



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Habib Metropolitan Bank Limited ("the Holding Company") and its subsidiary companies, namely Habib Metropolitan Financial Services Limited, Habib Metropolitan Modaraba Management Company (Private) Limited, First Habib Modaraba and Habib Metro Modaraba as at 31 December 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Habib Metropolitan Bank Limited, Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited for the year then ended. The financial statements of the subsidiaries First Habib Modaraba and Habib Metro Modaraba were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiaries, is based solely on the reports of such auditors.

These consolidated financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Habib Metropolitan Bank Limited and its subsidiary companies as at 31 December 2017 and the results of their operations for the year then ended.

Karachi: 16 February 2018

KPMG Taseer Hadi & Co
Chartered Accountants
Mazhar Saleem

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017	2016
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	9	42,282,249	35,561,885
Balances with other banks	10	1,234,380	2,260,110
Lendings to financial institutions	11	10,914,805	16,750,886
Investments	12	395,266,073	314,132,874
Advances	13	181,790,445	142,951,166
Operating fixed assets	14	3,418,407	3,247,358
Deferred tax assets	15	2,835,420	2,452,502
Other assets	16	13,383,645	9,085,871
		<u>651,125,424</u>	<u>526,442,652</u>
LIABILITIES			
Bills payable	17	9,383,752	8,108,633
Borrowings	18	67,323,249	37,205,175
Deposits and other accounts	19	517,685,132	430,443,867
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities	20	12,870,642	10,946,833
		<u>607,262,775</u>	<u>486,704,508</u>
NET ASSETS		<u>43,862,649</u>	<u>39,738,144</u>
REPRESENTED BY			
Share capital	21	10,478,315	10,478,315
Reserves		15,124,031	13,933,875
Unappropriated profit		14,159,430	12,796,778
		<u>39,761,776</u>	<u>37,208,968</u>
Non-controlling interest		3,167,652	—
		<u>42,929,428</u>	<u>37,208,968</u>
Surplus on revaluation of assets - net of tax	22	933,221	2,529,176
		<u>43,862,649</u>	<u>39,738,144</u>
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 47 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		Rupees in '000	
Mark-up / return / interest earned	25	34,201,299	33,180,182
Mark-up / return / interest expensed	26	(19,949,502)	(21,405,988)
Net mark-up / interest income		14,251,797	11,774,194
(Reversal) / Provision against non-performing loans and advances	13.7	(268,970)	811,651
Provision for diminution in the value of investments	12.3	343,096	32,964
Bad debts written off directly	13.9.1	—	—
		(74,126)	(844,615)
Net mark-up / interest income after provisions		14,177,671	10,929,579
Non mark-up / interest income			
Fee, commission and brokerage income		3,488,764	3,083,589
Dividend income		430,452	121,983
Income from dealing in foreign currencies		1,171,725	1,035,989
Gain on sale / redemption of securities - net	27	422,886	4,324,944
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		—	—
Other income	28	389,425	322,080
Total non mark-up / interest income		5,903,252	8,888,585
		20,080,923	19,818,164
Non mark-up / interest expenses			
Administrative expenses	29	10,534,809	9,408,212
Other provisions / write offs / reversals	30	(149,365)	(171,003)
Other charges	31	184,174	232,903
Total non-mark-up / interest expenses		(10,569,618)	(9,470,112)
		9,511,305	10,348,052
Extraordinary / unusual items		—	—
Profit before taxation		9,511,305	10,348,052
Taxation – Current	32	(2,781,296)	(3,522,345)
– Prior years	32	(413,022)	(581,742)
– Deferred	15.1	(452,068)	(115,275)
		(3,646,386)	(4,219,362)
Profit after taxation		5,864,919	6,128,690
Profit attributable to:			
Equity shareholders of the holding company		5,670,724	6,128,690
Non-contribution interest		194,195	—
		5,864,919	6,128,690
Equity share holders of the holding company		5,670,724	6,128,690
Unappropriated profit brought forward		12,796,778	9,965,906
Profit available for appropriation		18,467,502	16,094,596
Basic and diluted earnings per share (Rupees)	33	5.41	5.85

The annexed notes 1 to 47 and annexures I & II form an integral part of these consolidated financial statements.

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Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		Rupees in '000	
Profit after taxation for the year		5,864,919	6,128,690
Other comprehensive income			
Items that are not to be reclassified to profit & loss account in subsequent periods:			
Actuarial (loss) / gain on defined benefit plan	36.8	(1,385)	30,289
Related deferred tax charge	15.1	(27)	(10,601)
		(1,412)	19,688
Comprehensive income transferred to equity		5,863,507	6,148,378
Items that may be reclassified to profit & loss account in subsequent periods and not to be reflected in equity:			
Deficit arising on revaluation of available-for-sale securities		(2,487,329)	(2,057,454)
Related deferred tax reversal	15.1	863,721	723,947
		(1,623,608)	(1,333,507)
Total comprehensive income		4,239,899	4,814,871
Equity shareholders of the holding company		4,074,474	4,814,871
Non controlling interest		165,425	—
		4,239,899	4,814,871

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,511,305	10,348,052
Less: Dividend income		(430,452)	(121,983)
		<u>9,080,853</u>	<u>10,226,069</u>
Adjustments			
Depreciation and amortization on operating fixed assets	29	859,425	707,995
Depreciation on non-banking assets	29.4	22,461	19,866
Gain on bargain purchase	28	(131,367)	—
Provision against non-performing loans and advances - net	13.7	(268,970)	811,651
Provision against other assets - net	30	(149,365)	(172,705)
Provision for diminution in the value of investments - net	12.3	235,151	32,964
Net loss / (gain) on sale of non-banking assets	28.2	51,073	(583)
Net gain on sale of operating fixed assets	28	(13,795)	(20,959)
		<u>604,613</u>	<u>1,378,229</u>
		<u>9,685,466</u>	<u>11,604,298</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		5,836,081	(13,950,886)
Advances		(32,087,682)	(11,115,978)
Other assets (excluding dividend and taxation)		(3,833,716)	3,776,080
		<u>(30,085,317)</u>	<u>(21,290,784)</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,275,119	1,764,172
Borrowings		25,258,052	5,245,299
Deposits and other accounts		87,241,265	27,235,270
Other liabilities (excluding current dividend)	20.2	1,106,959	(328,190)
		<u>114,881,395</u>	<u>33,916,551</u>
		<u>94,481,544</u>	<u>24,230,065</u>
Income tax paid		(3,865,544)	(4,805,222)
Net cash generated from operating activities		<u>90,616,000</u>	<u>19,424,843</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(74,741,863)	(28,302,803)
Net investments in held-to-maturity securities		(8,018,754)	4,635,098
Dividend received		431,313	119,877
Consideration paid on acquisition of subsidiary		(209,325)	—
Net cash received on acquisition of subsidiary and flotation of modaraba		151,939	—
Investments in operating fixed assets		(1,020,886)	(1,107,310)
Proceeds from sale of non-banking assets		500,000	115,000
Proceeds from sale of operating fixed assets		15,875	83,436
Net cash used in investing activities		<u>(82,891,701)</u>	<u>(24,456,702)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	20.2	(3,291,513)	(2,096,734)
Net cash used in financing activities		<u>(3,291,513)</u>	<u>(2,096,734)</u>
Increase in cash and cash equivalents		<u>4,432,786</u>	<u>7,128,593</u>
Cash and cash equivalents at beginning of the year		<u>36,931,854</u>	<u>44,060,447</u>
Cash and cash equivalents at end of the year	34	<u>41,364,640</u>	<u>36,931,854</u>

