4,377,992	1,098,216	-	(1,361,858)	4,114,350	2,051,340	2,706,137	4,757,477
Amount written off 10.6	(24,838)	-	-	-	(24,838)	(27,510)	-	(27,510)
Closing balance	<u>24,121,428</u>	<u>5,380,728</u>	<u>-</u>	<u>-</u>	<u>29,502,156</u>	<u>19,273,580</u>	<u>7,325,642</u>	<u>26,599,222</u>

10.5.1 Particulars of credit loss allowance against advances

	2024			2023		
	Stage 3	Stage 1 & 2	Total	Specific	General	Total
	Rupees in '000					
In local currency	23,366,736	5,051,168	28,417,904	17,991,864	7,325,642	25,317,506
In foreign currencies	754,692	329,560	1,084,252	1,281,716	-	1,281,716
	<u>24,121,428</u>	<u>5,380,728</u>	<u>29,502,156</u>	<u>19,273,580</u>	<u>7,325,642</u>	<u>26,599,222</u>

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

During the current year, the Bank decided to not to avail the benefit of Forced Sales Value (FSV) against non-performing loans, as available under BSD Circular No. I of 21 October 2011 issued by the SBP.

	Note	2024	2023
		Rupees in '000	
10.6 Particulars of write offs			
10.6.1 Against credit loss allowance	10.5	24,838	27,510
Directly charged to profit and loss account		-	-
		<u>24,838</u>	<u>27,510</u>
10.6.2 Write offs of Rs. 500,000/- and above			
- Domestic		24,838	27,510
Write offs of below Rs. 500,000/		-	-
		<u>24,838</u>	<u>27,510</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 rupees five hundred thousand or above allowed to the persons during the year ended 31 December 2024 is enclosed as Annexure I. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2024	2023
		Rupees in '000	
11. PROPERTY AND EQUIPMENT			
Capital work-in-progress	11.1	646,639	293,119
Property and equipment	11.2	16,399,488	15,421,914
		<u>17,046,127</u>	<u>15,715,033</u>
11.1 Capital work-in-progress			
Civil works	11.1.1	265,241	79,056
Advance to suppliers		381,398	214,063
		<u>646,639</u>	<u>293,119</u>

11.1.1 This represents advances against renovation being carried out at various locations and to the vendors.

11.2 Property and equipment

	2024								Total
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	
	Rupees in '000								
At 1 January 2024									
Cost / Revalued amount	3,112,874	4,175,390	447,516	3,409,063	1,240,791	6,941,579	434,570	5,879,096	25,640,879
Accumulated depreciation	-	-	(69,385)	(472,342)	(654,047)	(4,781,436)	(157,945)	(4,083,810)	(10,218,965)
Net book value	<u>3,112,874</u>	<u>4,175,390</u>	<u>378,131</u>	<u>2,936,721</u>	<u>586,744</u>	<u>2,160,143</u>	<u>276,625</u>	<u>1,795,286</u>	<u>15,421,914</u>
Year ended December 2024									
Opening net book value	3,112,874	4,175,390	378,131	2,936,721	586,744	2,160,143	276,625	1,795,286	15,421,914
Additions	13,731	5,200	255,550	-	252,997	1,974,225	47,597	908,183	3,457,483
Disposals	-	-	-	-	(526)	(633)	(13,168)	-	(14,327)
Depreciation charge	-	-	(49,847)	(315,009)	(160,468)	(1,184,086)	(79,834)	(675,834)	(2,465,078)
Exchange rate adjustments	-	-	-	(489)	(15)	-	-	-	(504)
Closing net book value	<u>3,126,605</u>	<u>4,180,590</u>	<u>583,834</u>	<u>2,621,223</u>	<u>678,732</u>	<u>2,949,649</u>	<u>231,220</u>	<u>2,027,635</u>	<u>16,399,488</u>
At 31 December 2024									
Cost / Revalued amount	3,126,605	4,180,590	703,066	3,408,574	1,493,247	8,915,171	468,999	6,787,279	29,083,531
Accumulated depreciation	-	-	(119,232)	(787,351)	(814,515)	(5,965,522)	(237,779)	(4,759,644)	(12,684,043)
Net book value	<u>3,126,605</u>	<u>4,180,590</u>	<u>583,834</u>	<u>2,621,223</u>	<u>678,732</u>	<u>2,949,649</u>	<u>231,220</u>	<u>2,027,635</u>	<u>16,399,488</u>
Rate of depreciation (%)	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>15</u>	<u>25</u>	<u>20</u>	<u>20</u>	

	2023								Total
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	
	Rupees in '000								
At 1 January 2023									
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	22,937,687
Accumulated depreciation	-	-	(23,255)	(158,055)	(538,641)	(4,013,017)	(108,070)	(3,509,319)	(8,350,357)
Net book value	<u>3,045,790</u>	<u>4,020,390</u>	<u>424,261</u>	<u>3,245,506</u>	<u>509,808</u>	<u>1,599,499</u>	<u>132,089</u>	<u>1,609,987</u>	<u>14,587,330</u>
Year ended December 2023									
Opening net book value	3,045,790	4,020,390	424,261	3,245,506	509,808	1,599,499	132,089	1,609,987	14,587,330
Additions	67,084	155,000	-	-	211,211	1,408,299	218,509	759,790	2,819,893
Disposals	-	-	-	-	(1,008)	(914)	(9,491)	-	(11,413)
Depreciation charge	-	-	(46,130)	(314,287)	(133,600)	(847,579)	(64,489)	(574,491)	(1,980,576)
Exchange rate adjustments	-	-	-	5,502	333	838	7	-	6,680
Closing net book value	<u>3,112,874</u>	<u>4,175,390</u>	<u>378,131</u>	<u>2,936,721</u>	<u>586,744</u>	<u>2,160,143</u>	<u>276,625</u>	<u>1,795,286</u>	<u>15,421,914</u>
At 31 December 2023									
Cost / Revalued amount	3,112,874	4,175,390	447,516	3,409,063	1,240,791	6,941,579	434,570	5,879,096	25,640,879
Accumulated depreciation	-	-	(69,385)	(472,342)	(654,047)	(4,781,436)	(157,945)	(4,083,810)	(10,218,965)
Net book value	<u>3,112,874</u>	<u>4,175,390</u>	<u>378,131</u>	<u>2,936,721</u>	<u>586,744</u>	<u>2,160,143</u>	<u>276,625</u>	<u>1,795,286</u>	<u>15,421,914</u>
Rate of depreciation (%)	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>15</u>	<u>25</u>	<u>20</u>	<u>20</u>	

11.3 Revaluation of properties

The Bank's land and buildings were revalued by an independent professional valuer, M/S Iqbal A. Nanjee & Co. (Private) Limited as at 30 June 2022. The valuation was performed by the valuer on the basis of an assessment of present market values. The revaluations had resulted in a surplus of Rs. 6,795,965 thousand over the book value. In addition, a non-banking asset transferred to property and equipment previously was revalued by M/S Akbani & Javed Associates on 31 December 2021. During the current year desktop valuation non-banking assets has been carried out by Akbani & Javed Associates and no material difference in fair value has been observed and hence not accounted for in the current year financial statements. Accordingly total revaluation surplus (before incremental depreciation) amounted to Rs. 6,950,158 thousand. Details are as follows:

Revaluation surplus (gross amount without incremental depreciation):	Rupees in '000
Freehold land	1,070,460
Leasehold land	2,488,939
Buildings on Freehold land	404,431
Buildings on Leasehold land	<u>2,986,328</u>
	<u>6,950,158</u>

11.3.1 Surplus on revaluation of property and equipment (net of incremental depreciation) are as follows:

	2024	2023
	Rupees in '000	
Freehold land	1,070,460	1,070,460
Leasehold land	2,488,939	2,488,939
Buildings on Freehold land	301,797	342,783
Buildings on Leasehold land	<u>2,290,640</u>	<u>2,568,981</u>
	<u>6,151,836</u>	<u>6,471,163</u>

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

	2024	2023
	Rupees in '000	
Freehold land	1,975,330	1,975,330
Leasehold land	1,531,451	1,531,451
Buildings on freehold land	26,487	35,348
Buildings on leasehold land	<u>330,582</u>	<u>362,238</u>
	<u>3,863,850</u>	<u>3,904,367</u>

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

Furniture and fixtures	<u>606,427</u>	<u>500,731</u>
Electrical, office and computer equipment	<u>3,632,624</u>	<u>3,152,659</u>
Vehicles	<u>50,881</u>	<u>41,083</u>
Lease hold improvements	<u>2,860,239</u>	<u>2,661,925</u>

11.5 Details of property and equipment disposed off to employees / ex employees during the year ended 31 December 2024

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	2,475	751	2,750	As per HR policy	Mr. Shaffat A Hamdani (Ex-Employee)
Vehicle	2,619	1,533	3,173	As per HR policy	Mr. Azeem Ahmed Alvi (Ex-Employee)
Vehicle	2,515	929	2,850	As per HR policy	Mr. Khurram Rashid (Employee)
Vehicle	2,044	–	3,100	As per HR policy	Mr. Muhammad Zeshan (Employee)
Vehicle	2,619	1,491	3,500	As per HR policy	Mr. Samiullah Siddiqui (Employee)
Vehicle	2,515	1,073	3,210	As per HR policy	Mr. Khurram Jaffar (Ex-Employee)
Vehicle	2,049	–	1,860	As per HR policy	Mr. Muhammad Farooq Sheikh (Employee)
Vehicle	1,958	–	2,040	As per HR policy	Mr. Syed Mityas Ali Abbas (Employee)
Vehicle	4,512	3,521	3,600	As per HR policy	Mr. Majed Ali Khan (Ex-Employee)
Vehicle	5,012	3,871	4,200	As per HR policy	Mr. Muhammad Zia Majid (Ex-Employee)
Computer equipment	248	95	173	As per HR policy	Mr. Tariq Ali Pasha (Ex-Employee)

12. RIGHT-OF-USE ASSETS

	2024	2023
	Rupees in '000	
At January 1		
Cost	12,452,599	10,126,510
Accumulated Depreciation	(4,851,146)	(3,390,917)
Net Carrying amount at January 1	<u>7,601,453</u>	<u>6,735,593</u>
Opening carrying amount as at the start of the year	7,601,453	6,735,593
Additions during the year	2,625,820	2,326,089
Termination / maturities during the year - Cost	(1,658,807)	(254,343)
Termination / maturities during the year - Accumulated Depreciation	1,582,770	254,343
Depreciation Charge for the year	(1,542,854)	(1,460,229)
Closing carrying amount as at the end of the year	<u>8,608,382</u>	<u>7,601,453</u>
At December 31		
Cost	13,419,612	12,452,599
Accumulated Depreciation	(4,811,230)	(4,851,146)
Net Carrying amount at December 31	<u>8,608,382</u>	<u>7,601,453</u>

13. INTANGIBLE ASSETS

	Computer software	
	2024	2023
	Rupees in '000	
At 1 January		
Cost	1,066,641	709,531
Accumulated amortization	(743,387)	(611,563)
Net Carrying amount at January 1	<u>323,254</u>	<u>97,968</u>
Year ended 31 December		
Opening carrying amount as at the start of the year	323,254	97,968
Additions - directly purchased	428,845	357,110
Amortization charge	(255,885)	(131,824)
Closing carrying amount as at the end of the year	<u>496,214</u>	<u>323,254</u>
At 31 December		
Cost	1,495,486	1,066,641
Accumulated Amortization	(999,272)	(743,387)
Net Carrying amount at December 31	<u>496,214</u>	<u>323,254</u>
Rate of Amortization (percentage)	<u>33.3</u>	<u>33.3</u>
Useful life in years	<u>3</u>	<u>3</u>

13.1 The cost of fully amortized intangible assets (computer software) still in use is Rs. 648,996 thousand (2023: Rs. 546,908 thousand).

14. OTHER ASSETS

	Note	2024	2023
		Rupees in '000	
Income / mark-up / profit accrued in local currency - net		29,923,592	38,188,932
Income / mark-up / profit accrued in foreign currencies - net		397,849	304,547
Advances, deposits, advance rent and other prepayments		846,260	575,609
Non-banking assets acquired in satisfaction of claim	14.1	2,204,729	2,204,729
Mark-to-market gain on forward foreign exchange contracts		3,974,963	2,888,760
Acceptances		42,480,848	25,076,677
Receivable from the SBP against encashment of government securities		23,182	43,509
Stationery and stamps on hand		339,127	244,084
Receivable from 1Link		2,183,238	-
Prepaid employment benefit		4,857,532	-
Receivable from defined benefit plan	38.4	-	60,450
Others	14.2	<u>1,072,258</u>	<u>758,056</u>
		<u>88,303,578</u>	<u>70,345,353</u>
Credit loss allowance / provision held against other assets	14.3.1	<u>(412,982)</u>	<u>(375,000)</u>
Other Assets (Net of credit loss allowance)		<u>87,890,596</u>	<u>69,970,353</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22.2	<u>2,095,111</u>	<u>2,095,111</u>
Other assets - Total		<u>89,985,707</u>	<u>72,065,464</u>

	Note	2024	2023
		Rupees in '000	
14.1 Market value of non-banking assets acquired in satisfaction of claims	14.1.2	<u>4,299,840</u>	<u>4,299,840</u>

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuator as at 31 December 2024. The revaluation was carried out by M/s Akbani & Javed Associates on the basis of an assessment of present market values.

	2024	2023
	Rupees in '000	
14.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	4,299,840	4,299,840
Transferred to property and equipment	-	-
Depreciation	-	-
Closing balance	<u>4,299,840</u>	<u>4,299,840</u>

14.1.2 Revaluation surplus of Rs. 2,095,111 thousand (2023: Rs. 2,095,111 thousand) is included in the above value.

14.2 This includes Rs. 51,793 thousand (2023: Rs. 143,243 thousand) receivable on the sale of equity securities. This also includes fully provided balance of Rs. 394,816 thousand (2023: Rs. 375,000 thousand).