The annexed notes 1 to 47 and annexures I & II form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Reserves								
	Share Capital	Share Premium	Statutory Reserve	Special Reserve	Revenue Reserve	Un-appropriated Profit	Sub Total	Non-controlling interest	Total
	Rupees in '000								
Balance as at 1 January 2016	10,478,315	2,550,985	8,418,664	240,361	1,500,000	9,965,906	33,154,231	–	33,154,231
Changes in equity for the year ended 31 December 2016									
Total comprehensive income for the year ended 31 December 2016 - profit for the year	–	–	–	–	–	6,128,690	6,128,690	–	6,128,690
Other comprehensive income - net of tax	–	–	–	–	–	19,688	19,688	–	19,688
Transfer from surplus on revaluation of non-banking assets - net of tax	–	–	–	–	–	2,022	2,022	–	2,022
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2015	–	–	–	–	–	(2,095,663)	(2,095,663)	–	(2,095,663)
Transfer to statutory reserve	–	–	1,223,865	–	–	(1,223,865)		–	–
Balance as at 31 December 2016	10,478,315	2,550,985	9,642,529	240,361	1,500,000	12,796,778	37,208,968	–	37,208,968
Non-controlling interest on acquisition of subsidiaries	–	–	–	–	–	–	–	3,156,225	3,156,225
Changes in equity for the year ended 31 December 2017									
Total comprehensive income for the year ended 31 December 2017 - profit for the year	–	–	–	–	–	5,670,724	5,670,724	194,195	5,864,919
Other comprehensive income - net of tax	–	–	–	–	–	(84)	(84)	(1,328)	(1,412)
Transfer from surplus on revaluation of non-banking assets - net of tax	–	–	–	–	–	25,662	25,662	–	25,662
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2016	–	–	–	–	–	(3,143,494)	(3,143,494)	–	(3,143,494)
Profit distribution by First Habib Modaraba (Rs. 1.00 per certificate) for the period ended June 30 2017	–	–	–	–	–	–	–	(181,440)	(181,440)
Transfer to statutory reserve	–	–	1,190,156	–	–	(1,190,156)	–	–	–
Balance as at 31 December 2017	10,478,315	2,550,985	10,832,685	240,361	1,500,000	14,159,430	39,761,776	3,167,652	42,929,428

The annexed notes 1 to 47 and annexures I & II form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. STATUS AND NATURE OF BUSINESS

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

Holding Company

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the 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 holding company operates 286 (2016: 273) branches, including 29 (2016: 25) Islamic banking branches and 34 (2016: 34) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the Group) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

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

Habib Metropolitan Modaraba Management Company Private Limited - 100% holding

Habib Metropolitan Modaraba Management Company Private Limited (Modaraba management company) was incorporated in Pakistan on 1 June 2015 as a private limited under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.

First Habib Modaraba - 10% holding

During the current year, the Modaraba management company acquired management rights and 10 percent of certificates of First Habib Modaraba (FHM). FHM is a perpetual, multi-purpose modaraba having its registered office at 5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

Habib Metro Modaraba - 70% holding

During the current year, the Modaraba management company has floated Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharakah or any other approved modes of financing. The holding company and the Modaraba management company own 60% and 10% of the certificates of HMM respectively.

2. ACQUISITION - FIRST HABIB MODARABA

As stated in note 1, the Modaraba management company acquired management rights and 10% shareholding in FHM for cash consideration of Rs. 41,600 thousand and Rs. 209,325 thousand respectively. The holding company accounted for the same by applying acquisition method of accounting as prescribed by the International Financial Reporting Standard 3, "Business Combination".

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. The fair valuation exercise for assets and liabilities acquired has now been completed by the management with the assistance of an independent valuer and the accounting treatment of fair valuation of FHM's assets and liabilities (including the contingent liabilities) in the books has been accounted for in the financial statements. The identifiable assets acquired and liabilities assumed have been recognised at their fair value as stated below:

31 March 2017
(Rupees in '000)

NON-CURRENT ASSETS

Fixed assets - tangible	2,427,828
Lease financing assets	11,586
Assets in own use	2,439,414
Intangible assets	82
Long term advances, deposit and prepayments	8,989
Diminishing musharaka financing	2,424,755
	4,873,240

CURRENT ASSETS

Investments	1,095,065
Diminishing musharaka financing - current portion	1,649,434
Lease financing instalments receivable	6,615
Advances and short term prepayments	1,793
Other receivables	38,960
Tax refund	79,479
Cash and bank balances	61,939
	2,933,285
	7,806,525

TOTAL ASSETS

NON-CURRENT LIABILITIES

Security deposits against lease financing assets	251,698
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CURRENT LIABILITIES

Certificate of investment (Musharaka)	3,400,210
Security deposits against lease financing assets (current portion)	110,703
Advance lease financing and diminishing musharaka instalments	20,846
Unearned lease financing and diminishing musharaka instalments	19,390
Trade and other liabilities	324,114
Profit payable on certificate of investment (Musharaka)	32,616
Advance against Murabaha	197,964
Taxation	10,084
Unclaimed profit distribution	28,030
Profit distribution payable	3,953
	4,147,910

TOTAL LIABILITIES

NET ASSETS

Fair value of net assets as at 31 March 2017	3,406,917
Percentage of net assets acquired	10%
Fair value of net assets acquired	340,692

- 2.1** The acquisition of First Habib Modaraba is a bargain purchase as the fair value of the net assets acquired at the acquisition date exceeds the consideration paid by the Modaraba management company. The fair values of the net assets, purchase consideration paid and gain on bargain purchase are as follows:

	(Rupees in '000)
Fair value of assets acquired	340,692
Less: purchase consideration paid in cash	<u>(209,325)</u>
Gain on bargain purchase	<u>131,367</u>

3. BASIS OF PRESENTATION

- 3.1** These consolidated financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting year as the holding company using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary companies have been consolidated on a line by line basis. Intra-group balances and transactions have been eliminated for the purpose of consolidation.
- 3.2** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by the holding company from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The transaction of purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.
- 3.3** Key financial figures of the Islamic Banking branches are disclosed in note 45 to these consolidated financial statements.

3.4 Basis of measurement

Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, non-banking assets and derivative financial instruments are carried at fair value as disclosed in notes 6.6, 6.9 and 6.10 respectively.

4. STATEMENT OF COMPLIANCE

- 4.1** These consolidated financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no. 23 dated 4 October 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 4.2** The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies

till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Moreover, segment information is being disclosed in accordance with the SBP's prescribed format as per BSD Circular No. 4 dated 17 February 2006 which prevails over the requirements specified in IFRS 8 "Operating Segment".

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

i) Classification of investments

- In classifying investments as held-for-trading, the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as held-to-maturity, the Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

ii) Provision against non performing loans and advances and debt securities classified as investments

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the forced sale value of the securities, etc. as per the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances and small enterprise advances, the holding company follows the general provision requirement set out in Prudential Regulations. In addition the holding company also maintain a general provision against its loan portfolio discussed in note 6.7.

iii) Valuation and impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition,

impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

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

Non-financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset is reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognised as it arises provided the increased carrying value does not exceed which it would have been had no impairment loss been recognised.

v) Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plans

Liability is determined on the basis of actuarial advice using the projected unit credit actuarial cost method, as fully disclosed in note 36 to these consolidated financial statements.

viii) Compensated Absences

The Group uses actuarial valuation for the determination of its compensated absences liability. This method makes certain assumptions, which may change, there by effecting the profit and loss account of future period.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 The principal accounting policies applied in the preparation of these consolidated financial statement are set out below. These have been consistently applied to all the years presented.

6.2 Basis of consolidation

These consolidated financial statements include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements

of the holding company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter-company transactions have been eliminated.

6.3 Cash and cash equivalents

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

6.4 Lendings to / borrowings from financial institutions

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

Sale under repurchase obligation

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

Purchase under resale obligation

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

Other borrowings including borrowings from the SBP are recorded at the proceeds received. Mark up on such borrowing is charged to the profit and loss account on a time proportion basis.

Bai Muajjal

The securities sold under Bai Muajjal agreement 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.

6.5 Certificate of Investments (Musharakah)

Certificate of Investments (COI's) are carried at principal amount in the consolidated financial statements. The Modaraba invests the amount received from COI holders on the basis of full participation in the profit and loss. The profit is allocated between COI holders and certificate holders as per agreed ratio. Certificate holder's share of profit is recognized as financial expense in the period of its occurrence. On the basis of projected rate of profit, profit on musharakah finance is determined. After determination of the actual rate, the effect of any difference between actual and projected rate of profit is accounted for, at the end of each quarter.

6.6 Investments

6.6.1 Investments are classified as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements and 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.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

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

In accordance with the requirements of the SBP, quoted securities, other than those classified as held-to-maturity, are carried at market value. Investments classified as held-to-maturity are carried at amortised cost, if any.

Unrealised surplus / deficit arising on the revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. Surplus / deficit arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below 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. Subsequent decrease in the carrying value are charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of term finance and Sukuk certificates are made as per the criteria 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 bonds and term finance 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.

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

6.7 Advances (including net investment in finance lease and ijarah arrangements)

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 holding company 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. Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

Finance lease receivables

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

Ijarah

In accordance with the requirements of IFAS 2 for the accounting and financial reporting of "Ijarah", Ijarah arrangements by the Islamic Banking branches and Modaraba are accounted for as 'Assets held under Ijarah' and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly assets subject to Ijarah have been reflected in note 13 to these consolidated financial statements under "Advances". Rental income on these Ijarah is recognised in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of Ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of ijarah agreement and is charged to the profit and loss account. The classification and provisioning of Ijarah assets held by the Group is done in line with the requirements laid down in the Prudential Regulations and are recognised in the profit and loss account.

Diminishing Musharakah

In Diminishing Musharakah based financing, the Group enters into a Musharakah 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 periodic profit payment agreement for the utilization of the Group's Mushariki share by the customer. Income from these transactions are recorded on an accrual basis.

Istisna

In Istisna financing, the holding company places an order to purchase some specific goods / commodities from its customers to be delivered to the holding company within an agreed time. The goods are then sold and the amount financed is paid back to the holding company.

Al-Bai

The product is based on the Islamic Mode "Musawamah". Musawamah is a general kind of sale in which price of the commodity to be traded is agreed between seller and the buyer without any reference to the cost incurred and profit charged by the former.

6.8 Fixed assets

Tangible - owned (operating)

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which are stated at cost less 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 14.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets referred to in note 45.4 is calculated on a straight line basis over the period of ijarah from the date of delivery of respective assets to the mustajir (lessee) up to the date of maturity / termination of ijarah agreed.

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.

Intangible

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

Intangible assets with indefinite useful life are initially measured at cost being the consideration paid. After initial recognition, these are measured at cost less any accumulated impairment losses. They are tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36 'Impairment of Assets'. Impairment are recognised in the profit and loss account.

Intangible includes Trading Rights Entitlement (TRE) Certificate acquired by subsidiary on surrender of stock exchange membership card. Since the fair value of certificate cannot be determined with reasonable accuracy, the entire carrying value of Stock Exchange Membership Card has been allocated to the shares of Pakistan Stock Exchange Limited, and TRE Certificate has been stated at NIL value. This certificate has indefinite life.

Capital work-in-progress

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

6.9 Non-banking assets

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying

value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account.

6.10 Derivative financial instruments

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

6.11 Provisions

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the holding company to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

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

6.12 Taxation

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

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.

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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

6.13 Employees' benefits

6.13.1 Retirement benefits

Defined benefit plans

The Group operates an approved funded gratuity scheme for its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using "projected unit credit actuarial cost method".

All actuarial gains and losses are recognised in "Other Comprehensive Income" as they occur.

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

Defined contribution plans

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

6.13.2 Compensated absences

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

The actuarial valuation under the 'projected unit credit actuarial cost method' has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Group.

6.14 Revenue recognition

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

a) Advances and investments

Mark-up / return on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.

Dividend income is recognised when the Group's right to receive the dividend is established.

Gains and losses on sale of investments are recognised in the profit and loss account.

Income on bills discounted are recognised over the period of the bill.

b) 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 ijarah executed by the Islamic Banking branches and Moadarba are accounted for under IFAS 2 (refer note 6.7) is recognised in the profit and loss account on a time proportion basis.