	2024	2023
	Rupees in '000	
14.3 Credit loss allowance held against other assets		
Claims receivable against fraud and forgeries	394,816	375,000
Acceptances	18,166	-
	<u>412,982</u>	<u>375,000</u>

14.3.1 Movement in Credit loss allowance held against other assets

Opening balance	375,000	375,000
Impact of adoption of IFRS 9	88,854	-
Charge for the year	19,816	-
Reversal for the year	(70,688)	-
Net charge for the year	(50,872)	-
Closing balance	<u>412,982</u>	<u>375,000</u>

		2024	
		Outstanding amount	Credit loss allowance held
		Rupees in '000	
14.3.2 Particulars of credit loss allowance against other assets			
	Stage 1	36,245,581	12,518
	Stage 2	6,235,267	5,648
	Stage 3 / others	394,816	394,816
		<u>42,875,664</u>	<u>412,982</u>
	Note	2024	2023
		Rupees in '000	
15. BILLS PAYABLE			
	In Pakistan	28,378,790	28,254,056
	Outside Pakistan	100,032	98,643
		<u>28,478,822</u>	<u>28,352,699</u>
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
	Export refinance scheme	16.2 59,242,166	85,990,034
	Long term financing facility - renewable energy scheme	16.3 2,177,048	2,327,108
	Long term financing facility	16.4 15,438,369	19,057,928
	Temporary economic refinance facility	16.5 19,682,235	28,797,755
	Long term financing facility - for storage of agricultural produce scheme	16.6 750,064	621,700
	Refinance facility for modernization of SME	16.7 219,918	105,858
	Refinance facility for combating COVID-19	16.8 18,881	35,878
	Refinance and credit guarantee scheme for women entrepreneurs	16.9 59,816	23,208
		16.10 <u>97,588,497</u>	<u>136,959,469</u>
	Repurchase agreement borrowings (Repo) - secured	16.11 225,809,401	184,947,267
	Due against bills rediscounting - secured	16.12 -	474,216
	Total secured	<u>323,397,898</u>	<u>322,380,952</u>
Unsecured			
	Call borrowing	16.13 100,000	-
	Overdrawn nostro accounts	6,512,870	888,638
	Total unsecured	<u>6,612,870</u>	<u>888,638</u>
	Total Borrowings	<u>330,010,768</u>	<u>323,269,590</u>
16.1 Particulars of borrowings with respect to currencies			
	In local currency	323,497,898	321,906,736
	In foreign currencies	6,512,870	1,362,854
		<u>330,010,768</u>	<u>323,269,590</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 8.00% to 16.50% per annum (2023: 17% to 18% per annum) and are due to mature latest by 30 June 2025.
- 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 (2023: 2% to 3% per annum) and are due to mature latest by 27 July 2035.
- 16.4** These borrowings have been obtained from the SBP under a scheme for providing concessionary financing facilities to the industry for purchase of new locally manufactured plant and machinery. These carry mark-up at rates ranging from 2.00% to 11.50% per annum (2023: 2.00% to 11.5% per annum per annum) and are due to mature latest by 24 December 2029.
- 16.5** 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 (2023: 1.00% per annum) and are due to mature latest by 24 August 2030.
- 16.6** 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 (2023: 2.00% per annum) and are due to mature latest by 11 November 2029.
- 16.7** 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 2.00% per annum (2023: 2.00% per annum) and are due to mature latest by 18 September 2029.
- 16.8** 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 (2023: 0% per annum) and are due to mature latest by 30 June 2026.
- 16.9** These borrowings have been obtained from the SBP under a scheme to provide finance for women entrepreneurs across the country. These carry mark-up at rate of 0% per annum (2023: 0% per annum) and are due to mature latest by 09 December 2029.
- 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 12.90% to 13.90% (2023: 21.75% to 23.00%) per annum having maturity upto 14 Jan 2025 (2023: 12 Jan 2024) 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 rate of Nil (2023: 6.91%) per annum having maturity upto Nil (2023: 23 Jan 2024).
- 16.13** These carry mark-up rate at rate of 0% per annum having maturity upto 10 Jan 2025.

17. DEPOSITS AND OTHER ACCOUNTS

	2024			2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current accounts	335,607,455	64,648,144	400,255,599	310,810,460	59,724,307	370,534,767
Savings deposits	293,241,677	16,914,294	310,155,971	341,643,324	16,798,084	358,441,408
Term deposits	120,938,951	47,383,383	168,322,334	175,268,425	50,971,995	226,240,420
Others	29,656,415	240,192	29,896,607	41,503,257	72,458	41,575,715
	<u>779,444,498</u>	<u>129,186,013</u>	<u>908,630,511</u>	<u>869,225,466</u>	<u>127,566,844</u>	<u>996,792,310</u>
Financial institutions						
Current deposits	3,150,604	1,510,900	4,661,504	2,327,236	1,030,085	3,357,321
Savings deposits	12,587,401	-	12,587,401	11,868,434	-	11,868,434
Term deposits	1,230,888	22,473	1,253,361	260,684	22,739	283,423
Others	-	-	-	1,356	-	1,356
	<u>16,968,893</u>	<u>1,533,373</u>	<u>18,502,266</u>	<u>14,457,710</u>	<u>1,052,824</u>	<u>15,510,534</u>
	<u>796,413,391</u>	<u>130,719,386</u>	<u>927,132,777</u>	<u>883,683,176</u>	<u>128,619,668</u>	<u>1,012,302,844</u>

17.1 Composition of deposits

	2024	2023
	Rupees in '000	
Individuals	482,699,275	463,434,699
Government (Federal and Provincial)	13,990,533	35,486,080
Public Sector Entities	20,261,531	23,681,503
Banking Companies	180,752	1,576,992
Non-Banking Financial Institutions	16,293,881	13,933,550
Private Sector	393,706,805	474,190,020
	<u>927,132,777</u>	<u>1,012,302,844</u>

17.2 This includes eligible deposits of Rs. 661,697,591 thousand (2023: Rs. 620,878,246 thousand) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

18. LEASE LIABILITIES

	2024	2023
	Rupees in '000	
Opening balance	9,051,378	7,803,164
Addition during the year	2,625,820	2,326,089
Deletion during the year	(97,017)	-
Lease payments including interest	(2,315,877)	(2,041,743)
Interest expense	1,199,409	963,868
Closing balance	<u>10,463,713</u>	<u>9,051,378</u>

18.1 Contractual maturities of lease liabilities

Short-term lease liabilities - within one year	1,045,765	853,561
Long-term lease liabilities		
- 1 to 5 years	5,172,701	4,278,203
- 5 to 10 years	3,909,899	3,919,614
- More than 10 years	335,348	-
	<u>9,417,948</u>	<u>8,197,817</u>
Total lease liabilities	<u>10,463,713</u>	<u>9,051,378</u>

Aggregate 12.38% (31 December 2023: 11.95%) is used as discounting factor for the calculation of lease liability.

19. DEFERRED TAX LIABILITIES / (ASSETS)

	2024				
	Balance as at January 01, 2024	Impact of Adoption of IFRS 9	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2024
	Rupees in '000				
Deductible temporary differences on					
- Credit loss allowance for diminution in value of investments	(150,572)	107,324	(182,641)	-	(225,889)
- Credit loss allowance against advances	(5,419,310)	566,232	(775,985)	-	(5,629,063)
- Credit loss allowance - Others	-	(230,594)	(188,725)	-	(419,319)
- Accelerated tax depreciation	(315,883)	-	(88,800)	-	(404,683)
- Deferred liability on defined benefit plan	14,810	-	-	(45,834)	(31,024)
- (Deficit) / surplus on revaluation of investments	(1,489,949)	(177,649)	-	10,080,761	8,413,163
	<u>(7,360,904)</u>	<u>265,313</u>	<u>(1,236,151)</u>	<u>10,034,927</u>	<u>1,703,185</u>
Taxable temporary differences on					
- Surplus on revaluation of:					
- Property and equipment	1,426,787	-	(154,722)	101,927	1,373,992
- Non-banking assets	769,953	-	-	(769,953)	-
- Exchange translation reserve	-	-	-	-	-
	<u>2,196,740</u>	<u>-</u>	<u>(154,722)</u>	<u>(668,026)</u>	<u>1,373,992</u>
	<u>(5,164,164)</u>	<u>265,313</u>	<u>(1,390,873)</u>	<u>9,366,901</u>	<u>3,077,177</u>

	2023			
	Balance as at January 01, 2023	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2023
	Rupees in '000			
Deductible temporary differences on				
- Provision for diminution in value of investments	(248,338)	97,766	-	(150,572)
- Provision against advances and off-balance sheet	(2,924,963)	(2,494,347)	-	(5,419,310)
- Accelerated tax depreciation	(335,679)	19,796	-	(315,883)
- Deferred liability on defined benefit plan	(6,946)	-	21,756	14,810
- Deficit on revaluation of investments	(3,613,724)	-	2,123,775	(1,489,949)
	(7,129,650)	(2,376,785)	2,145,531	(7,360,904)
Taxable temporary differences on				
- Surplus on revaluation of:				
- Non-banking assets	675,664	-	94,289	769,953
- Property and equipment	1,389,016	(156,045)	193,816	1,426,787
- Exchange translation reserve	3,719	-	(3,719)	-
	2,068,399	(156,045)	284,386	2,196,740
	(5,061,251)	(2,532,830)	2,429,917	(5,164,164)

	Note	2024	2023
		Rupees in '000	
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		15,426,508	19,323,624
Mark-up / return / interest payable in foreign currencies		973,600	684,315
Unearned commission and income		1,016,338	721,371
Accrued expenses		2,743,998	4,349,843
Current taxation (provision less payments)		6,221,510	10,078,741
Acceptances		42,480,848	25,076,677
Unclaimed dividend		184,922	85,648
Branch adjustment account		8,944	3,719
Mark to market loss on forward foreign exchange contracts		3,275,493	4,203,701
Provision for compensated absences	39.2	356,893	325,877
Payable to defined benefit plan	38.4	117,071	-
Credit loss allowance against off-balance sheet obligations	20.1	353,883	32,583
Workers' welfare fund	20.2	4,895,001	3,712,446
Charity fund balance		458	402
Excise duty payable		2,920	2,263
Locker deposits		965,722	989,676
Advance against diminishing musharakah		7,693	-
Advance rental for ijarah		19,695	19,440
Security deposits against leases / ijarah		197,598	244,813
Sundry creditors		4,011,907	3,283,612
Deferred grant income		147,275	-
Withholding tax / duties		1,496,718	224,649
Others	20.3	1,033,713	16,801,843
		<u>85,938,708</u>	<u>90,165,243</u>

20.1 Credit loss allowance against off-balance sheet obligations

Opening balance	32,583	32,583
Impact of adoption of IFRS 9	519,290	-
Charge for the year	-	-
Reversal for the year	(197,990)	-
Net reversal for the year	(197,990)	-
Closing balance	<u>353,883</u>	<u>32,583</u>

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

	2024	
	Outstanding amount	Credit loss allowance held
	Rupees in '000	
20.1.2 Particulars of credit loss allowance against off balance sheet obligations		
Stage 1	324,128,851	40,098
Stage 2	57,805,966	127,985
Stage 3	381,981	185,800
	<u>382,316,798</u>	<u>353,883</u>

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

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

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

20.3 This includes Rs.Nil (2023: Rs. 15,169,499) 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.

21. SHARE CAPITAL

21.1 Authorised capital

2024 (Number of shares)	2023		2024	2023
			Rupees in '000	
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

21.2 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>

21.3 As of the date of statement of financial position, the holding company held 534,394 thousand (2023: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding) and Habib Insurance Company Limited (the associated company) held 4,000 thousand (2023: 6,706 thousand) ordinary shares of Rs. 10/- each.

22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note	2024	2023
		Rupees in '000	
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	9.1	12,125,836	-
- Securities measured at FVOCI-Equity	9.1	3,748,056	-
- Securities measured at Available for Sale securities	9.1	-	(3,040,712)
- Property and Equipment	22.1	6,151,836	6,471,163
- Non-banking assets acquired in satisfaction of claims	22.2	2,095,111	2,095,111
		<u>24,120,839</u>	5,525,562
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	9.1	6,426,693	-
- Securities measured at FVOCI-Equity	9.1	1,986,470	-
- Securities measured at Available for Sale securities	9.1	-	(1,489,949)
- Property and Equipment	22.1	1,373,992	1,426,787
- Non-banking assets acquired in satisfaction of claims	22.2	-	769,953
		<u>(9,787,155)</u>	(706,791)
		<u>14,333,684</u>	<u>4,818,7719</u>
22.1 Surplus on revaluation of property and equipment			
Surplus on revaluation as at 1 January		6,471,163	6,789,623
Revaluation of property and equipment during the year		-	-
Transferred from non banking asset		-	-
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax		(164,605)	(162,415)
Related deferred tax liability on incremental depreciation		(154,722)	(156,045)
		<u>(319,327)</u>	<u>(318,460)</u>
Surplus on revaluation as at 31 December		6,151,836	6,471,163
Less: Related deferred tax liability on:			
Revaluation as at 1 January		1,426,787	1,389,016
Revaluation of property and equipment during the year		-	-
Transferred to property and equipments		-	-
Impact of change in tax rate		101,927	193,816
Incremental depreciation charged during the year		(154,722)	(156,045)
		<u>(52,795)</u>	<u>37,771</u>
Related deferred tax liability		<u>1,373,992</u>	<u>1,426,787</u>
		<u>4,777,844</u>	<u>5,044,376</u>
22.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 1 January		2,095,111	2,095,111
Transferred to property and equipment		-	-
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax		-	-
Related deferred tax liability on incremental depreciation		-	-
		-	-
Surplus on revaluation as at 31 December		2,095,111	2,095,111
Less: Related deferred tax liability on:			
Revaluation as at 1 January		769,953	675,664
Transferred to property and equipment		-	-
Impact of change in tax rate		(769,953)	94,289
Incremental depreciation during the year		-	-
		<u>(769,953)</u>	<u>94,289</u>
Related deferred tax liability		-	769,953
		<u>2,095,111</u>	<u>1,325,158</u>

	Note	2024	2023
		Rupees in '000	
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	152,625,779	137,319,392
Commitments	23.2	778,364,854	499,761,681
Other contingent liabilities	23.3	2,986,394	3,024,648
		<u>933,977,027</u>	<u>640,105,721</u>
23.1 Guarantees			
Financial guarantees		33,303,405	29,705,918
Performance guarantees		55,070,186	55,811,913
Other guarantees		64,252,188	51,801,561
		<u>152,625,779</u>	<u>137,319,392</u>
23.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		229,691,020	132,975,536
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	547,663,058	365,390,061
Forward lendings	23.2.2	388,000	1,093,000
Commitments for:			
Acquisition of property and equipment		622,776	303,084
		<u>778,364,854</u>	<u>499,761,681</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		260,615,930	190,089,104
Sale		287,047,128	175,300,957
		<u>547,663,058</u>	<u>365,390,061</u>
23.2.2 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	2024	2023
		Rupees in '000	
Commitments in respect of syndicate financing		<u>388,000</u>	<u>1,093,000</u>
23.3 Other contingent liabilities			
Claims against bank not acknowledged as debt	23.3.1	2,880,338	2,918,592
Foreign Exchange repatriation case	23.3.2	106,056	106,056
		<u>2,986,394</u>	<u>3,024,648</u>

23.3.1 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.

23.3.2 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.

24. 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).