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

c) Fees, commission and brokerage

Fees, commission and brokerage except income from letters of guarantee is accounted for on receipt basis. Income from letter of guarantee is recognised on an accrual basis over the period of the guarantee.

6.15 Off setting

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

6.16 Foreign currencies

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

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. 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.

6.17 Segment reporting

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

Business segments

a) Trading and sales

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

b) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers and SME customers other than those included in retail banking.

Geographical segments

The Group conducts all its operations in Pakistan.

6.18 Dividend distribution and appropriations

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

6.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6.20 Impairment of assets (other than loans and advances and investments)

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

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

6.21 Financial instruments

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

7. FUNCTIONAL AND PRESENTATION CURRENCY

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

8. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Group's financial statements.

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Group's financial statements.
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 "Financial Instruments" and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently awaiting instructions from the SBP as applicability of IAS 39 (as explained in note 4.2) was deferred by the SBP till further instructions.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangement" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Group's financial statements.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

	Note	2017	2016
		Rupees in '000	
9. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6,248,584	6,182,215
Foreign currencies		1,802,683	1,521,597
		8,051,267	7,703,812
With State Bank of Pakistan in			
Local currency current accounts	9.1	17,986,230	16,494,671
Foreign currency current account	9.2	23,880	68,118
Foreign currency deposit accounts			
– cash reserve accounts	9.3	3,787,089	2,541,535
– special cash reserve accounts	9.4	11,196,194	7,384,550
		32,993,393	26,488,874
With National Bank of Pakistan in			
Local currency current accounts		1,220,000	1,353,485
National Prize Bonds			
		17,589	15,714
		42,282,249	35,561,885

9.1 These accounts are maintained to comply with the statutory cash reserve requirements.

9.2 This represents US Dollar collection / settlement account with SBP.

9.3 This represents account maintained with the SBP to comply with the cash reserve requirements against foreign currency deposits.

9.4 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 2017, carries mark-up at the rate of 0.00% (2016: 0.00%) per annum.

10. BALANCES WITH OTHER BANKS

In Pakistan

Current accounts		42,432	181,390
Deposit accounts	10.1	189,788	44,429
		232,220	225,819

Outside Pakistan

Current accounts	10.2	1,002,160	2,034,291
		1,234,380	2,260,110

10.1 These carry mark-up rates ranging from 3.26% to 4.09% (2016: 3.75%) per annum.

10.2 These include balances in current accounts of Rs. 172,044 thousand (2016: Rs. 292,215 thousand) with branches of the ultimate parent company.

11. Lendings to Financial institutions

	Note	2017	2016
		Rupees in '000	
Call money lendings	11.2	3,000,000	2,500,000
Repurchase agreement lendings (Reverse Repo)	11.3	346,890	637,421
Bai Muajjal receivable from State Bank of Pakistan	11.4	3,567,915	5,113,465
Islamic Placement - Musharakah	11.5	4,000,000	8,500,000
		<u>10,914,805</u>	<u>16,750,886</u>
11.1 Particulars of lendings			
In local currency		<u>10,914,805</u>	<u>16,750,886</u>

11.2 These carry mark-up rate of 6.45% (2016: 6.65%) per annum, with maturity upto 5 January 2018 (2016: 3 March 2017).

11.3 Securities held as collateral against lending to financial institutions (Reverse repo)

	Note	2017			2016		
		Held by Group	Further Given as collateral	Total	Held by Group	Further Given as collateral	Total
		(Rupees in'000)					
Market treasury bills	11.3.2	<u>347,663</u>	<u>—</u>	<u>347,663</u>	<u>638,315</u>	<u>—</u>	<u>638,315</u>

11.3.1 These carry mark-up rates ranging from 5.95% to 6.20% (2016: 5.99% to 6.04%) per annum, with maturity upto 18 March 2018 (2016: 01 February 2017).

11.3.2 Market value of securities held as collateral against lendings to financial institutions is Rs. 347,659 thousands (2016: Rs. 638,822).

11.4 These carry profit / return ranging from 5.55% to 5.65% (2016: 5.98%) per annum with maturity upto 21 June 2018 (2016: 10 February 2017).

11.5 These carry profit / return ranging from 5.70% to 5.85% (2016: 4.50% to 5.25%) per annum with maturity upto 12 January 2018 (2016: 06 March 2017).

12. INVESTMENTS

12.1 Investments by types

	Note	2017			2016		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)							
Available-for-sale securities							
Market treasury bills	12.5	200,422,634	5,713,348	206,135,982	158,375,802	12,042,862	170,418,664
Pakistan investment bonds	12.6	93,614,556	24,235,650	117,850,206	83,538,877	—	83,538,877
Ordinary shares of listed companies		810,134	—	810,134	1,572,398	—	1,572,398
Ordinary shares of unlisted companies		106,991	—	106,991	141,741	—	141,741
Listed term finance certificates		2,787,900	—	2,787,900	2,088,703	—	2,088,703
Unlisted term finance certificates		114,430	—	114,430	314,828	—	314,828
Sukuk certificates and bonds		27,386,910	—	27,386,910	18,542,294	—	18,542,294
Open end mutual funds		1,170,634	—	1,170,634	3,908,757	—	3,908,757
Close end mutual funds		419,685	—	419,685	419,685	—	419,685
		326,833,874	29,948,998	356,782,872	268,903,085	12,042,862	280,945,947
Held-to-maturity securities							
Pakistan investment bonds	12.7	36,360,790	—	36,360,790	27,642,036	—	27,642,036
Certificates of investments	12.8	1,500,000	—	1,500,000	2,200,000	—	2,200,000
		37,860,790	—	37,860,790	29,842,036	—	29,842,036
Total Investments at cost		364,694,664	29,948,998	394,643,662	298,745,121	12,042,862	310,787,983
Provision for diminution in the value of investments	12.3	(537,372)	—	(537,372)	(302,221)	—	(302,221)
Investments - net of provision		364,157,292	29,948,998	394,106,290	298,442,900	12,042,862	310,485,762
Surplus / (deficit) on revaluation of available-for-sale securities - net	22.2	2,536,133	(1,376,350)	1,159,783	3,653,627	(6,515)	3,647,112
Investments after revaluation of available-for-sale securities		366,693,425	28,572,648	395,266,073	302,096,527	12,036,347	314,132,874

	Note	2017	2016
		Rupees in '000	
12.2 Investments by segments			
Federal government securities			
Market treasury bills		206,135,982	170,418,664
Pakistan investment bonds		154,210,996	111,180,913
GOP ijarah sukuk		25,445,379	17,384,845
		<u>385,792,357</u>	<u>298,984,422</u>
Fully paid up ordinary shares			
Listed companies		810,134	1,572,398
Unlisted companies		106,991	141,741
		<u>917,125</u>	<u>1,714,139</u>
Term finance certificates, sukuk certificates and bonds			
Listed term finance certificates		2,787,900	2,088,703
Unlisted term finance certificates		114,430	314,828
Sukuk certificates / bonds		1,941,531	1,157,449
		<u>4,843,861</u>	<u>3,560,980</u>
Mutual funds			
Open end		1,170,634	3,908,757
Close end		419,685	419,685
		<u>1,590,319</u>	<u>4,328,442</u>
Certificates of investments		<u>1,500,000</u>	<u>2,200,000</u>
Total investments at cost		<u>394,643,662</u>	<u>310,787,983</u>
Provision for diminution in the value of investments	12.3	<u>(537,372)</u>	<u>(302,221)</u>
Investments - net of provisions		<u>394,106,290</u>	<u>310,485,762</u>
Surplus on revaluation of available-for-sale securities - net	22.2	<u>1,159,783</u>	<u>3,647,112</u>
Investments after revaluation of available-for-sale securities		<u><u>395,266,073</u></u>	<u><u>314,132,874</u></u>

	2017	2016
	Rupees in '000	
12.3 Particulars of provision for diminution in the value of investments		
Opening balance	302,221	269,257
Charge for the year	343,096	45,156
Reversal for the year	—	(12,192)
Net charge for the year	343,096	32,964
Reversal of provision on disposal of investments	(107,945)	—
Closing balance	537,372	302,221
12.3.1 Provision for diminution in respect of type and segment		
Available-for-sale securities		
Fully paid-up ordinary shares		
Listed companies	101,807	83,710
Unlisted companies	78,861	78,029
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	82,558	82,558
Unlisted term finance certificates	28,840	28,840
Sukuk certificates / bonds	47,800	19,075
Mutual funds		
Open end	187,497	—
Close end	10,009	10,009
	537,372	302,221

12.4 Information relating to investments in federal government securities, ordinary shares of listed and unlisted companies, listed and unlisted term finance certificates, sukuk certificates / bonds and open and close end mutual funds required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4, dated 17 February 2006, is given in Annexure "I" and is an integral part of these consolidated financial statements.

12.5 These carry mark-up rates ranging from 5.92% to 6.08% (2016: 5.87% to 6.28%) per annum, with maturity upto 7 June 2018 (2016: 31 August 2017).

12.6 These carry mark-up rates ranging from 7.00% to 12.00% (2016: 7.00% to 12.00%) per annum, with maturity upto 19 July 2022 (2016: 19 July 2022). These includes Rs. 132,000 thousand (2016: Rs. 132,000 thousand) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.

12.7 These carry mark-up rates ranging from 8.75% to 12.00% (2016: 8.75% to 12.00%) per annum, with maturity upto 21 April 2026 (2016: 21 April 2026).

12.8 These carry mark-up rate 6.40% (2016: ranging from 4.50% to 5.25%) per annum, with maturity upto 22 June 2018 (2016: 6 March 2017).

	Note	2017	2016
		Rupees in '000	
13. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		139,641,812	125,064,843
Islamic financing and related assets (gross)	13.2	21,730,160	8,802,424
Net investment in finance lease			
In Pakistan	13.3	411,305	568,510
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		12,042,855	6,961,624
Payable outside Pakistan		24,390,736	18,484,814
		36,433,591	25,446,438
Advances – gross		198,216,868	159,882,215
Provision against non-performing advances			
- specific		(16,168,582)	(16,796,939)
- general		(257,841)	(134,110)
	13.8	(16,426,423)	(16,931,049)
Advances – net of provisions		181,790,445	142,951,166

13.1 Particulars of advances - gross

13.1.1	In local currency	168,069,741	135,374,392
	In foreign currencies	30,147,127	24,507,823
		198,216,868	159,882,215
13.1.2	Short term (for up to one year)	184,727,105	137,868,342
	Long term (for over one year)	13,489,763	22,013,873
		198,216,868	159,882,215

13.2 It includes loans and advances of First Habib Modaraba amounting to Rs. 7,471,159 thousand and the Islamic banking operations of the holding company amounting to Rs. 14,259,001 thousand as disclosed in note 45.5 to the consolidated financial statements.

13.3 Net investment in finance lease

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	70,325	258,834	–	329,159	172,202	329,535	–	501,737
Residual value	40,446	67,904	–	108,350	31,404	87,904	–	119,308
Minimum lease payments	110,771	326,738	–	437,509	203,606	417,439	–	621,045
Financial charges for future periods	(11,110)	(15,094)	–	(26,204)	(13,717)	(38,818)	–	(52,535)
Present value of minimum lease payments	99,661	311,644	–	411,305	189,889	378,621	–	568,510

- 13.4** Advances include Rs. 18,519,849 thousand (2016: Rs. 19,873,142 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2017			2016		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	118,214	15,870	15,870	238,382	53,736	53,736
Doubtful	4,996	–	–	118,393	21,945	21,945
Loss	18,396,639	16,152,712	16,152,712	19,516,367	16,721,258	16,721,258
	<u>18,519,849</u>	<u>16,168,582</u>	<u>16,168,582</u>	<u>19,873,142</u>	<u>16,796,939</u>	<u>16,796,939</u>

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

During the current year, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 360,868 thousand (2016: 2,179,431 thousand). Further, as of 31 December 2017, had the benefit of FSVs (including those availed into previous years) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 2,260,109 thousand (2016: Rs. 2,838,225 thousand) and accumulated profit would have been lower by Rs. 1,469,071 thousand (2016: Rs. 1,844,846 thousand). This amount of Rs. 1,469,071 thousand (2016: Rs. 1,844,846 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

- 13.6** Exposure amounting to Rs. 4,169,987 thousand relating to certain facilities of Power Holding Private Limited, which is government guaranteed loan, has not been classified as non-performing loan, pursuant to the relaxation given by the SBP in this respect. The relaxation is valid upto 31 December 2017.