24.1 Product Analysis

	Forward foreign exchange contracts			
	2024		2023	
	Notional Principal	Mark to Market Gain / (Loss)	Notional Principal	Mark to Market Gain / (Loss)
	Rupees in '000			
Banks				
Hedging	435,802,474	2,193,620	290,708,779	(77,691)
Other Entities				
Hedging	111,860,584	(1,494,150)	74,681,282	(1,237,250)
Total				
Hedging	547,663,058	699,470	365,390,061	(1,314,941)

24.2 Maturity Analysis

	Number of Contracts	Notional Principal	2024		
			Gain	Loss	Net
	Rupees in '000				
Upto 1 month	773	293,149,627	2,245,700	(1,725,098)	520,602
1 to 3 months	403	165,046,042	1,282,015	(1,235,839)	46,176
3 to 6 months	182	88,144,692	444,192	(308,435)	135,757
6 months to 1 year	7	1,322,697	3,057	(6,122)	(3,065)
	1,365	547,663,058	3,974,964	(3,275,494)	699,470

	Number of Contracts	Notional Principal	2023		
			Mark to Market		
			Gain	Loss	Net
					Rupees in '000
Upto 1 month	314	120,698,674	1,310,889	(1,374,720)	(63,831)
1 to 3 months	134	62,023,064	598,255	(362,296)	235,959
3 to 6 months	10	2,310,013	1,161	(88,940)	(87,779)
6 months to 1 year	630	180,358,310	978,454	(2,377,744)	(1,399,290)
	<u>1,088</u>	<u>365,390,061</u>	<u>2,888,759</u>	<u>(4,203,700)</u>	<u>(1,314,941)</u>

	Note	2024	2023
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		69,050,079	65,332,100
Investments	25.1	161,266,854	134,432,964
Lending with financial institutions		3,427,965	5,376,253
Balance with banks		493,770	471,107
		<u>234,238,668</u>	<u>205,612,424</u>

25.1 Interest income recognised on:

Financial assets measured at amortised cost;	13,273,260
Financial assets measured at fair value through P&L	7,007,028
Financial assets measured at fair value through OCI	140,986,566
	<u>161,266,854</u>

	2024	2023
		Rupees in '000
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	111,590,768	93,264,764
Borrowings	43,713,739	34,172,324
Cost of foreign currency swaps against foreign currency deposits / borrowings	7,420,864	5,793,833
Lease liability against right-of-use assets	1,199,409	963,868
	<u>163,924,780</u>	<u>134,194,789</u>

27. FEE & COMMISSION INCOME		
Branch banking customer fees	1,310,692	1,225,583
Credit related fees	40,840	37,216
Card related fees (debit and credit cards)	1,018,402	1,062,450
Commission on trade	6,588,189	5,630,911
Commission on guarantees	1,206,113	960,388
Commission on remittances including home remittances	87,524	49,872
Commission on bancassurance	171,804	177,489
Commission on cash management	191,647	155,293
Investment Banking Fee	100,627	61,505
Others	36,746	35,067
	<u>10,752,584</u>	<u>9,395,774</u>

	Note	2024	2023
		Rupees in '000	
28. GAIN / (LOSS) ON SECURITIES - NET			
Realised	28.1	1,274,027	(5,272)
Unrealised - Measured at FVTPL		1,176,593	-
		<u>2,450,620</u>	<u>(5,272)</u>
28.1 Realised gain on:			
Federal government securities - net		1,268,398	(820,402)
Shares - net		-	815,130
Mutual funds - net		(3,694)	-
Real estate investment trust - net		9,323	-
		<u>1,274,027</u>	<u>(5,272)</u>
28.2 Net gain / (loss) on financial assets / liabilities measured at FVTPL:			
Designated upon initial recognition		-	-
Mandatorily measured at FVTPL		2,359,793	-
		<u>2,359,793</u>	<u>-</u>
Net gain / (loss) on financial assets / liabilities:			
- measured at amortised cost		-	-
- measured at FVOCI		90,827	-
		<u>90,827</u>	<u>-</u>
Net gain / (loss) on investments in equity instruments designated at FVOCI		-	-
		<u>90,827</u>	<u>-</u>
		<u>2,450,620</u>	<u>-</u>
29. Net gain / (loss) on financial assets / liabilities measured at amortised cost:			
Loss on derecognition of financial assets		(3,602)	-
		<u>(3,602)</u>	<u>-</u>
30. OTHER INCOME			
Rent on properties		31,082	25,754
Recoveries against insurance claims		90,000	-
Gain on sale of property and equipment-net		41,338	33,833
Gain on sale of ijarah assets - net		71,725	15,034
Gain on sale of non-banking assets		-	-
Gain on termination of right-of-use-assets - net		20,980	-
Staff notice period and other recoveries		1,023	676
		<u>256,148</u>	<u>75,297</u>

	Note	2024	2023
Rupees in '000			
31. OPERATING EXPENSES			
Total compensation expense	31.1	13,293,815	11,273,942
Property expense			
Rent & taxes		75,031	182,503
Insurance		12,644	8,197
Utilities cost		1,578,235	1,351,707
Security (including guards)		1,136,795	836,191
Repair & maintenance (including janitorial charges)		1,080,356	919,926
Depreciation on property and equipment		1,040,687	934,908
Depreciation on right-of-use assets		1,542,854	1,460,229
		<u>6,466,602</u>	<u>5,693,661</u>
Information technology expenses			
Software maintenance		841,723	615,264
Hardware maintenance		456,524	444,648
Depreciation		545,513	341,649
Amortization		255,885	131,824
Network charges		401,312	448,869
		<u>2,500,957</u>	<u>1,982,254</u>
Other operating expenses			
Directors' fees and allowances		21,300	24,270
Fees and allowances to Shariah Board	40.3	27,246	24,352
Legal & professional charges		322,957	311,376
Outsourced services costs	37.1	372,313	367,003
Travelling & conveyance		856,772	691,804
NIFT clearing charges		123,534	96,897
Depreciation		878,878	704,019
Training & development		62,992	42,914
Postage & courier charges		203,627	174,723
Communication		757,628	493,219
Subscription		816,996	805,390
Repair & maintenance		408,081	296,044
Brokerage & commission		180,231	185,829
Stationery & printing		570,669	541,696
Marketing, advertisement & publicity		802,075	605,175
Management fee		1,479,989	1,864,538
Insurance		1,471,784	1,126,488
Donations	31.3	519,952	285,273
Auditor's Remuneration	31.4	28,080	22,528
Security		422,012	323,276
Others		895,154	815,940
	31.2	<u>11,222,270</u>	<u>9,802,754</u>
		<u><u>33,483,644</u></u>	<u><u>28,752,611</u></u>

	2024	2023
	Rupees in '000	
31.1 Total compensation expense		
Managerial Remuneration		
i) Fixed	10,714,499	8,871,511
ii) Variable - Cash Bonus / Awards etc.	995,704	906,397
Charge for defined benefit plan	310,200	279,679
Contribution to defined contribution plan	373,060	326,528
Charge for compensated absences	149,026	164,748
Rent & house maintenance	44,400	41,504
Conveyance	677,524	658,894
Employee Old Age Benefits Contribution	29,402	24,681
	<u>13,293,815</u>	<u>11,273,942</u>

31.2 Total cost for the year included in other operating expenses (other than in outsourced services cost) relating to outsourced activities is Rs. 192,765 thousand (2023: Rs. 117,452 thousand) pertaining to payments made to companies incorporated in Pakistan.

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

DONEE

	2024	2023
	Rupees in '000	
Memon Health and Education Foundation (Memon Medical Institute)	150,500	88,500
Sindh Institute of Urology & Transplantation (SIUT)	58,693	3,000
The Indus Hospital	57,430	33,050
Safaidd Posh Dastarkhwan	51,200	1,200
Khoja (Pirhai) Shia Isna Asheri Jamat (KPSIAJ)	36,200	2,000
Habib University Foundation	30,000	25,000
ChildLife Foundation	16,000	1,000
Dawat-e-Islami Trust	14,500	7,500
Institute of Business Administration	10,000	1,077
The Citizens Foundation	8,000	1,500
Saylani Welfare International	5,236	7,500
Family Educational Services Foundation	4,200	5,330
The Layton Rehmatulla Benevolent Trust	4,000	4,100
The Hunar Foundation	3,250	2,900
Lady Dufferin Hospital	3,000	500
Al-Sayyeda Benevolent Trust	2,500	960
Bait-ul-Sukoon	2,500	1,000
Karwan-e-Hayat (Institute For Mental Health)	2,500	2,500
The Health Foundation	2,000	-
The Patients Behbud Society for AKUH	2,000	1,500
Idara-i-Talim-o-Aagahi Public Trust	1,560	1,625
Karachi Down Syndrome Program	1,500	2,000
Zubaida Machiyara Trust	1,500	500
Orange Tree Foundation	1,475	-
Ida Rieu Welfare Association	1,300	-
Women Empowerment Group (Pink Ribbon)	1,200	600

	2024	2023
	Rupees in '000	
Abbas-e-Alamdar Hostel	1,050	1,050
Abdul Sattar Edhi Foundation	1,000	1,000
Alleviate Addiction Suffering Trust (AAS Trust)	1,000	1,000
Al-Umeed Rehabilitation Association	1,000	500
Anjuman Behbood-e-Samat-e-Atfal	1,000	1,000
Mohamedali Habib Welfare Trust	1,000	1,000
Panah Trust	1,000	500
Patients' Aid Foundation	1,000	35,500
NJ Welfare Trust	1,000	-
Pakistan Blind Cricket Council	1,000	-
Shaukat Khanum Memorial Trust	1,000	750
The Kidney Centre Post Graduate Training Institute	1,000	1,000
Zehra Homes	1,000	1,000
Al Madad Welfare Society	965	-
Habib Medical Trust	960	960
Jafaria Disaster Cell Welfare Organization	825	750
Pak Medical and Welfare Trust (Paknight Clinic)	750	750
Make-A-Wish Foundation Pakistan	750	600
World Wide Fund For Nature Pakistan	700	-
Developments in Literacy	660	-
Pakistan Memon Educational & Welfare Society	600	600
Depilex Smileagain Foundation	500	500
Habib Public School	500	500
Health Oriented Preventive Education	500	500
Healthcare and Social welfare Association	500	500
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
Poor Patients Aid Society Civil Hospital Karachi	500	500
Ayesha Chundrigar Foundation	500	1,050
Transformation International Society	500	-
Vocational Welfare Society for Mentally Retarded Markaz-e-Umeed	500	500
Afzaal Memorial Thalassemia Foundation	-	1,000
AL-Khidmat Foundation Pakistan	-	1,000
AL-Mustafa Welfare Society Trust	-	10,000
Embassy of Turkiye Administrative	-	3,000
For the needy and hungry foundation (Trust)	-	1,000
GOREAD.PK	-	580
Green Island Trust	-	2,850
Habib Poor Fund	-	960
Habib Girls School Trust	-	3,000
Hunar Ghar Welfare Organization	-	700
Nisar Fatima Amin Foundation	-	10,000
Pakistan Hindu Council	-	500
RahmatBai Habib Food & Clothing Trust	-	960
RahmatBai Habib Widows & Orphan Trust	-	960
Rehnuma Public School (Path Education Society)	-	1,100

	2024	2023
	Rupees in '000	
Special Olympics Pakistan	–	750
The Aga Khan Hospital and Medical College Foundation	–	1,000
The Citizens Archive of Pakistan	–	1,500
APWA Raana Liaquat Craftsman	–	1,000
Karachi Relief Trust	–	10,000
Marie Adelaide Leprosy Centre	–	600
Network of Organizations Working with Persons with Disabilities, Pakistan (NOWPDP)	–	3,000
Thar Education Alliance (TEA)	–	1,387

None of the directors, executives and their spouses had interest in the donations disbursed during the year 2024, 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

31.4 Auditors' remuneration

	2024	2023
	Rupees in '000	
Audit fee	5,000	4,000
Review of half yearly financial statements	2,500	1,500
Fee for other statutory reporting / other services	10,418	10,250
Special certifications	2,900	3,128
Sales tax and out-of-pocket expenses on above services	7,262	3,650
	<u>28,080</u>	<u>22,528</u>

32. OTHER CHARGES

Penalties imposed by the SBP	<u>187,804</u>	<u>123,489</u>
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33. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance:

- against cash and balances with banks		(3,473)	–
- against lending to financial institutions	8.4	(85)	–
- for diminution in value of investments	9.4	337,945	60,431
- against loans & advances	10.5	4,114,350	4,757,477
- against other assets	14.3.1	(50,872)	–
- against off balance sheet obligations	20.1	(197,990)	–
Recovery of written off / charged off bad debts		(70,000)	(78,807)
		<u>4,129,875</u>	<u>4,739,101</u>

	Note	2024	2023
Rupees in '000			
34. TAXATION			
Current			
- current year		29,377,346	28,284,158
- prior year	34.2	–	1,860,066
		29,377,346	30,144,224
Deferred			
- prior year (Due to change in tax rate)		(462,230)	–
- current year	19	(928,643)	(2,532,830)
		(1,390,873)	(2,532,830)
		27,986,473	27,611,394

34.1 Income tax assessments of the Bank have been finalised up to the tax year 2024 (corresponding to the accounting year ended 31 December 2023). Certain appeals are pending with the Appellate Tribunal Inland Revenue (ATIR) and Sindh High Court. However, adequate provisions are being held by the Bank.

34.2 This reflects provision made, on prudent basis, for additional tax imposed by the Federal Board of Revenue (FBR) through its notification dated 21 November 2023 on the foreign exchange income of the banking sector at the rate of 40% for the financial year ended 31 Dec 2021 and 31 Dec 2022. The Bank has challenged the imposition of additional tax before the Sindh High Court which has granted stay against such demand. The matter is currently pending for final adjudication.

	2024	2023
Rupees in '000		
34.3 Relationship between tax expense and accounting profit		
Profit before tax	52,659,981	51,995,212
Tax at the applicable tax rate of 54% (2023:49%)	28,436,390	25,477,654
Deferred tax impact of IFRS Adoption	(106,915)	–
Prior year tax charge	–	1,860,066
Deferred tax - prior year (due to change in tax rate)	(462,230)	(489,625)
Permanent differences	131,455	763,299
Others	(12,227)	–
Tax charge for the year	27,986,473	27,611,394

35. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	24,673,508	24,383,818
Number in '000		
Weighted average number of ordinary shares	1,047,831	1,047,831
Rupees		
Basic and diluted earnings per share	23.55	23.27

	Note	2024	2023
Rupees in '000			
36. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	86,815,817	91,466,596
Balances with other banks	7	6,434,551	21,123,950
Overdrawn nostro accounts	16	(6,512,870)	(888,638)
		86,737,498	111,701,908

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

	2024		
	Other liabilities	Equity	
		Reserves	Unappropriated profit
	Rupees in '000		
Balance as at 1 January	90,165,243	30,418,061	47,560,186
Changes from financing cash flow			
Dividend paid	-	-	(13,522,536)
Other Changes:			
Liability related			
- Cash based	(15,922,085)	-	-
- Non-cash based	11,596,276	-	-
- Dividend payable	99,274	-	(99,274)
Transfer of profit to statutory reserve	-	4,934,702	(4,934,702)
Total liability related other changes	(4,226,535)	4,934,702	(5,033,976)
Equity related	-	51	25,863,328
Balance as at 31 December	<u>85,938,708</u>	<u>35,352,814</u>	<u>54,867,002</u>
	2023		
	Other liabilities	Equity	
		Reserves	Unappropriated profit
	Rupees in '000		
Balance as at 1 January	78,733,617	25,534,917	36,464,323
Changes from financing cash flow			
Dividend paid	-	-	(9,678,226)
Other Changes:			
Liability related			
- Cash based	14,209,163	-	-
- Non-cash based	7,307,458	-	-
- Dividend payable	(1,033,617)	-	1,033,617
Transfer of profit to statutory reserve	-	4,876,764	(4,876,764)
Total liability related other changes	20,483,004	4,876,764	(3,843,147)
Equity related	-	6,380	24,617,236
Balance as at 31 December	<u>99,216,621</u>	<u>30,418,061</u>	<u>47,560,186</u>

37. STAFF STRENGTH	<u>2024</u>	Number	<u>2023</u>
Permanent	5,846		5,722
On bank contract	500		566
Bank's own staff strength at end of the year	<u>6,346</u>		<u>6,288</u>

37.1 In addition to the above, 899 (2023: 905) employees of outsourcing services companies were assigned to the Bank as at 31 December 2024 to perform services other than guarding and janitorial services.

38. DEFINED BENEFIT PLAN

38.1 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.