13.7 Provision against non-performing advances

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	16,796,939	134,110	16,931,049	16,532,837	896,749	17,429,586
Charge for the year	1,052,345	123,731	1,176,076	2,670,552	–	2,670,552
Reversals	(1,445,046)	–	(1,445,046)	(1,096,262)	(762,639)	(1,858,901)
Net (reversal) / charge for the year	(392,701)	123,731	(268,970)	1,574,290	(762,639)	811,651
Amount written off	13.9 (235,656)	–	(235,656)	(1,310,188)	–	(1,310,188)
Closing balance	13.8 <u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>	<u>16,796,939</u>	<u>134,110</u>	<u>16,931,049</u>

- 13.7.1** General provision includes provision of Rs. 5,203 thousand (2016: Rs. 3,387 thousand) made against consumer portfolio and Rs. 36 thousand (2016: Rs. 16,814 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

13.8 Particulars of provision against non-performing advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Against local currency exposure	15,875,994	257,841	16,133,835	16,518,304	134,110	16,652,414
Against foreign currencies exposure	292,588	–	292,588	278,635	–	278,635
	<u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>	<u>16,796,939</u>	<u>134,110</u>	<u>16,931,049</u>

Note 2017 2016
Rupees in '000

13.9 Particulars of write-offs

13.9.1 Against provisions	13.7	235,656	1,310,188
Directly charged to profit and loss account		–	–
		<u>235,656</u>	<u>1,310,188</u>
13.9.2 Write-offs of Rs. 500,000/- and above		235,656	1,310,188
Write-offs of below Rs. 500,000/-		–	–
		<u>235,656</u>	<u>1,310,188</u>

13.10 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2017 is enclosed as Annexure II.

13.11 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons

Balance at the beginning of the year	2,627,156	2,177,624
Loans granted during the year	847,179	987,986
Repayments made during the year	(528,330)	(538,454)
Balance at the end of the year	<u>2,946,005</u>	<u>2,627,156</u>

Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members

Balance at the beginning of the year	3,184,499	3,967,805
Loans granted during the year	52,778,815	63,535,889
Repayments made during the year	(54,258,678)	(64,319,195)
Balance at the end of the year	<u>1,704,636</u>	<u>3,184,499</u>

	Note	2017	2016
		Rupees in '000	
14. OPERATING FIXED ASSETS			
Capital work-in-progress	14.1	22,579	86,586
Property and equipment	14.2	3,129,876	2,970,190
Intangible assets	14.3	265,952	190,582
		<u>3,418,407</u>	<u>3,247,358</u>

14.1 Capital work-in-progress

Civil works	14.1.1	17,722	41,172
Equipments, etc.		4,857	45,414
		<u>22,579</u>	<u>86,586</u>

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

14.2 PROPERTY AND EQUIPMENT

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 1 January 2017	Additions /asset acquired* / (deletions)	As at 31 December 2017	As at 1 January 2017	Charge for the year / asset acquired* / (deletions)	As at 31 December 2017	As at 31 December 2017	
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,565	112	1,677	5,811	1.49
		–			–			
Buildings / office premises on freehold land	352,783	–	352,783	155,631	12,408	168,039	184,744	4.00
		–			–			
Buildings / office premises on leasehold land	1,866,913	33,600	1,900,513	738,971	67,381	806,352	1,094,161	4.00
		–			–			
Furniture and fixtures, office and computer equipments	2,353,359	561,986 23,402 * (50,552)	2,888,195	1,459,345	406,632 18,757 * (49,915)	1,834,819	1,053,376	15 & 25
Vehicles	13,439	28,729 10,284 * (4,642)	47,810	10,025	4,433 4,275 * (3,199)	15,534	32,276	20.00
Leasehold improvements	2,280,292	282,103 1,106 * –	2,563,501	1,538,547	265,271 175 * –	1,803,993	759,508	20.00
2017	6,874,274	906,418 34,792 * (55,194)	7,760,290	3,904,084	756,237 23,207 * (53,114)	4,630,414	3,129,876	

* This represents assets pertaining to subsidiary acquired during the year, as discussed in note 2 to these consolidated financial statement.

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 1 January 2016	Additions / (deletions) / (transfer)**	As at 31 December 2016	As at 1 January 2016	Charge for the year / (deletions) / (transfer)**	As at 31 December 2016	As at 31 December 2016	
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,453	112	1,565	5,923	1.49
Buildings / office premises on freehold land	638,933	– (286,150) **	352,783	203,216	23,607 (71,192) **	155,631	197,152	4.00
Buildings / office premises on leasehold land	1,941,903	– (74,990)	1,866,913	685,591	67,045 (13,665)	738,971	1,127,942	4.00
Furniture and fixtures, office and computer equipments	1,832,231	540,706 (19,578)	2,353,359	1,160,653	317,202 (18,510)	1,459,345	894,014	15 & 25
Vehicles	12,377	1,759 (697)	13,439	9,427	1,211 (613)	10,025	3,414	20.00
Leasehold improvements	1,987,467	300,197 (7,372)	2,280,292	1,292,352	253,567 (7,372)	1,538,547	741,745	20.00
2016	6,420,399	842,662 (102,637) (286,150) **	6,874,274	3,352,692	662,744 (40,160) (71,192) **	3,904,084	2,970,190	

** This represents amount transferred to non-current assets held for sale refer note 16.1 to the consolidated financial statements.

14.2.1 The cost of fully depreciated assets still in use is Rs. 2,255,521 thousand (2016: Rs. 1,838,744 thousand).

14.2.2 Details of fixed assets disposed off with original cost or book value in excess of Rs. 1,000 thousand or Rs. 250 thousand respectively, whichever is lower are as follows:

Particulars	Cost	Book Value	Sale Proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Office equipment	13,902	1	220	Best available quotation	Sarfaraz Ahmed
Vehicle	640	636	825	Negotiation	Syed Tasawar Ali Warsi (Ex-employee)
Vehicle	277	277	1,500	Insurance claim	Adamjee Insurance
	14,819	914	2,545		

14.3 Intangible assets

	Cost			Amortization			Book Value	Rate of amortization %
	As at 1 January 2017	Additions / asset acquired* / (deletions)	As at 31 December 2017	As at 1 January 2017	Charge for the year / asset acquired* / (deletions)	As at 31 December 2017	As at 31 December 2017	
	Rupees in '000							
Computer software	265,239	136,876 3,463 *	405,578	74,657	103,188 3,381 *	181,226	224,352	33.33
Management rights	–	41,600	41,600	–	–	–	41,600	0.00
	265,239	178,476 3,463 *	447,178	74,657	103,188 3,381 *	181,226	265,952	

* This represents assets pertaining to subsidiary acquired during the year, as discussed in note 2 to these consolidated financial statement.

	Cost			Amortization			Book Value	Rate of amortization %
	As at 1 January 2016	Additions / (deletions)	As at 31 December 2016	As at 1 January 2016	Charge for the year/ (deletions)	As at 31 December 2016	As at 31 December 2016	
	Rupees in '000							
Computer software	29,497	235,742	265,239	29,405	45,252	74,657	190,582	33.33

14.3.1 The cost of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2016: Rs. 28,427 thousand).

	Note	2017	2016
		Rupees in '000	
15. DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
– Provision against diminution in the value of investments		188,080	105,777
– Provisions against non-performing advances (including off-balance sheet obligations)	32.2	3,248,393	3,761,929
– Provision against other assets		35,441	140,978
– Deferred liability on defined benefit plan		70,323	70,249
		<u>3,542,237</u>	<u>4,078,933</u>
Deferred tax credits arising due to:			
– Surplus on revaluation of investment securities		(408,892)	(1,272,613)
– Surplus on revaluation of non-banking assets		(98,178)	(83,288)
– Accelerated depreciation		(199,747)	(270,530)
		<u>(706,817)</u>	<u>(1,626,431)</u>
Net deferred tax asset	15.1	<u>2,835,420</u>	<u>2,452,502</u>

15.1 Reconciliation of deferred tax

	Balance as at 1 January 2016	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2016	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2017
	Rupees in '000						
Deferred debits arising in respect of							
Provision against diminution in value of investments	94,240	11,537	–	105,777	82,303	–	188,080
Provision against non-performing advances (including off-balance sheet obligations) - note 32.2	3,878,902	(116,973)	–	3,761,929	(513,536)	–	3,248,393
Provision against other assets	201,165	(60,187)	–	140,978	(105,537)	–	35,441
Deferred liability on defined benefit plan	80,850	–	(10,601)	70,249	101	(27)	70,323
	<u>4,255,157</u>	<u>(165,623)</u>	<u>(10,601)</u>	<u>4,078,933</u>	<u>(536,669)</u>	<u>(27)</u>	<u>3,542,237</u>
Deferred credits arising due to							
Surplus on revaluation of investments	(1,996,560)	–	723,947	(1,272,613)	–	863,721	(408,892)
Surplus on revaluation of non-banking assets	–	1,086	(84,374)	(83,288)	13,818	(28,708)	(98,178)
Accelerated depreciation	(319,792)	49,262	–	(270,530)	70,783	–	(199,747)
	<u>(2,316,352)</u>	<u>50,348</u>	<u>639,573</u>	<u>(1,626,431)</u>	<u>84,601</u>	<u>835,013</u>	<u>(706,817)</u>
Net deferred tax asset	<u>1,938,805</u>	<u>(115,275)</u>	<u>628,972</u>	<u>2,452,502</u>	<u>(452,068)</u>	<u>834,986</u>	<u>2,835,420</u>

	Note	2017	2016
		Rupees in '000	
16. OTHER ASSETS			
Income / mark-up / profit accrued in local currency		7,235,399	5,721,540
Income / mark-up / profit accrued in foreign currencies		34,724	31,064
Advances, deposits, advance rent and other prepayments		616,068	644,518
Advance tax (payments less provisions)		786,840	115,614
Branch adjustment account		73	211
Unrealised gain on forward foreign exchange contracts		2,858,857	769,626
Receivable from the SBP against encashment of government securities		232,568	24,197
Receivable from customers against brokerage service and PSX		115,633	183,730
Stationery and stamps on hand		36,301	34,033
Dividend receivable		1,245	2,106
Non-banking assets acquired in satisfaction of claims	16.1	1,173,361	1,664,871
Non-current assets - held for sale	16.1	214,958	214,958
Others		329,548	80,698
		<u>13,635,575</u>	<u>9,487,166</u>
Provision against other assets	16.2	<u>(251,930)</u>	<u>(401,295)</u>
		<u>13,383,645</u>	<u>9,085,871</u>
16.1 Non-current assets held for sale represents a property of Rs. 214,958 thousand (2016: Rs. 214,958 thousand) (refer note 14.2) and non-banking assets acquired in satisfactions of claims includes a property amounting to Rs. 398,518 thousand (2016: Rs. 401,764 thousand) against which the Bank has entered into an agreement to sell with a buyer on deferred payment basis. The possession of the properties has been transferred to the buyer against receipt of earnest money, however, the title will be transferred and original property documents will be handed over upon receiving the entire sale consideration.			
16.2 Provision held against other assets			
Opening balance		401,295	574,000
Charge for the year		150,000	102,295
Reversal for the year		(299,365)	(275,000)
		<u>(149,365)</u>	<u>(172,705)</u>
Closing balance		<u>251,930</u>	<u>401,295</u>
17. BILLS PAYABLE			
In Pakistan		<u>9,383,752</u>	<u>8,108,633</u>
18. BORROWINGS			
In Pakistan		61,900,199	34,515,931
Outside Pakistan		5,423,050	2,689,244
		<u>67,323,249</u>	<u>37,205,175</u>
18.1 Particulars of borrowings in respect of currencies			
In local currency		61,900,199	34,515,931
In foreign currencies		5,423,050	2,689,244
		<u>67,323,249</u>	<u>37,205,175</u>

	Note	2017	2016
		Rupees in '000	
18.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under export refinance scheme		23,796,577	18,749,236
under long term financing facility - locally manufactured plant and machinery		5,332,802	3,616,963
	18.2.1	29,129,379	22,366,199
Repurchase agreement borrowings (Repo)	18.2.2	28,463,727	12,032,715
Due against bills re-discounting	18.2.3	3,634,271	1,916,120
		61,227,377	36,315,034
Unsecured			
Call borrowing	18.2.4	1,000,000	—
Certificates of investment	18.2.5	2,943,883	—
Overdrawn nostro accounts		1,788,779	773,124
Overdrawn local bank accounts		363,210	117,017
		6,095,872	890,141
		67,323,249	37,205,175

18.2.1 These carry mark-up rates ranging between 2.00% to 5.00% (2016: 2.00% to 5.00%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

18.2.2 These carry mark-up rates ranging between 5.76% to 5.90% (2016: 5.75% to 5.90%) per annum with maturity upto 26 March 2018 (2016: 13 January 2017).

18.2.3 This represents the obligation to the corresponding Banks on discounting of foreign documentary bills purchased by the holding company on discount. The balance carries discount rate at 2.15% to 2.25% (2016: 1.00%) per annum with maturity upto 20 April 2018 (2016: 15 May 2017).