38.2 Number of employees under the scheme	<u>2024</u>	Number	<u>2023</u>
Gratuity fund	<u>5,814</u>		<u>5,713</u>

38.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2024 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate - percent per annum	12.00	16.00
Expected rate of return on plan assets - percent per annum	16.00	14.25
Expected long term rate of salary increase - percent per annum	11.50	15.50
Mortality rates (for death in service)	Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005

38.4 Reconciliation of (payable) / receivable to defined benefit plan	Note	<u>2024</u>	<u>2023</u>
		Rupees in '000	
Fair value of plan assets	38.6	2,491,699	2,333,569
Present value of defined benefit obligation (Payable) / Receivable	38.5	<u>(2,608,770)</u> <u>(117,071)</u>	<u>(2,273,119)</u> <u>60,450</u>

38.5 Movement in defined benefit plan

Obligations at the beginning of the year	2,273,119	2,021,227
Current service cost	319,872	275,132
Past service cost	-	-
Interest cost	344,948	271,786
Benefits due but not paid (payables)	-	(791)
Benefits paid by the Bank	(234,391)	(227,116)
Re-measurement gain	(94,778)	(67,119)
Obligations at the end of the year	<u>2,608,770</u>	<u>2,273,119</u>

	Note	2024	2023
		Rupees in '000	
38.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,333,569	1,988,918
Interest income on plan assets		354,620	267,239
Contribution by the Bank		60,000	279,679
Benefits paid		(234,391)	(227,116)
Benefits due but not paid		–	(791)
Re-measurements: net return on plan assets over interest income loss	38.8.2	(22,099)	25,640
Fair value at the end of the year		<u>2,491,699</u>	<u>2,333,569</u>
38.7 Movement in (receivable) / payable under defined benefit schemes			
Opening balance		(60,450)	32,309
Charge for the year	38.8.1	310,200	279,679
Contribution by the Bank		(60,000)	(279,679)
Re-measurement gain recognised in OCI during the year	38.8.2	(72,679)	(92,759)
Closing balance		<u>117,071</u>	<u>(60,450)</u>
38.8 Charge for defined benefit plans			
38.8.1 Cost recognised in profit and loss			
Current service cost		319,872	275,132
Net interest on defined benefit asset		(9,672)	4,547
		<u>310,200</u>	<u>279,679</u>
38.8.2 Re-measurements recognised in OCI during the year			
(Gain) / loss on obligation			
- Financial assumptions		(19,089)	4,598
- Demographic assumptions		4,749	–
- Experience adjustment		(80,438)	(71,717)
		<u>(94,778)</u>	<u>(67,119)</u>
Return on plan assets over interest income		22,099	(25,640)
Total re-measurements recognised in OCI		<u>(72,679)</u>	<u>(92,759)</u>
38.9 Components of plan assets			
PLS Saving Account	38.9.1	164,172	310,643
Term Deposit Certificates	38.9.1	238,485	86,250
Federal Government Securities			
Defense Saving Certificates		1,369,700	1,229,800
Market treasury bills		406,312	456,301
Pakistan Investment Bonds		313,030	250,575
		<u>2,491,699</u>	<u>2,333,569</u>

38.9.1 The amount represents balance which is deposited with the branches of the Bank. Further, the funds primarily invested in Government securities which 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.

38.10 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:

	2024 Gratuity Fund Rupees in '000
1 % increase in discount rate	2,424,077
1 % decrease in discount rate	2,818,458
1% increase in expected future increment in salary	2,821,616
1% decrease in expected future increment in salary	2,417,957
10% increase in expected withdrawal rate	2,608,244
10% decrease in expected withdrawal rate	2,609,137
1% increase in expected mortality rate	2,609,813
1% decrease in expected mortality rate	2,607,804

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.

38.11 Expected contributions to be paid to the funds in the next financial year

205,032

38.12 Expected charge for the next financial year

205,032

38.13 Maturity profile

The weighted average duration of the obligation is 9.6 years.

38.14 Funding Policy

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

38.15 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 9.6 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 16.00% 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.

39. DEFINED CONTRIBUTION PLAN AND COMPENSATED ABSENCES

39.1 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 2024 as per accounts are 5,221 (30 June 2023: 5,080).

39.2 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. 356,536 thousand (2023: Rs. 325,877 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. 149,266 thousand (2023: Rs. 164,748 thousand) has been recognised to the profit and loss account.

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total compensation expense

	2024					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	21,300	-	-	-	-
Managerial remuneration						
Fixed	-	-	26,540	85,433	420,658	972,638
Charge for defined benefit plan	-	-	321	2,400	14,961	41,434
Contribution to defined contribution plan	-	-	385	2,880	15,641	34,149
Security charges and vehicle maintenance	7,155	-	-	-	-	-
Utilities	387	-	-	-	-	-
	<u>7,542</u>	<u>21,300</u>	<u>27,246</u>	<u>90,713</u>	<u>451,260</u>	<u>1,048,221</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>19</u>	<u>134</u>
	2023					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	17,700	-	-	-	-
Managerial remuneration						
Fixed	-	-	23,690	142,556	369,719	788,210
Charge for defined benefit plan	-	-	301	6,750	12,738	28,408
Contribution to defined contribution plan	-	-	361	5,069	13,556	26,982
Security charges and vehicle maintenance	6,205	-	-	-	-	-
Utilities	365	-	-	-	-	-
	<u>6,570</u>	<u>17,700</u>	<u>24,352</u>	<u>154,375</u>	<u>396,013</u>	<u>843,600</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>2*</u>	<u>19</u>	<u>119</u>

40.1.1 The Chief Executive and certain executives are provided with free use of car and leave fare assistance in accordance with their terms of employment.

40.1.2 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. 22,400 thousand (2023: Rs. 51,091 thousand), Rs. 1,821 thousand (2023: Rs. 1,887 thousand), Rs. 101,278 thousand (2023: Rs. 95,525 thousand) and Rs. 174,054 thousand (2023: Rs. 169,278 thousand) respectively.

40.1.3 The total amount of deferred bonus as at 31 December 2024 for the President / CEO, members of Shari'ah board, key management personnel and other material risk takers / material risk controllers is Rs.128,894 thousand (31 December 2023: Rs. 104,133 thousand). The deferred bonus is held in a trust fund.

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

		2024						
		Meeting fees and allowances paid						
		For Board committees						
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Credit	Total amount paid
		Rupees in '000						
1	Mohamedali R. Habib	-	-	-	-	-	-	-
2	Mohsin A. Nathani	-	-	-	-	-	-	-
3	Ali Abbas Sikandar	2,500	-	1,500	-	-	-	4,000
4	Hamza Habib	-	-	-	-	-	-	-
5	Mohomed Bashir	2,500	-	-	400	-	-	2,900
6	Muhammed H. Habib	-	-	-	-	-	-	-
7	Rashid Ahmad Jaffer	2,500	2,000	-	-	1,600	1,600	7,700
8	Tahira Raza	2,500	1,600	-	1,000	1,600	-	6,700
		<u>10,000</u>	<u>3,600</u>	<u>1,500</u>	<u>1,400</u>	<u>3,200</u>	<u>1,600</u>	<u>21,300</u>
		2023						
		Meeting fees and allowances paid						
		For Board committees						
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Credit	Total amount paid
		Rupees in '000						
1	Mohamedali R. Habib	-	-	-	-	-	-	-
2	Mohsin A. Nathani	-	-	-	-	-	-	-
3	Ali Abbas Sikandar	1,500	-	500	-	-	-	2,000
4	Firasat Ali	200	-	-	300	150	-	650
5	Hamza Habib	-	-	-	-	-	-	-
6	Mohomed Bashir	2,700	-	-	800	-	-	3,500
7	Muhammed H. Habib	-	-	-	-	-	-	-
8	Rashid Ahmad Jaffer	2,700	1,700	-	-	900	550	5,850
9	Tahira Raza	2,700	800	-	1,400	800	-	5,700
		<u>9,800</u>	<u>2,500</u>	<u>500</u>	<u>2,500</u>	<u>1,850</u>	<u>550</u>	<u>17,700</u>

40.3 Remuneration paid to the Shariah Board Members

Items	2024			2023		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
	Rupees in '000					
Managerial remuneration						
Fixed	8,199	9,207	9,134	7,213	8,781	7,696
Variable	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	706	-	-	662	-
	<u>8,199</u>	<u>9,913</u>	<u>9,134</u>	<u>7,213</u>	<u>9,443</u>	<u>7,696</u>
Total number of person	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

41. 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.

41.1 Fair value of financial assets

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

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

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

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

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

On balance sheet financial instruments	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
- Investments				
Federal Government securities	74,378,500	622,593,465	-	696,971,965
Non Government debt securities	-	10,975,018	-	10,975,018
Shares - Listed companies	8,984,437	-	-	8,984,437
Mutual funds	2,785,219	-	-	2,785,219
Real estate investment trust	3,068,679	-	-	3,068,679
Financial assets - disclosed but not measured at fair value				
- Investments				
Federal Government securities	-	85,407,793	-	85,407,793
Non Government debt securities	-	-	2,999,948	2,999,948
Shares - Unlisted companies	-	-	51,569	51,569
	<u>89,216,835</u>	<u>718,976,276</u>	<u>4,701,517</u>	<u>812,894,628</u>
Off-balance sheet financial instruments measured at fair value				
- Forward purchase of foreign exchange contracts	-	257,959,904	-	257,959,904
- Forward sale of foreign exchange contracts	-	290,402,624	-	290,402,624
	<u>-</u>	<u>548,362,528</u>	<u>-</u>	<u>548,362,528</u>
On balance sheet financial instruments	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
- Investments				
Federal Government securities	-	802,651,863	-	802,651,863
Non Government debt securities	-	11,676,346	-	11,676,346
Shares - Listed companies	4,627,365	-	-	4,627,365
Mutual funds	8,255	-	-	8,255
Real estate investment trust	992,625	-	1,000,000	1,992,625
Financial assets - disclosed but not measured at fair value				
- Investments				
Federal Government securities	-	91,477,864	-	91,477,864
Non Government debt securities	-	-	4,700,000	4,700,000
Shares - Unlisted companies	-	-	52,658	52,658
	<u>5,628,245</u>	<u>905,806,073</u>	<u>5,752,658</u>	<u>917,186,976</u>
Off-balance sheet financial instruments measured at fair value				
- Forward purchase of foreign exchange contracts	-	187,821,748	-	187,821,748
- Forward sale of foreign exchange contracts	-	176,253,371	-	176,253,371
	<u>-</u>	<u>364,075,119</u>	<u>-</u>	<u>364,075,119</u>

41.2 Fair value of non-financial assets

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
- Property and equipment	-	10,015,686	-	10,015,686
- Non-banking assets acquired in satisfaction of claim	-	4,299,840	-	4,299,840
	<u>-</u>	<u>14,315,526</u>	<u>-</u>	<u>14,315,526</u>
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
- Property and equipment	-	10,375,530	-	10,375,530
- Non-banking assets acquired in satisfaction of claim	-	4,299,840	-	4,299,840
	<u>-</u>	<u>14,675,370</u>	<u>-</u>	<u>14,675,370</u>

41.3 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, PKFRV, PKISRV and PSX 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 and PSX.
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 2

Property and equipment and non-banking assets acquired in satisfaction of claim	<p>Property and equipment and non-banking assets are valued by professionally qualified valutors. 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 2 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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42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

	31 December 2024				
	Trade & sales	Retail banking	Commercial banking	Islamic banking	Total
	Rupees in '000				
Profit and Loss					
Net mark-up / return / profit	116,234,114	(45,453,824)	(16,413,089)	15,946,687	70,313,888
Inter segment revenue - net	(119,877,870)	78,195,110	41,682,760	-	-
Non mark-up / return / interest income	10,340,233	1,094,752	8,537,897	1,314,004	21,286,886
Total Income	6,696,477	33,836,038	33,807,568	17,260,691	91,600,774
Segment direct expenses	(355,239)	-	-	-	(355,239)
Inter segment expense allocation	-	(9,385,105)	(17,420,633)	(7,649,941)	(34,455,679)
Total expenses	(355,239)	(9,385,105)	(17,420,633)	(7,649,941)	(34,810,918)
Credit loss allowance	2,055	(505,023)	(264,626)	(3,362,281)	(4,129,875)
Profit before tax	<u>6,343,293</u>	<u>23,945,910</u>	<u>16,112,309</u>	<u>6,248,469</u>	<u>52,659,981</u>
Balance Sheet					
Cash and bank balances	6,435,596	25,145,136	46,698,111	14,971,525	93,250,368
Investments	663,854,898	-	-	147,020,502	810,875,400
Net inter segment lending	-	379,807,962	27,488,264	-	407,296,226
Lendings to financial institutions	5,570,998	-	-	-	5,570,998
Advances - performing	-	15,855,835	369,912,171	92,867,464	478,635,470
Advances - non-performing	-	336,133	21,691,438	3,139,699	25,167,270
Credit loss allowance against advances	-	(603,370)	(23,237,144)	(5,661,642)	(29,502,156)
Others	21,655,600	11,816,263	64,547,414	18,117,153	116,136,430
Total Assets	<u>697,517,092</u>	<u>432,357,959</u>	<u>507,100,254</u>	<u>270,454,701</u>	<u>1,907,430,006</u>
Borrowings	232,422,271	-	68,693,948	28,894,549	330,010,768
Deposits and other accounts	-	374,480,521	347,257,208	205,395,048	927,132,777
Net inter segment borrowing	407,296,226	-	-	-	407,296,226
Others	3,687,896	18,151,910	87,224,985	18,893,629	127,958,420
Total liabilities	<u>643,406,393</u>	<u>392,632,431</u>	<u>503,176,141</u>	<u>253,183,226</u>	<u>1,792,398,191</u>
Net Assets	<u>54,110,699</u>	<u>39,725,528</u>	<u>3,924,113</u>	<u>17,271,475</u>	<u>115,031,815</u>
Equity					<u>115,031,815</u>
Contingencies and Commitments	<u>547,663,058</u>	<u>-</u>	<u>341,670,958</u>	<u>44,643,011</u>	<u>933,977,027</u>

	31 December 2023 (Restated)				
	Trade & sales	Retail banking	Commercial banking	Islamic banking	Total
	Rupees in '000				
Profit and Loss					
Net mark-up / return / profit	104,157,827	(43,974,859)	(2,363,917)	13,598,584	71,417,635
Inter segment revenue - net	(116,634,183)	73,734,459	42,899,724	-	-
Non mark-up / return / interest income	5,856,603	1,095,801	7,684,915	657,221	15,294,540
Total Income	(6,619,753)	30,855,401	48,220,722	14,255,805	86,712,175
Segment direct expenses	(345,746)	-	-	-	(345,746)
Inter segment expense allocation	-	(7,771,827)	(17,108,838)	(4,751,451)	(29,632,116)
Total expenses	(345,746)	(7,771,827)	(17,108,838)	(4,751,451)	(29,977,862)
Credit loss allowance	(60,430)	(120,898)	(4,309,922)	(247,851)	(4,739,101)
Profit before tax	(7,025,929)	22,962,676	26,801,962	9,256,503	51,995,212

	31 December 2023 (Restated)				
	Trade & sales	Retail banking	Commercial banking	Islamic banking	Total
	Rupees in '000				
Balance Sheet					
Cash and bank balances	10,004,439	30,296,185	61,167,455	11,122,467	112,590,546
Investments - net	847,856,389	-	-	77,555,576	925,411,965
Net inter segment lending	-	453,622,274	285,526,668	-	739,148,942
Lendings to financial institutions	5,496,284	-	-	-	5,496,284
Advances - performing	-	14,275,145	290,394,333	114,143,051	418,812,529
Advances - non-performing	-	330,126	18,950,640	554,851	19,835,617
Credit loss allowance against advances	-	(201,087)	(25,842,480)	(555,655)	(26,599,222)
Others	28,135,172	4,340,896	56,047,911	13,352,318	101,876,297
Total Assets	891,492,284	502,663,539	686,244,527	216,172,608	2,296,572,958
Borrowings	151,006,547	-	136,959,469	35,303,574	323,269,590
Deposits and other accounts	-	399,834,547	464,562,595	147,905,702	1,012,302,844
Net inter segment borrowing	739,148,942	-	-	-	739,148,942
Others	5,000,244	11,632,453	94,110,340	17,833,212	128,576,249
Total liabilities	895,155,733	411,467,000	695,632,404	201,042,488	2,203,297,625
Net Assets	(3,663,449)	91,196,539	(9,387,877)	15,130,120	93,275,333
Equity					93,275,333
Contingencies and Commitments	365,390,061	9,000	243,377,606	31,329,054	640,105,721

43. 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:

Category	No. of IPS accounts	2024			
		Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukukuks	Market treasury bills	Total
Rupees in '000					
Assets management companies	81	57,953,000	2,025,000	197,487,625	257,465,625
Corporates	151	53,146,000	102,000	124,066,185	177,314,185
Individual	701	2,013,641	384,050	14,909,345	17,307,036
Insurance companies	5	120,000	–	–	120,000
NGO / Charitable organisation	20	2,081,100	5,000	1,899,150	3,985,250
Employee funds	92	4,713,900	399,600	14,628,240	19,741,740
Others	3	12,700	275,000	–	287,700
		<u>120,040,341</u>	<u>3,190,650</u>	<u>352,990,545</u>	<u>476,221,536</u>
2023					
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukukuks	Market treasury bills	Total
		Rupees in '000			
Assets management companies	18	27,993,900	5,561,500	52,041,150	85,596,550
Corporates	54	6,496,000	479,900	48,474,450	55,450,350
Individual	169	1,706,600	218,700	8,694,306	10,619,606
Insurance companies	1	120,000	–	120,000	240,000
NGO / Charitable organisation	7	175,000	5,000	475,800	655,800
Employee funds	47	4,070,700	696,100	6,912,500	11,679,300
Others	1	–	275,000	–	275,000
		<u>40,562,200</u>	<u>7,236,200</u>	<u>116,718,206</u>	<u>164,516,606</u>

44. 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:

	2024						Total
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	
	Rupees in '000						
Balances with other banks							
In current accounts	322,178	-	-	-	277,533	-	599,711
Investments							
Opening balance	-	-	-	5,530,000	-	-	5,530,000
Investment made during the year	-	-	-	20,400,000	-	-	20,400,000
Investment redeemed / disposed off during the year	-	-	-	(21,100,000)	-	-	(21,100,000)
Closing balance	-	-	-	4,830,000	-	-	4,830,000
Advances							
Opening balance	-	-	283,415	-	5,709,339	-	5,992,754
Addition during the year	-	-	124,870	3,865,202	134,111,594	-	138,101,666
Repaid during the year	-	-	(77,244)	(3,808,513)	(133,315,950)	-	(137,201,707)
Closing balance	-	-	331,041	56,689	6,504,983	-	6,892,713
Other Assets							
Mark-up / return / interest receivable	-	-	-	48,484	31,360	-	79,844
Prepayments / Advance deposits / Other Receivable	468	-	-	-	67,006	-	67,474
	468	-	-	48,484	98,366	-	147,318
Deposits							
Opening balance	242,044	822,094	319,529	1,522,026	25,278,888	1,421,701	29,606,282
Received during the year	19,784,319	3,140,332	1,534,947	234,317,102	2,786,954,112	6,790,530	3,052,521,342
Withdrawn during the year	(19,795,007)	(2,995,082)	(1,629,774)	(233,534,389)	(2,806,665,349)	(6,043,540)	(3,070,663,141)
Closing balance	231,356	967,344	224,702	2,304,739	5,567,651	2,168,691	11,464,483
Other liabilities							
Mark-up / return / interest payable	-	8,566	10,616	14,866	105,119	217,415	356,582
Other payables	-	995	-	-	900	117,071	118,966
	-	9,561	10,616	14,866	106,019	334,486	475,548
Contingencies and commitments							
Transaction-related contingent liabilities	-	-	-	-	13,955,479	-	13,955,479
Trade-related contingent liabilities	-	-	-	-	6,073,667	-	6,073,667
	-	-	-	-	20,029,146	-	20,029,146

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

	2023						
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	Total
	Rupees in '000						
Balances with other banks							
In current accounts	680,649	-	-	-	186,957	-	867,606
Investments							
Opening balance	-	-	-	4,880,000	-	-	4,880,000
Investment made during the year	-	-	-	18,850,000	-	-	18,850,000
Investment redeemed / disposed off during the year	-	-	-	(18,200,000)	-	-	(18,200,000)
Closing balance	-	-	-	5,530,000	-	-	5,530,000
Advances							
Opening balance	-	-	232,413	-	4,923,312	-	5,155,725
Addition during the year	-	-	144,741	-	107,246,311	-	107,391,052
Repaid during the year	-	-	(93,739)	-	(106,460,284)	-	(106,554,023)
Closing balance	-	-	283,415	-	5,709,339	-	5,992,754
Other Assets							
Mark-up / return / interest receivable	-	-	-	84,162	88,690	-	172,852
Dividend receivable	-	-	-	-	-	-	-
Prepayments / Advance deposits / Other Receivable	468	-	-	-	59,669	60,450	120,587
	468	-	-	84,162	148,359	60,450	293,439
Deposits							
Opening balance	186,031	703,394	395,587	1,280,231	21,939,773	1,139,423	25,644,439
Received during the year	25,230,932	1,710,093	3,199,802	170,548,261	2,458,537,439	5,370,804	2,664,597,331
Withdrawn during the year	(25,174,919)	(1,591,393)	(3,275,860)	(170,306,466)	(2,455,198,324)	(5,088,526)	(2,660,635,488)
Closing balance	242,044	822,094	319,529	1,522,026	25,278,888	1,421,701	29,606,282
Other liabilities							
Mark-up / return / interest payable	-	8,523	8,517	17,211	259,087	100,731	394,069
Management fee payable for technical and consultancy services *	1,850,085	-	-	-	-	-	1,850,085
Other payables	-	995	-	-	630	-	1,625
	1,850,085	9,518	8,517	17,211	259,717	100,731	2,245,779
Contingencies and commitments							
Transaction-related contingent liabilities	-	-	-	-	10,950,031	-	10,950,031
Trade-related contingent liabilities	-	-	-	-	1,920,863	-	1,920,863
	-	-	-	-	12,870,894	-	12,870,894

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

Transactions during the period

	2024						Total
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	
	Rupees in '000						
Income							
Mark-up / return / interest earned	-	-	15,602	1,090,433	90,295	-	1,196,330
Fee and commission income	142	377	-	1,794	941,211	16	943,540
Dividend income	-	-	-	12,638	-	-	12,638
Rent income	5,615	-	-	12,533	10,340	-	28,488
Expense							
Mark-up / return / interest expensed	-	88,785	43,919	258,070	2,062,238	302,094	2,755,106
Commission / brokerage / bank charges expense	7,026	-	-	3,194	11,196	-	21,416
Salaries and allowances	-	-	674,466	-	-	-	674,466
Directors' fees	-	28,841	-	-	-	-	28,841
Charge to defined benefit plan	-	-	-	-	-	310,200	310,200
Contribution to defined contribution plan	-	-	-	-	-	373,060	373,060
Insurance premium expenses	-	-	-	-	48,548	-	48,548
Management fee expense for technical and consultancy services *	1,479,989	-	-	-	-	-	1,479,989
Donation	-	-	-	-	30,960	-	30,960

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

Transactions during the period

	2023						Total
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	
	Rupees in '000						
Income							
Mark-up / return / interest earned	<u>-</u>	<u>-</u>	<u>74,779</u>	<u>929,960</u>	<u>320,322</u>	<u>-</u>	<u>1,325,061</u>
Fee and commission income	<u>108</u>	<u>134</u>	<u>-</u>	<u>1,751</u>	<u>466,580</u>	<u>30</u>	<u>468,603</u>
Dividend income	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,037</u>	<u>-</u>	<u>-</u>	<u>12,037</u>
Rent income	<u>5,615</u>	<u>-</u>	<u>-</u>	<u>5,618</u>	<u>10,340</u>	<u>-</u>	<u>21,573</u>
Expenses							
Mark-up / return / interest expensed	<u>-</u>	<u>67,421</u>	<u>53,576</u>	<u>159,078</u>	<u>2,220,887</u>	<u>316,753</u>	<u>2,817,715</u>
Commission / Brokerage / Bank charges expense	<u>3,327</u>	<u>-</u>	<u>-</u>	<u>1,779</u>	<u>18,854</u>	<u>-</u>	<u>23,960</u>
Salaries and allowances	<u>-</u>	<u>-</u>	<u>702,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>702,191</u>
Directors' fees	<u>-</u>	<u>24,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,270</u>
Charge to defined benefit plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,679</u>	<u>279,679</u>
Contribution to defined contribution plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,528</u>	<u>326,528</u>
Insurance premium expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,230</u>	<u>-</u>	<u>27,230</u>
Management fee expense for technical and consultancy services *	<u>1,864,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,864,538</u>
Donation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,920</u>	<u>-</u>	<u>26,920</u>

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

45. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>10,478,315</u>	<u>10,478,315</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) Capital	<u>99,689,869</u>	<u>88,120,035</u>
Eligible additional tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>99,689,869</u>	<u>88,120,035</u>
Eligible tier 2 capital	<u>17,619,301</u>	<u>8,686,109</u>
Total eligible capital (Tier 1 + Tier 2)	<u>117,309,170</u>	<u>96,806,144</u>
Risk Weighted Assets (RWAs):		
Credit risk	<u>455,454,722</u>	<u>414,494,946</u>
Market risk	<u>8,395,647</u>	<u>2,228,918</u>
Operational risk	<u>144,429,169</u>	<u>113,309,274</u>
Total	<u>608,279,538</u>	<u>530,033,138</u>
Common equity tier 1 capital adequacy ratio	<u>16.39%</u>	<u>16.63%</u>
Tier 1 capital adequacy ratio	<u>16.39%</u>	<u>16.63%</u>
Total capital adequacy ratio	<u>19.29%</u>	<u>18.26%</u>
Minimum capital requirements prescribed by SBP		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	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.		
Leverage Ratio (LR):		
Eligible tier-1 capital	99,689,869	88,120,035
Total exposures	1,943,057,316	1,843,597,631
Leverage ratio	<u>5.13%</u>	<u>4.78%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	719,857,270	582,822,433
Total net cash outflow	330,851,160	315,797,792
Liquidity coverage ratio	<u>218%</u>	<u>185%</u>
Net Stable Funding Ratio (NSFR):		
Total available stable funding	955,276,822	987,276,461
Total required stable funding	538,749,940	504,533,465
Net stable funding ratio	<u>177%</u>	<u>196%</u>

45.1 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>.

46. 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.

46.1 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. 455,454,722 thousand (2023:Rs. 414,494,946 thousand) as depicted in note 44.

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	2024				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	□	□	-	-	-
Banks	□	□	□	□	□
Sovereigns	-	-	-	-	-
SME's	□	□	-	-	-

Credit exposures subject to Standardised Approach

Exposures	Rating category	2024			2023		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	202,144,398	68,569,368	133,575,030	113,050,499	15,630,380	97,420,119
	2	136,934,620	3,893,584	133,041,036	138,210,055	2,217,085	135,992,970
	3,4	20,005,906	-	20,005,906	17,170,109	-	17,170,109
	5,6	110	-	110	-	-	-
Claims on banks with original maturity of 3 months or less		5,671,094	-	5,671,094	11,643,124	-	11,643,124
Retail		23,960,764	5,895,875	18,064,889	18,969,701	4,600,092	14,369,609
Public sector entities	1	21,053,910	12,649,658	8,404,252	14,008,553	2,281,640	11,726,913
	2,3	-	-	-	2,571,346	31,976	2,539,370
Others		938,236,048	6963750	931,272,298	1,151,683,418	34,000,000	1,117,683,418
Unrated		274,872,634	51,545,290	223,327,344	225,155,520	47,092,171	178,063,349

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:

46.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Credit loss allowance held	
	2024	2023	2024	2023	2024	2023
	Rupees in '000					
Public / Government	-	2,818,607	-	-	-	-
Private	5,571,000	2,677,677	-	-	2	-
	<u>5,571,000</u>	<u>5,496,284</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>

46.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Credit loss allowance held	
	2024	2023	2024	2023	2024	2023
	Rupees in '000					
Chemical and Pharmaceuticals	8,916	13,237	8,916	13,237	8,916	13,237
Engineering	340,000	340,000	340,000	-	340,000	-
Electronics and electrical appliances	-	-	-	-	-	-
Financial	7,869,240	9,788,547	-	-	-	-
Power (electricity), gas, water, sanitary	6,108,570	6,247,800	-	-	2,792	-
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, storage and communication	64,946	64,946	64,946	64,946	64,946	64,946
Others	780,180,530	901,524,716	-	-	52	-
	<u>794,581,702</u>	<u>917,988,746</u>	<u>423,362</u>	<u>87,683</u>	<u>426,206</u>	<u>87,683</u>
Credit risk by public / private sector						
Public / Government	786,561,697	907,772,516	-	-	2,792	-
Private	8,020,005	10,216,230	423,362	87,683	423,414	87,683
	<u>794,581,702</u>	<u>917,988,746</u>	<u>423,362</u>	<u>87,683</u>	<u>426,206</u>	<u>87,683</u>

46.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Credit loss allowance held	
	2024	2023	2024	2023	2024	2023
	Rupees in '000					
Agriculture, forestry, hunting and fishing	3,961,147	3,668,991	21,850	15,000	49,994	-
Automobile and transportation equipment	1,635,115	4,587,085	92,000	16,970	67,804	16,970
Basic metals & metal products	7,517,923	8,254,907	2,674,952	277,903	2,630,164	268,205
Cement	6,010,106	5,609,546	-	-	2,544	-
Chemicals and pharmaceuticals	29,359,169	23,146,855	365,412	328,381	449,006	309,045
Commercial trade	15,680,763	14,573,647	829,158	905,948	909,557	700,353
Commodity finance	-	34,000,000	-	-	973	-
Construction and real estate	12,892,658	9,113,466	82,474	74,941	1,229,646	46,830
Edibles	45,445,820	40,067,210	2,200,983	1,830,919	2,942,120	1,821,923
Electronics and electrical appliances	16,935,452	17,262,507	213,489	213,706	410,844	110,607
Financial	80,024,493	19,029,920	-	-	35,203	-
Footwear and leather garments	4,230,290	3,246,676	3,163	-	10,057	-
Individuals	19,495,040	17,522,462	507,863	330,126	602,776	140,478
Mining and quarrying	21,244	17,131	-	-	3	-
Power (electricity), gas, water, sanitary	29,086,792	27,012,238	927,905	1,017,337	1,214,647	1,017,337
Services	23,344,985	20,144,710	484,671	498,148	727,903	593,148
Sugar	5,046,442	6,908,830	87,505	92,544	147,295	92,544
Textile	190,253,406	172,090,792	16,238,181	13,824,555	17,588,096	13,798,037
Transport, storage and communication	3,848,021	3,195,003	26,484	26,483	43,010	26,483
Others	9,013,874	9,196,170	411,180	382,656	440,514	331,620
	<u>503,802,740</u>	<u>438,648,146</u>	<u>25,167,270</u>	<u>19,835,617</u>	<u>29,502,156</u>	<u>19,273,580</u>
Credit risk by public / private sector	Gross advances		Non-performing advances		Credit loss allowance held	
	2024	2023	2024	2023	2024	2023
	Rupees in '000					
Public / Government	23,324,353	50,084,927	-	-	-	-
Private	<u>480,478,387</u>	<u>388,563,219</u>	<u>25,167,270</u>	<u>19,835,617</u>	<u>29,502,156</u>	<u>19,273,580</u>
	<u>503,802,740</u>	<u>438,648,146</u>	<u>25,167,270</u>	<u>19,835,617</u>	<u>29,502,156</u>	<u>19,273,580</u>

	2024	2023
	Rupees in '000	
46.1.4 Contingencies and commitments		
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	409,198	739,784
Automobile and transportation equipment	29,991,502	20,415,045
Basic metals & metal products	8,825,954	7,679,903
Cement	9,361,727	4,545,115
Chemicals and pharmaceuticals	64,950,855	47,167,911
Commercial trade	59,149,546	42,625,253
Construction & real estate	3,048,006	2,398,979
Edibles	56,316,536	28,699,440
Electronics and electrical appliances	12,071,950	9,229,267
Financial	439,604,970	292,014,882
Footwear and leather garments	1,057,512	1,738,461
Individual	-	9,000
Mining and quarrying	649,575	290,820
Power (electricity), gas, water, sanitary	26,102,461	11,784,135
Services	18,608,639	17,576,051
Sugar	4,622,686	3,091,371
Textile	179,743,912	107,081,353
Transport, storage and communication	1,762,541	2,970,635
Others	17,699,457	40,048,316
	<u>933,977,027</u>	<u>640,105,721</u>
Credit risk by public / private sector		
Public / Government	133,340,243	53,435,366
Private	800,636,784	586,670,355
	<u>933,977,027</u>	<u>640,105,721</u>

46.1.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 122,440,148 thousand (2023: Rs. 99,026,277 thousand) are as following:

Funded	94,207,487	72,132,663
Non-funded	28,232,661	26,893,614
Total exposure	<u>122,440,148</u>	<u>99,026,277</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 166,265,332 thousand (2023: Rs. 194,884,498 thousand).

46.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2024						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in '000							
Punjab	253,702,189	243,972,959	9,511,488	-	-	217,742	-
Sindh	554,933,662	65,604,069	468,700,640	3,603,245	17,025,708	-	-
KPK including FATA	4,636,221	-	-	4,636,221	-	-	-
Balochistan	98,399	-	-	-	98,399	-	-
Islamabad	23,137,174	-	-	-	-	23,137,174	-
AJK including Gilgit-Baltistan	217,571	-	-	-	-	-	217,571
	<u>836,725,216</u>	<u>309,577,028</u>	<u>478,212,128</u>	<u>8,239,466</u>	<u>17,124,107</u>	<u>23,354,916</u>	<u>217,571</u>

Province / region	2023						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in '000							
Punjab	240,846,664	227,494,987	12,662,567	-	-	689,110	-
Sindh	393,336,348	33,824,739	340,194,392	1,594,747	17,722,470	-	-
KPK including FATA	2,742,818	-	-	2,742,818	-	-	-
Balochistan	37,217	-	-	-	37,217	-	-
Islamabad	16,967,544	294	-	-	-	16,967,250	-
AJK including Gilgit-Baltistan	325,294	-	-	-	-	-	325,294
	<u>654,255,885</u>	<u>261,320,020</u>	<u>352,856,959</u>	<u>4,337,565</u>	<u>17,759,687</u>	<u>17,656,360</u>	<u>325,294</u>

46.1.7 Incorporation of forward-looking information in ECL

The assessment of Expected Credit Loss (ECL) calculation incorporates forward looking information. Forward-looking aspect introduces an extra dimension, which is often captured by relating expected losses to the macro-economic variables. The incorporation of macroeconomic factors increases the accuracy of the results produced and makes it more reliable to predict estimate future results more accurately.

The Bank uses historic and forecasted data to determine the impact of macroeconomic factors to estimate Probability of Default (PD) and Loss Given Default (LGD) etc. Further, statistical models based on historical correlation is performed to identify most significant macro-economic variable(s) that have been recognized as contributors to the default performance of the portfolio. The macro-economic variables (including KSE 100 Index, Consumer Price Index and Crude Oil Price) used in the ECL calculation are fetched from the World Bank, International Monetary Fund (IMF) and State Bank of Pakistan (SBP) database and the relevant macro-economic variables are selected based on sensitivity of each of the portfolios to specific macro-economic variables. Three macroeconomic scenarios have been developed base, best, and worst with assigned scenario probability weightings of 70%, 15%, and 15% respectively.

The Bank conducted a sensitivity analysis on macro-economic indicators which are utilized for forward-looking calculations. As of December 31, 2024, when the macro-economic indicators in the base scenario was adjusted upwards or downwards by 10%, the ECL showed the following variation:

Segment	Upwards	Downwards
Corporate	-9.59%	15.34%
SME	-5.69%	8.64%
Retail	-30.93%	37.05%

46.1.8 Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumption made regarding formulation of forward-looking scenarios and how much such scenarios are incorporated into calculations. The Bank performs sensitivity analysis on the ECL recognised on each of its segments.

The table below shows the loss allowance on each segment assuming each forward-looking scenario (e.g. Base, worst and best) were weighted 100% instead of applying scenario probability across the three scenarios.

Segment	2024						
	Total ECL as per FS	Base		Worst		Best	
		Total ECL after sensitivity analysis	Increase / decrease in %	Total ECL after sensitivity analysis	Increase / decrease in %	Total ECL after sensitivity analysis	Increase / decrease in %
Rupees in '000							
Corporate	5,021,760	4,937,809	-1.67%	6,985,029	39.10%	3,450,260	-31.29%
SME	203,915	191,877	-5.90%	357,367	75.25%	106,639	-47.70%
Agriculture	29,511	28,700	-2.75%	43,066	45.93%	19,737	-33.12%
	<u>5,255,185</u>	<u>5,158,387</u>	<u>-2.75%</u>	<u>7,385,461</u>	<u>45.93%</u>	<u>3,576,636</u>	<u>-33.12%</u>

46.2 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 .

46.2.1 Balance sheet split by trading and banking books

	2024			2023		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	86,815,817	-	86,815,817	91,466,596	-	91,466,596
Balances with other banks	6,434,551	-	6,434,551	21,123,950	-	21,123,950
Lendings to financial institutions	5,570,998	-	5,570,998	5,496,284	-	5,496,284
Investments	762,976,121	47,899,279	810,875,400	925,411,965	-	925,411,965
Advances	474,300,584	-	474,300,584	412,048,924	-	412,048,924
Property and equipment	17,046,127	-	17,046,127	15,715,033	-	15,715,033
Right-of-use assets	8,608,382	-	8,608,382	7,601,453	-	7,601,453
Intangible assets	496,214	-	496,214	323,254	-	323,254
Deferred tax assets	-	-	-	5,164,164	-	5,164,164
Other assets	89,985,707	-	89,985,707	72,065,464	-	72,065,464
	<u>1,452,234,501</u>	<u>47,899,279</u>	<u>1,500,133,780</u>	<u>1,556,417,087</u>	<u>-</u>	<u>1,556,417,087</u>

46.2.2 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.

	2024			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
United States Dollar	136,921,311	(122,609,572)	(11,289,035)	3,022,704
Euro	12,020,766	(4,644,785)	(7,351,225)	24,756
Great Britain Pound	1,922,115	(8,299,995)	6,376,288	(1,592)
Asian Currency unit	531,184	(1,437,247)	-	(906,063)
Japanese Yen	196,785	(255,145)	80,253	21,892
Arab Emirates Dirham	202,432	(50,186)	15,167	167,413
Canadian Dollar	12,676	-	-	12,676
Australian Dollar	17,980	-	(8,662)	9,317
Saudi Riyal	7,786	-	-	7,786
Chinese Yuan	73,467	(125,013)	55,984	4,437
Other Currencies	176,760	-	(154,092)	22,668
	<u>152,083,262</u>	<u>(137,421,945)</u>	<u>(12,275,322)</u>	<u>2,385,994</u>

	2023			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	407,917,288	(483,845,450)	79,854,650	3,926,488
Euro	32,880,994	(11,912,630)	(21,150,155)	(181,791)
Great Britain Pound	5,056,372	(25,104,979)	20,051,785	3,178
Asian Currency Unit	2,051,016	(3,425,069)	-	(1,374,053)
Japanese Yen	2,582,249	(33,357,773)	35,000,000	4,224,476
Arab Emirates Dirham	2,847,411	(1,709,001)	-	1,138,410
Canadian Dollar	161,373	-	-	161,373
Australian Dollar	159,013	-	-	159,013
Saudi Riyal	110,733	-	-	110,733
Chinese Yuan	1,346,475	-	-	1,346,475
Other Currencies	301,425	-	-	301,425
	<u>455,414,349</u>	<u>(559,354,902)</u>	<u>113,756,280</u>	<u>9,815,727</u>

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	12,169	-	50,060	-
- Other comprehensive income	-	-	-	-

46.2.3 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.

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on:				
- Profit and loss account	(71,023)	-	(37,526)	-
- Other comprehensive income	(222,575)	-	(105,994)	-

46.2.4 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.

	2024		2023	
	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	(2,935,475)	-	(3,232,974)	-

46.2.5 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	3.53%	86,815,817	12,058,642	-	-	-	-	-	-	-	-	-	74,757,175
Balances with other banks	13.51%	6,434,551	108	-	-	-	-	-	-	-	-	-	6,434,443
Lendings to financial institutions	7.43%	5,570,998	2,228,398	3,342,600	-	-	-	-	-	-	-	-	-
Investments	14.50%	810,875,400	94,328,217	109,176,932	234,071,830	138,936,376	116,593,796	91,399,315	6,380,899	6,380,899	-	16,719,826	
Advances	9.83%	474,300,584	37,790,736	296,654,069	93,977,716	851,312	2,321,212	2,869,380	22,432,891	22,432,891	-	-	
Other assets		84,913,462	-	-	-	-	-	-	-	-	-	-	84,913,462
		1,468,910,812	146,406,101	409,173,601	328,049,546	139,787,688	118,915,008	94,268,695	28,813,790	28,813,790	8,282,316	182,824,906	
Liabilities													
Bills payable		28,478,822	-	-	-	-	-	-	-	-	-	-	28,478,822
Borrowings	13.92%	330,010,768	245,643,040	15,481,593	23,283,638	468,065	1,590,271	1,906,565	27,032,802	27,032,802	-	6,599,843	
Deposits and other accounts	12.56%	927,132,777	117,129,781	52,448,472	293,121,131	21,254,274	783,556	3,283,031	4,170,271	180,750	-	434,761,511	
Lease Liabilities		10,463,713	-	-	22,269	409,349	3,533,548	388,361	1,777,294	3,909,899	-	422,993	
Other liabilities		74,860,647	-	-	-	-	-	-	-	-	-	74,860,647	
		1,370,946,727	362,772,821	67,930,065	316,427,038	22,131,688	5,907,375	5,577,957	13,952,516	31,123,451	-	545,123,816	
On-balance sheet gap		97,964,085	(216,366,720)	341,243,536	11,622,508	117,656,000	113,007,633	88,690,738	(1,563,355)	(2,309,661)	8,282,316	(362,298,910)	
Off-balance sheet financial instruments													
Commitments in respect of:													
Forward foreign exchange contracts		547,663,058	-	-	-	-	-	-	-	-	-	-	547,663,058
Syndicate financing		388,000	-	-	-	-	-	-	-	-	-	-	388,000
Letters of credit		229,691,020	-	-	-	-	-	-	-	-	-	-	229,691,020
Acquisition of property and equipment		622,776	-	-	-	-	-	-	-	-	-	-	622,776
Off-balance sheet gap		778,364,854	-	-	-	-	-	-	-	-	-	-	778,364,854
Total Yield / Interest Risk Sensitivity Gap		876,328,939	(216,366,720)	341,243,536	11,622,508	117,656,000	113,007,633	88,690,738	(1,563,355)	(2,309,661)	8,282,316	416,065,944	
Cumulative Yield / Interest Risk Sensitivity Gap		876,328,939	(216,366,720)	124,876,816	136,499,324	254,155,324	367,162,957	455,853,695	454,290,340	451,980,679	460,262,995	416,065,944	

2023

Effective yield / interest rate	Exposed to yield / interest risk									Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years		Over 10 years
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	91,466,596	11,497,335	-	-	-	-	-	-	-	-	79,969,261
Balances with other banks	21,123,950	758	-	-	-	-	-	-	-	-	21,123,192
Lending to financial institutions	5,496,284	1,409,304	3,382,328	704,652	-	-	-	-	-	-	-
Investments	925,411,965	158,267,764	94,884,957	130,049,959	372,611,577	16,844,604	68,055,227	70,835,074	6,351,900	-	7,510,903
Advances	412,048,924	28,694,872	309,737,952	19,367,142	506,056	1,623,698	3,084,478	5,961,900	40,930,094	2,142,732	-
Other assets	67,320,931	-	-	-	-	-	-	-	-	-	67,320,931
	1,522,868,650	199,870,033	408,005,237	150,121,753	373,117,633	18,468,302	71,139,705	76,796,974	47,281,994	2,142,732	175,924,287
Liabilities											
Bills payable	28,352,699	-	-	-	430,063	-	-	-	-	-	28,352,699
Borrowings	323,269,590	204,565,958	50,562,670	15,313,870	-	1,235,540	2,805,002	5,417,852	42,038,438	11,559	888,638
Deposits and other accounts	1,012,302,844	240,864,493	42,534,220	2,674,214,445	36,034,139	2,203,342	490,765	7,099,242	186,035	-	415,469,163
Other liabilities	89,742,501	-	-	-	-	-	-	-	-	-	89,742,501
	1,453,667,634	445,430,451	93,096,890	282,735,315	36,464,202	3,438,882	3,295,767	12,517,094	42,224,473	11,559	534,453,001
On-balance sheet gap	69,201,016	(245,560,418)	314,908,347	(132,613,562)	336,653,431	15,029,420	67,843,938	64,279,880	5,057,521	2,131,173	(358,528,714)
Off-balance sheet financial instruments											
Commitments in respect of:											
Forward foreign exchange contracts	365,390,061	180,358,310	120,698,674	62,023,064	2,310,013	-	-	-	-	-	-
Syndicate financing	1,093,000	-	-	-	-	-	-	-	-	1,093,000	-
Letters of credit	132,975,536	63,739,372	55,615,616	10,865,484	2,407,913	332,675	14,476	-	-	-	-
Acquisition of property and equipment	303,084	-	-	-	-	-	-	-	-	-	303,084
Off-balance sheet gap	499,761,681	244,097,682	176,314,290	72,888,548	4,717,926	332,675	14,476	-	-	1,093,000	303,084
Total Yield / Interest Risk Sensitivity Gap	568,962,697	(1,462,736)	491,222,637	(59,725,014)	341,371,357	15,362,095	67,858,414	64,279,880	5,057,521	3,224,173	(358,225,630)
Cumulative Yield / Interest Risk Sensitivity Gap	568,962,697	(1,462,736)	489,759,901	430,034,887	771,406,244	786,768,339	854,628,753	918,906,633	923,964,154	927,188,327	(358,225,630)
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
Reconciliation to total assets											
	2024	2023		2024		2023		Rupees in '000			
Total financial assets	1,468,910,812	1,522,868,650		1,370,946,727		1,453,667,634					
Add: Non financial assets											
Property and equipment	17,046,127	15,715,033									
Right-of-use assets	8,608,382	7,601,453									
Intangible assets	496,214	323,254									
Deferred tax asset	-	5,164,164									
Other assets	5,072,245	4,744,533									
	31,222,968	33,548,437									
Balance as per statement of financial position	1,500,133,780	1,556,417,087		1,385,101,965		1,463,141,754					
Reconciliation to total liabilities											
	2024	2023		2024		2023		Rupees in '000			
Total financial liabilities	1,468,910,812	1,522,868,650		1,370,946,727		1,453,667,634					
Add: Non financial liabilities											
Other liabilities	11,078,061	11,078,061		9,474,120		9,474,120					
Deferred tax liabilities	3,077,177	3,077,177									
Balance as per statement of financial position	1,385,101,965	1,463,141,754		1,385,101,965		1,463,141,754					

46.3 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. 11,554,334 thousand (2023: Rs. 9,064,742 thousand).

46.4 Liquidity Risk

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

Governance of Liquidity risk management

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

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

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

Funding Strategy

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

Liquidity Risk Mitigation techniques

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

Liquidity Stress Testing

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

Contingency Funding Plan

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

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

2024

	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 3 months to 9 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
Assets													
Cash and balances with treasury banks	86,815,817	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,434,551	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	5,570,998	-	-	-	3,342,600	-	-	-	-	-	-	-	-
Investments	81,087,540	-	-	-	32,501,480	-	47,710,525	155,933,291	140,656,596	140,656,596	94,713,364	252,617,189	15,778,284
Advances	474,300,584	-	-	-	103,025,207	-	112,612,331	34,264,787	54,161,508	54,161,508	5,437,936	24,370,364	54,807,719
Property and equipment	17,046,127	-	-	1,048,081	802,609	-	1,187,032	2,375,761	2,404,069	2,404,069	500,144	286,820	8,441,611
Right-of-use assets	8,608,382	-	-	-	275	2,365	17,294	32,891	130,474	130,474	327,077	1,241,068	6,833,254
Intangible assets	496,214	-	-	41,500	83,000	-	124,500	-	247,214	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	89,985,707	14,985,072	17,482,584	42,457,703	1,204,632	1,204,632	1,277,888	2,384,939	2,384,939	88,438	45,486	32,772	3,939,110
	1,500,133,780	14,985,072	17,482,584	43,547,284	140,959,803	1,206,997	162,929,570	194,991,669	2,655,837	197,441,085	101,024,007	278,548,213	897,999,978
Liabilities													
Bills payable	28,478,822	48,821,203	56,958,070	138,326,739	7,740,797	7,740,797	23,283,638	234,033	-	-	-	-	-
Borrowings	330,010,768	8,565,759	2,346,126	4,207,891	6,399,859	10,589,788	31,911,110	14,870,683	3,834,973	4,020,090	6,745,016	8,004,951	27,032,804
Deposits and other accounts	927,132,777	824,198,634	2,346,126	4,207,891	8,565,759	10,589,788	31,911,110	14,870,683	3,834,973	4,020,090	6,745,016	7,452,880	1,989,972
Lease Liabilities	10,463,713	-	-	-	-	-	22,269	43,782	29,501	182,916	388,361	1,777,294	8,019,590
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,077,177	(89,874)	(104,853)	(254,641)	(429,198)	(429,198)	(888,998)	469,397	469,397	945,980	960,257	2,382,754	61,133
Other liabilities	85,938,708	1,753,554	12,274,878	29,810,414	1,711,287	1,711,287	2,951,942	6,205,532	6,205,532	178,160	10,745,439	1,318,286	551,073
	1,385,101,965	67,818,412	71,474,221	172,090,403	15,422,745	19,612,674	57,279,961	21,823,427	10,773,436	691,741	20,745,638	20,936,165	37,654,572
Net assets	115,031,815	(607,991,217)	(53,991,637)	(128,543,119)	125,537,058	(18,405,677)	105,649,609	173,168,242	(8,117,599)	190,523,668	80,278,369	257,612,048	52,145,406
Share capital	10,478,315												
Reserves	35,352,814												
Surplus/(Deficit) on revaluation of assets	14,333,684												
Unappropriated profit	54,867,002												
	115,031,815												

Rupees in '000

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

2024

	Rupees in '000									
	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	
Assets										
Cash and balances with treasury banks	86,815,817	-	-	-	-	-	-	-	-	-
Balances with other banks	6,434,551	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,570,998	3,342,600	-	-	-	-	-	-	-	-
Investments	810,875,400	63,701,266	46,219,917	152,952,078	139,165,989	93,222,757	251,282,855	12,457,678	-	-
Advances	474,300,584	79,198,871	128,311,951	29,487,648	53,973,913	5,437,936	24,523,157	46,332,225	8,050,201	-
Property and equipment	17,046,127	800,244	1,187,032	2,352,077	2,404,069	500,144	286,820	6,036,757	2,430,903	-
Right-of-use assets	8,608,382	2,640	17,294	56,575	130,474	327,077	1,239,399	6,446,705	388,218	-
Intangible assets	496,214	83,000	124,500	247,214	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	89,985,707	2,409,263	1,277,888	4,769,878	88,438	45,486	32,772	3,939,110	-	-
	1,500,133,780	324,848,760	177,138,582	189,865,470	195,762,883	99,533,400	277,365,003	75,212,475	10,869,322	-
Liabilities										
Bills payable	28,478,822	-	-	-	-	-	-	-	-	-
Borrowings	330,010,768	15,481,593	23,283,638	468,065	1,590,271	1,906,565	8,004,951	27,032,802	-	-
Deposits and other accounts	927,132,777	203,949,446	148,366,221	97,004,764	76,534,046	79,033,521	79,972,968	38,055,992	-	-
Lease Liabilities	10,463,713	-	22,269	73,283	182,916	388,361	1,777,294	7,596,597	422,993	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,077,177	(858,396)	(888,998)	938,794	945,980	960,257	2,382,754	(125,882)	187,015	-
Other liabilities	85,938,708	3,422,573	2,951,942	12,411,063	178,160	10,745,439	1,318,286	551,073	-	-
	1,385,101,965	538,833,349	221,995,216	110,895,969	79,431,373	93,034,143	93,456,253	73,110,582	610,008	-
Net assets	115,031,815	(213,984,589)	3,403,510	78,969,501	116,331,510	6,499,257	183,908,750	2,101,893	10,259,314	-
Share capital	10,478,315									
Reserves	35,352,814									
Surplus/(Deficit) on revaluation of assets	14,333,684									
Unappropriated profit	54,867,002									
	115,031,815									

2023

	Rupees in '000								
	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
Assets									
Cash and balances with treasury banks	91,466,596	-	-	-	-	-	-	-	-
Balances with other banks	21,123,950	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,409,304	3,382,328	704,652	438,489,215	78,816,772	128,940,428	-	-	-
Investments	71,966,820	37,371,189	26,963,554	35,882,422	5,234,669	5,184,125	128,563,576	13,470,411	830,000
Advances	412,048,924	123,445,569	50,463,637	1,343,907	1,406,797	516,620	926,780	59,311,172	7,401,253
Property and equipment	15,715,033	421,543	671,953	650,055	680,476	249,892	448,289	1,754,729	6,351,785
Right-of-use assets	7,601,453	203,903	325,028	145,660	-	-	-	-	-
Intangible assets	323,254	29,599	88,797	1,226,661	1,042	479,496	180,389	18,965	36,109
Deferred tax assets	5,164,164	1,290,024	535,312	4,691,171	30,842	9,972	4,171	-	-
Other assets	72,065,464	65,349,763	654,178	161,109,776	86,170,598	135,380,533	138,338,408	78,182,956	17,691,543
	1,556,417,087	376,707,071	80,407,111	482,429,091	86,170,598	135,380,533	138,338,408	78,182,956	17,691,543
Liabilities									
Bills payable	28,352,699	-	-	-	-	-	-	-	-
Borrowings	323,269,590	50,562,670	15,313,870	430,063	1,235,540	2,805,002	5,417,852	42,038,438	11,363
Deposits and other accounts	1,012,302,844	199,690,024	157,983,537	114,612,039	80,781,242	79,068,665	85,677,144	39,474,985	-
Lease Liabilities	9,051,378	64,327,749	118,586	1,321,540	12,236	775,579	142,386	30,748	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	90,165,243	64,079,785	1,181,294	13,164,514	121,884	7,725,930	1,418,379	306,294	-
	1,463,141,754	559,335,233	174,597,287	129,528,156	82,150,902	90,375,176	92,655,761	81,850,465	11,363
Net assets	93,275,333	(182,628,162)	(94,190,176)	352,900,935	4,019,696	45,005,357	45,682,647	(3,667,509)	17,680,180
Share capital	10,478,315								
Reserves	30,418,061								
Surplus / (Deficit) on revaluation of assets	4,818,771								
Unappropriated profit	47,560,186								
	93,275,333								

Share capital
Reserves
Surplus / (Deficit) on revaluation of assets
Unappropriated profit

47. GENERAL

47.1 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.

47.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 19 February 2025 has proposed a final cash dividend of Rs. 4.50 per share amounting to Rs. 4,715,242 thousand (2023: final cash dividend of Rs. 5.50 per share amounting to Rs. 5,763,073 thousand) in addition to interim cash dividend of Rs. 7.50 per share amounting to Rs. 7,858,737 thousand (2023: interim cash dividend of Rs. 5.00 per share amounting to Rs. 5,239,157 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

48. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 19 February 2025 by the Board of Directors of the Bank.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
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 2024.**

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	Sun Star Pesticides 13-KM, Jampur Road, Dera Ghazi Khan.	Asrar Ali 32102-1313822-3 Abdul Rehman 32102-9101322-7	Intizar Ali Naseer Ahmed	6,375	-	-	2,695	-	-	1,143	955
2	Gulshan Spinning Mills Ltd. 2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lahore.	Naseer Ahmad 42201-0632509-5 Tanveer Ahmad 42201-0350138-5	Abdul Shakoor Abdul Shakoor	28,700	11,706	-	-	24,838	11,706	-	-
3	Hassan Steel Industry 42, Street No.14, Cavalry Ground, Lahore.	Muhammad Hassan Jehangir 35401-1823258-1 Shabana Farooq 35201-8751140-2	M. Rafiq Farooq Ahmed Sheikh	41,654	2,846	-	11,605	-	-	42,930	1,053
4	Three Star Iron Store Near Shamma Cinema, Multan Road, Bahawalpur.	Muhammad Ahmed 31202-7213837-9	Muhammad Farooq	1,999	368	-	3,000	-	-	512	510
5	Mashaal Metals 17-KM, Missan Kalar Suwa, Old Pindi Das Road, Sheikhpura Road, Lahore.	Muhammad Fahad Noor 35201-1518199-5	Noor Ahmad Khan	16,000	-	-	14,104	-	-	3,279	14,260
6	Q&A International 72-A, Block-A, Street 5, Sindhi Muslim Society, Karachi.	Mr. Qaiser Ali 42501-1478648-3 Mr. M.S. Rahimtoola 42301-1101759-1	Nazakat Ali S.H. Rahimtoola	39,499	303	-	35,214	-	-	4,316	18,091

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	9				
1	2	3	4	5	6	7	8	9	10	11	12	
				Rupees in '000								
7	Haji Khursheed Ahmed & Co. Shop No. 159, New Grain Market, Vehari Road, Multan.	Shakeel Ahmad 36302-9633686-1	Haji Khursheed Ahmad	1,860	1,590	-	45,016	-	-	865	13,872	
8	Moon Trading Commission Agent Grain Market, Hasilpur, District Bahawalpur.	Muhammad Saeed Alam 31203-1709562-3	Abdul Aziz	14,998	2,248	-	22,284	-	-	3,181	9,984	
9	Saeed Oil Mills Chak No. 17/FW, Jalandhar Colony, Hasilpur, District Bahawalpur.	Muhammad Saeed Alam 31203-1709562-3 Muhammad Miqdam Saeed 31203-0911832-7	Abdul Aziz Muhammad Saeed Alam	15,000	2,217	-	8,338	-	-	3,152	2,835	
10	Aman & Sons D-23/B, S.I.T.E., Karachi.	Mr. Muhammad Luqman 42301-9010172-5 Mr. Muhammad Saliman 90406-0161144-5	Aman Ullah Aman Ullah	2,156	-	-	823	-	-	4,418	823	
11	Madni Battery Services 198/B, Near PSO Pump, General Bus Stand, Multan.	Mr. Khizar Hayat 36302-5599522-5 Mrs. Rukhsana 36302-0394214-8	Allah Ditta Khizar Hayat	1,699	326	-	10,711	-	-	735	3,010	
12	Mohsin Tabani / Anisa Tabani 38/1A, 26th Street, Phase-V, DHA, Karachi.	Mr. Mohsin Tabani 42301-6137858-3 Mrs. Anisa Tabani 42301-4905643-4	Muhammad Ashraf Muhammad Tabani	6,190	-	-	9,378	-	-	9,637	9,011	
				176,130	21,604	-	163,168	24,838	11,706	74,168	74,404	

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 223 (2023: 117) Islamic banking branches and 190 (2023: 233) Islamic banking windows at the end of the year.

	Note	2024	2023
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		14,936,606	11,119,511
Balances with other banks		34,919	2,956
Due from financial institutions		-	-
Investments	1	147,020,502	77,555,576
Islamic financing and related assets - net	2	90,345,521	114,142,247
Property and equipment		800,502	318,450
Right-of-use assets		3,055,711	2,026,102
Intangible assets		-	-
Due from Head Office	3	5,167,862	-
Other assets		9,093,078	11,007,766
Total Assets		<u>270,454,701</u>	<u>216,172,608</u>
LIABILITIES			
Bills payable		6,374,863	1,707,901
Due to financial institutions		28,894,549	35,303,574
Deposits and other accounts	4	205,395,048	147,905,702
Due to Head Office		-	4,644,318
Lease liabilities		3,696,838	2,143,764
Subordinated debt		-	-
Other liabilities	5	8,821,928	9,337,229
		<u>253,183,226</u>	<u>201,042,488</u>
NET ASSETS		<u>17,271,475</u>	<u>15,130,120</u>
REPRESENTED BY			
Islamic Banking Fund		11,006,964	10,007,047
Reserves		-	-
Deficit on revaluation of assets		3,390,215	402,256
Unappropriated profit	6	2,874,296	4,720,817
		<u>17,271,475</u>	<u>15,130,120</u>
CONTINGENCIES AND COMMITMENTS	7		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2024 is as follows:

	Note	2024	2023
		Rupees in '000	
Profit / return earned	8	35,533,890	29,447,686
Profit / return expensed	9	(19,587,203)	(15,849,102)
Net Profit / return		15,946,687	13,598,584
Other income			
Fee and Commission Income		1,164,766	658,729
Dividend Income		-	-
Foreign Exchange Income		155,610	120,994
Income / (loss) from derivatives		-	-
(Loss) / gain on securities		(82,943)	(140,308)
Other Income		76,571	17,806
Total other income		1,314,004	657,221
Total Income		17,260,691	14,255,805
Other expenses			
Operating expenses		7,649,652	4,750,271
Other charges		289	1,180
Total other expenses		7,649,941	4,751,451
Profit before provisions		9,610,750	9,504,354
Credit loss allowance and write offs - net		(3,362,281)	(247,851)
Profit before taxation		6,248,469	9,256,503
Taxation		(3,374,173)	(4,535,686)
Profit after taxation		2,874,296	4,720,817

1. INVESTMENTS BY SEGMENTS:

	2024			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	Rupees in '000			
Debt Instruments				
Measured at amortised cost				
Federal government securities				
- Ijarah Sukuk	2,974,050	-	-	2,974,050
- Certificate of investment	3,000,000	(52)	-	2,999,948
	<u>5,974,050</u>	<u>(52)</u>	<u>-</u>	<u>5,973,998</u>
Measured at FVOCI				
Federal government securities				
- Ijarah Sukuk	125,750,660	-	3,545,698	129,296,358
Non Government Debt Securities	6,683,993	(340,000)	(235,423)	6,108,570
	<u>132,434,653</u>	<u>(340,000)</u>	<u>3,310,275</u>	<u>135,404,928</u>
Instruments mandatory classified / measured at FVTPL				
	5,561,635	-	79,941	5,641,576
Total Investments	<u>143,970,338</u>	<u>(340,052)</u>	<u>3,390,216</u>	<u>147,020,502</u>

	2023			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000			
Federal government securities				
- Ijarah Sukuk	59,720,420	-	586,847	60,307,267
- Bai-muajjal	-	-	-	-
- Islamic naya Pakistan certificate modaraba investment pool	5,484,444	-	-	5,484,444
	65,204,864	-	586,847	65,791,711
Non Government Debt Securities				
- Listed	6,768,455	-	(180,655)	6,587,800
- Unlisted	5,180,000	-	(3,935)	5,176,065
	11,948,455	-	(184,590)	11,763,865
Total Investments	77,153,319	-	402,257	77,555,576

2. ISLAMIC FINANCING AND RELATED ASSETS - NET

	2024				2023			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	540,947	17,607	-	558,554	753,507	29,589	-	783,096
Ijarah - Islamic long term financing facility	12,306	-	-	12,306	19,727	-	-	19,727
Murabaha	5,111,120	674,294	-	5,785,414	4,061,236	58,969	-	4,120,205
Working capital musharaka	13,745,539	-	-	13,745,539	41,790,198	-	-	41,790,198
Diminishing musharaka	20,926,138	2,060,716	-	22,986,854	18,051,336	493,346	-	18,544,682
Istisna	2,962,798	10,917,577	587,823	14,468,198	4,702,421	3,617,508	720,628	9,040,557
Al-bai	1,639,352	-	1,684,955	3,324,307	2,796,402	-	1,800,750	4,597,152
Diminishing musharaka:								
Islamic long term financing facility	3,293,757	-	-	3,293,757	3,895,893	-	-	3,895,893
Islamic refinance scheme for payment of wages and salaries	-	93,534	-	93,534	-	93,534	-	93,534
Islamic financing facility for storage of agricultural produce	522,889	-	-	522,889	614,449	-	-	614,449
Islamic temporary economic refinance facility	8,306,821	-	-	8,306,821	12,564,438	-	-	12,564,438
Islamic financing facility for renewable energy	506,756	-	-	506,756	565,892	-	-	565,892
Islamic export refinance								
Working capital musharaka	18,146,877	-	-	18,146,877	10,344,359	-	-	10,344,359
Istisna	498,545	1,798,242	153,100	2,449,887	(175,888)	5,971,218	87,824	5,883,154
Al-bai	1,129,747	-	675,723	1,805,470	-	-	1,840,566	1,840,566
Gross Islamic financing and related assets	77,343,592	15,561,970	3,101,601	96,007,163	99,983,970	10,264,164	4,449,768	114,697,902
Provision against non-performing Islamic financings								
-Stage 1	(103,977)	(18,873)	(6,466)	(129,316)	-	-	-	-
-Stage 2	(2,314,517)	(63,235)	(49,959)	(2,427,711)	-	-	-	-
-Stage 3	(3,104,615)	-	-	(3,104,615)	-	-	-	-
- Specific	-	-	-	-	(542,991)	-	-	(542,991)
- General	-	-	-	-	(12,664)	-	-	(12,664)
	(5,523,109)	(82,108)	(56,425)	(5,661,642)	(555,655)	-	-	(555,655)
Islamic financing and related assets - net of provision	71,820,483	15,479,862	3,045,176	90,345,521	99,428,315	10,264,164	4,449,768	114,142,247

2.1 Ijarah

	2024						
	Cost			Depreciation			Book value as at 31 Dec 2024
	As at 1 Jan 2024	Additions / (deletions)	As at 31 Dec 2024	As at 1 Jan 2024	Charge for the year	As at 31 Dec 2024	
	Rupees in '000						
Plant & Machinery	292,539	– (187,038)	105,501	155,055	9,371 (80,423)	84,003	21,498
Vehicles	788,548	98,343 (110,877)	776,014	152,798	82,690 (23,280)	212,208	563,806
Total	1,081,087	(199,572)	881,515	307,853	(11,642)	296,211	585,304

	2023						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2023
	As at 1 Jan 2023	Additions / (deletions)	As at 31 Dec 2023	As at 1 Jan 2023	Charge for the year	As at 31 Dec 2023	
	Rupees in '000						
Plant & Machinery	336,502	– (43,963)	292,539	121,846	79,272 (46,063)	155,055	137,484
Vehicles	809,128	75,170 (95,750)	788,548	110,332	65,219 (22,753)	152,798	635,750
Total	1,145,630	(64,543)	1,081,087	232,178	75,675	307,853	773,234

Future ijarah payments receivable

	2024				2023			
	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	<u>68,006</u>	<u>153,666</u>	<u>6,982</u>	<u>228,654</u>	<u>239,681</u>	<u>335,847</u>	<u>17,457</u>	<u>592,985</u>

	Note	2024	2023
Rupees in '000			
2.2 Murabaha			
Murabaha financing	3.2.1	5,111,120	4,061,236
Advances for Murabaha		674,294	58,969
		<u>5,785,414</u>	<u>4,120,205</u>
2.2.1 Murabaha receivable - gross	3.2.2	5,436,765	4,472,147
Less: Deferred murabaha income	3.2.4	(117,493)	(149,821)
Profit receivable shown in other assets		(208,152)	(261,090)
Murabaha financings		<u>5,111,120</u>	<u>4,061,236</u>
2.2.2 The movement in murabaha financing during the year is as follows:			
Opening balance		4,472,147	6,206,469
Sales during the year		13,415,198	13,444,533
Adjusted during the year		(12,450,580)	(15,178,855)
Closing balance		<u>5,436,765</u>	<u>4,472,147</u>
2.2.3 Murabaha sale price		13,415,198	13,444,533
Murabaha purchase price		(12,509,752)	(12,469,470)
		<u>905,446</u>	<u>975,063</u>
2.2.4 Deferred murabaha income			
Opening balance		149,821	222,346
Arising during the year		905,446	975,063
Less: recognised during the year		(937,774)	(1,047,588)
Closing balance		<u>117,493</u>	<u>149,821</u>

3. DUE FROM HEAD OFFICE

Inter-branch transactions are made on Qard basis.

4. DEPOSITS

Inter-branch transactions are made on Qard basis.

	2024			2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000						
Customers						
Current deposits	91,654,193	11,668,758	103,322,951	50,023,527	8,088,995	58,112,522
Savings deposits	56,772,727	789,356	57,562,083	51,846,017	839,208	52,685,225
Term deposits	30,371,707	6,228,168	36,599,875	26,267,238	5,723,385	31,990,623
Others	3,108,749	–	3,108,749	3,204,413	–	3,204,413
	<u>181,907,376</u>	<u>18,686,282</u>	<u>200,593,658</u>	<u>131,341,195</u>	<u>14,651,588</u>	<u>145,992,783</u>
Financial Institutions						
Current deposits	337,087	222	337,309	61,371	–	61,371
Savings deposits	4,329,081	–	4,329,081	1,716,548	–	1,716,548
Term deposits	135,000	–	135,000	135,000	–	135,000
	<u>4,801,168</u>	<u>222</u>	<u>4,801,390</u>	<u>1,912,919</u>	<u>–</u>	<u>1,912,919</u>
	<u>186,708,544</u>	<u>18,686,504</u>	<u>205,395,048</u>	<u>133,254,114</u>	<u>14,651,588</u>	<u>147,905,702</u>

	2024	2023
	Rupees in '000	
4.1 Composition of deposits		
- Individuals	80,291,166	67,672,393
- Government / Public Sector Entities	6,544,454	6,157,392
- Banking Companies	1,922	3,377
- Non-Banking Financial Institutions	4,799,468	2,087,163
- Private Sector	<u>113,758,038</u>	<u>71,985,377</u>
	<u>205,395,048</u>	<u>147,905,702</u>
4.2 Particulars of deposits and other accounts		
- In local currency	186,708,544	133,254,114
- In foreign currencies	<u>18,686,504</u>	<u>14,651,588</u>
	<u>205,395,048</u>	<u>147,905,702</u>
4.3 This includes eligible deposits of Rs. 129,798,417 thousand which are covered under sharia compliant deposit protection mechanism as required by the Deposit Protection Corporation circular no 5 of 2018.		
5. OTHER LIABILITIES	2024	2023
	Rupees in '000	
These include charity fund, details of which are given below:		
Charity fund		
Opening balance	402	254
Received from customers on account of delayed payment	356	448
Payments / utilization during the period - Health	(301)	(300)
Closing balance	<u>457</u>	<u>402</u>
Charity paid to any single entity does not exceeds Rs 500,000.		
6. ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT		
Opening balance	4,720,817	2,604,686
Add: Islamic banking profit for the period	6,248,469	9,256,503
Less: Taxation	(3,374,173)	(4,535,686)
Less: Reserves	-	-
Less: Transferred to head office	<u>(4,720,817)</u>	<u>(2,604,686)</u>
Closing balance	<u>2,874,296</u>	<u>4,720,817</u>

	2024	2023
	Rupees in '000	
7. Contingencies and commitments		
Guarantees	18,073,842	13,819,209
Commitments	26,569,169	17,509,845
	<u>44,643,011</u>	<u>31,329,054</u>
8. Profit / return earned		
Profit earned on:		
Financing	18,133,033	17,172,992
Investments	15,659,083	11,917,010
Placements	1,741,774	357,684
	<u>35,533,890</u>	<u>29,447,686</u>
9. Profit / return expensed		
Deposits and other accounts	16,267,819	12,935,059
Due to financial institutions	2,892,956	2,801,810
Lease liability against right-of-use assets	426,428	112,233
	<u>19,587,203</u>	<u>15,849,102</u>
10. Pool management		

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 Modaraba and Musharakah modes. Under the general deposits pools, the Bank accepts funds on Modaraba 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 / Modaraba 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 Modaraba 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 modaraba 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
General pool								
Islamic Export Refinance (IERS) Pool								
PKR Pool	Monthly	17.59%	50.00%	50.00%	5,184,471	9.35%	15.15%	785,653
USD Pool	Monthly	12.49%	80.00%	20.00%	6,613	0.18%	13.08%	1,061
Specific pools								
Islamic Export Refinance (IERS) Pool								
Special Pool (Saving)	Quarterly	20.00%	72.67%	27.33%	2,428,985	12.87%	0.00%	-
Special Pool (TDR)	Monthly	20.07%	34.58%	65.42%	185,677	16.23%	42.09%	43,207
Treasury F.I. Pool	Monthly	20.59%	7.22%	92.78%	394,869	18.73%	0.00%	-
	PSR Deal Basis	19.66%	4.33%	95.67%	26,125	18.88%	0.00%	-

PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2024

Number of shareholders	Size of shareholding Rs. 10 each			Total shares held
471	1	to	100	11,546
337	101	to	500	111,455
246	501	to	1000	209,348
635	1001	to	5000	1,681,984
245	5001	to	10000	1,884,081
298	10001	to	15000	3,642,638
75	15001	to	20000	1,365,121
63	20001	to	25000	1,484,381
35	25001	to	30000	977,373
29	30001	to	35000	948,955
22	35001	to	40000	815,523
13	40001	to	45000	561,390
42	45001	to	50000	2,048,605
29	50001	to	60000	1,603,552
35	60001	to	80000	2,479,401
37	80001	to	100000	3,485,817
49	100001	to	150000	6,248,598
24	150001	to	200000	4,239,255
17	200001	to	250000	3,940,506
54	250001	to	500000	19,291,873
46	500001	to	1000000	33,462,468
13	1000001	to	1500000	15,135,753
10	1500001	to	2000000	16,441,118
29	2000001	to	3000000	70,349,696
3	3000000	to	4000000	10,527,042
19	4000001	to	10000000	118,457,014
7	10000001	to	52050000	192,032,933
1	534390001	to	534395000	534,394,054
2,884				1,047,831,480

COMBINED PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2024

Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
Directors and their spouse(s) and minor children			
Mohamedali R. Habib	1	1,612,524	0.15
Ali Abbas Sikander	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 Jafar	1	500	0.00
Tahira Raza	1	500	0.00
Mohsin Ali Nathani	1	4,026,000	0.38
Sayed Mohamedali Habib	1	805,065	0.08
Farah Fatima Habib	1	1,037,136	0.10
Associated Companies, undertakings and related parties			
Habib Bank AG Zurich	1	534,394,054	51.00
Habib Insurance Company Limited	1	4,000,000	0.38
Trustee Gul Ahmed Textile Mills Ltd Emp P.F	1	40,000	0.00
Trustees of UBL Fund Mngrs Ltd and Associated Coys E.G.Fund	1	17,906	0.00
Askari Bank Limited	1	2,798,000	0.27
CDC - Trustee UBL Stock Advantage Fund	1	2,055,721	0.20
Trustee- Gul Ahmed Textile Mills Ltd. Emp Provident Fund	1	30,000	0.00
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	1	402,738	0.04
CDC - Trustee UBL Asset Allocation Fund	1	49,800	0.00
CDC - Trustee UBL Financial Sector Fund	1	1,680,848	0.16
Executives	4	376,750	0.04
CDC - Trustee National Investment (Unit) Trust	1	31,985,146	3.05
Banks Development Financial Institutions, Non Banking Financial Institutions.	5	15,885,612	1.52
Insurance Companies	10	31,908,482	3.05
Modarabas and Mutual Funds			
First Al-noor Modaraba	1	125	0.00
CDC - Trustee MCB Pakistan Stock Market Fund	1	4,665,570	0.45
CDC - Trustee Pakistan Capital Market Fund	1	200,000	0.02
CDC - Trustee JS Large Cap Fund	1	300,000	0.03

Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
CDC - Trustee Atlas Stock Market Fund	1	5,155,045	0.49
CDC - Trustee Faysal Stock Fund	1	3,096	0.00
CDC - Trustee Alfalah Ghp Value Fund	1	37,000	0.00
CDC - Trustee Unit Trust of Pakistan	1	261,000	0.02
CDC - Trustee AKD Index Tracker Fund	1	155,108	0.01
CDC - Trustee NBP Stock Fund	1	684,899	0.07
CDC - Trustee APF-Equity Sub Fund	1	267,500	0.03
Mc Fsl - Trustee JS Growth Fund	1	540,000	0.05
CDC - Trustee HBL Multi - Asset Fund	1	8,500	0.00
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	117,408	0.01
CDC - Trustee Alfalah Ghp Stock Fund	1	322,000	0.03
CDC - Trustee Alfalah Ghp Alpha Fund	1	305,371	0.03
CDC - Trustee NIT-Equity Market Opportunity Fund	1	556,000	0.05
CDC - Trustee HBL Pf Equity Sub Fund	1	8,800	0.00
CDC - Trustee AL Habib Asset Allocation Fund	1	43,000	0.00
CDC - Trustee NBP Financial Sector Fund	1	41,900	0.00
Novartis Pharma Pakistan Limited Senior Provident Fund	1	24,000	0.00
Roche Pakistan Limited Management Staff Pension Fund	1	34,000	0.00
Roche Pakistan Limited Employees Provident Fund	1	18,000	0.00
Roche Pakistan Limited Management Staff Gratuity Fund	1	31,000	0.00
CDC - Trustee Alfalah Ghp Dedicated Equity Fund	1	57,400	0.01
CDC - Trustee MCB Pakistan Dividend Yield Plan	1	437,500	0.04
General Public			
a. Local	2,445	185,330,455	17.69
b. Foreign	256	3,911,814	0.37
Foreign Companies	16	101,946,160	9.73
Others	101	90,850,108	8.67
Totals	2,884	1,047,831,480	100.00

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
NIL	-	-	-

* The Expression "Executive" means as key management and includes all executives in direct reporting to CEO