18.2.4 This carries mark-up rate of 5.90% (2016: Nil) per annum, with maturity upto 02 Jan 2018 (2016: Nil).

18.2.5 These carry rate of profit ranging from 4.00% to 9.25% (2016: Nil) per annum.

	2017	2016
	Rupees in '000	
19. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	222,302,110	180,348,374
Savings deposits	120,998,273	110,647,888
Current accounts (non-remunerative)	132,884,616	120,721,112
Others	17,446,706	4,320,917
	493,631,705	416,038,291
Financial institutions		
Remunerative deposits	21,431,271	13,191,889
Non-remunerative deposits	2,622,156	1,213,687
	24,053,427	14,405,576
	517,685,132	430,443,867

	Note	2017	2016
		Rupees in '000	
19.1 Particulars of deposits			
In local currency		441,858,937	383,569,817
In foreign currencies		75,826,195	46,874,050
		<u>517,685,132</u>	<u>430,443,867</u>
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		6,073,694	6,395,987
Mark-up / return / interest payable in foreign currencies		297,138	104,142
Unearned commission and income on bills discounted		171,687	149,431
Accrued expenses		757,697	449,006
Provision against off-balance sheet obligations	20.1	113,716	113,716
Unclaimed dividend		86,103	20,699
Unrealised loss on forward foreign exchange contracts		1,632,554	917,476
Workers' welfare fund	31.1	736,432	557,320
Excise duty payable		2,063	2,287
Locker deposits		713,227	668,055
Advance against diminishing musharakah		58,632	223
Advance rental for ijarah		152,461	1,800
Security deposits against leases / ijarah		570,915	171,044
Sundry creditors		684,993	577,973
Withholding tax / duties		247,548	167,788
Provision for compensated absences		203,571	187,527
Deferred liability on defined benefit plan	36.3	200,279	197,816
Others		167,932	264,543
		<u>12,870,642</u>	<u>10,946,833</u>
20.1 Provision against off-balance sheet obligations			
Opening balance		113,716	113,716
Charge for the year		—	—
Closing balance		<u>113,716</u>	<u>113,716</u>
20.2 Reconciliation of changes in other liabilities arising from financing activates			
Balance as at 1 January		10,946,833	12,007,518
Changes from financing cash flows			
Dividend paid		(3,291,513)	(2,096,734)
Other changes - liability related			
Cash based		1,106,959	(328,190)
Non-cash based			
Acquired during the year		573,604	—
Actuarial gain on defined benefit plan		1,385	(30,289)
Current taxation (provision less payments)		—	(701,135)
Dividend declared and profit distribution		3,324,934	2,095,663
Others		208,440	—
		<u>5,215,322</u>	<u>1,036,049</u>
		<u>12,870,642</u>	<u>10,946,833</u>

21. SHARE CAPITAL

21.1 Authorised capital

2017 (Number of shares)	2016		2017 Rupees in '000	2016 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	– issued for cash	300,000	300,000
92,500,000	92,500,000	– issued upon amalgamation	925,000	925,000
925,331,480	925,331,480	– issued as bonus shares	9,253,315	9,253,315
<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u>	<u>10,478,315</u>

21.3 As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2016: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

	Note	2017 Rupees in '000	2016 Rupees in '000
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	22.1	182,331	154,678
Available for sale securities	22.2	750,890	2,374,498
		<u>933,221</u>	<u>2,529,176</u>
22.1 Non-banking assets			
Surplus on revaluation of non-banking assets as at 1 January		237,966	–
Revaluation of non-banking assets during the period		82,023	258,227
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the period - net of deferred tax		(25,662)	(13,170)
Related deferred tax liability on disposal and incremental depreciation during the period		<u>(13,818)</u>	<u>(7,091)</u>
		42,543	237,966
Surplus on revaluation of non banking assets		280,509	237,966
Less: Related deferred tax liability on:			
Revaluation as at 1 January		83,288	–
Revaluation of non-banking assets during the period		28,708	90,379
Disposal and incremental depreciation during the period		<u>(13,818)</u>	<u>(7,091)</u>
		14,890	83,288
Related deferred tax liability		<u>98,178</u>	<u>83,288</u>
		<u>182,331</u>	<u>154,678</u>

	2017	2016
	Rupees in '000	
22.2 Available-for-sale securities		
Federal government securities		
Market treasury bills	(5,208)	8,959
Pakistan investment bonds	967,602	2,476,838
GOP ijarah sukuk	148,112	387,580
Fully paid-up ordinary shares and mutual funds		
Listed shares and mutual funds	42,395	743,282
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(3,949)	18,123
Unlisted term finance certificates	—	1,342
Sukuk certificates / bonds	10,831	10,988
	1,159,783	3,647,112
Related deferred tax liability - net	(408,893)	(1,272,614)
	750,890	2,374,498
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	—	872
23.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	27,732,564	21,036,923
ii) Banking companies and other financial institutions	1,367,885	499,127
iii) Others	13,719,512	16,022,300
	42,819,961	37,558,350
23.3 Trade-related contingent liabilities		
Letters of credit	79,477,866	61,829,418
Acceptances	16,144,323	11,400,550
23.4 Commitments in respect of forward exchange contracts		
Purchase	78,728,094	76,832,902
Sale	48,559,582	66,117,312
23.5 Commitments for the acquisition of operating fixed assets	25,281	61,774
23.6 Claims against bank not acknowledged as debt	22,494,508	23,071,676
23.7 Commitments in respect of forward lendings		

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

	2017	2016
	Rupees in '000	
23.8 Commitments in respect of financing transactions	<u>152,500</u>	<u>—</u>
23.9 Commitments in respect of syndicate financing	<u>207,279</u>	<u>628,948</u>

23.10 Taxation

Income tax assessments of the Group have been finalised upto the tax year 2017 (corresponding to the accounting year ended 31 December 2016). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Revenue (ATIR). However, adequate provisions are being held by the Group.

23.11 Foreign Exchange repatriation case

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

	Note	2017	2016
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
– Customers		10,079,984	8,734,055
– Financial institutions		59,603	106,527
		<u>10,139,587</u>	<u>8,840,582</u>
On investments in:			
Available-for-sale securities		19,417,029	20,044,389
Held-to-maturity securities		3,785,110	3,319,129
		<u>23,202,139</u>	<u>23,363,518</u>
On Bai-Muajjal with the SBP		139,616	272,366
On deposits with financial institutions		403,603	442,558
On repurchased agreements			
lendings (reverse repo)		316,354	261,158
		<u>34,201,299</u>	<u>33,180,182</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		16,141,401	17,622,578
On repurchase agreement borrowings (Repo)		1,928,913	1,428,679
On short term borrowings		1,661,268	2,227,713
On long term borrowings		217,920	127,018
		<u>19,949,502</u>	<u>21,405,988</u>
27. GAIN / (LOSS) ON SALE / REDEMPTION OF SECURITIES – NET			
Federal government securities			
Market treasury bills		33,630	29,588
Pakistan investment bonds		94,997	3,395,821
GOP ijarah sukuk		11,533	(1,435)
Fully paid-up ordinary shares			
Listed companies		194,051	115,841
Mutual funds			
		88,675	785,129
		<u>422,886</u>	<u>4,324,944</u>
28. OTHER INCOME			
Rent on properties		18,850	26,989
Net gain on sale of operating fixed assets		13,795	20,959
Recovery of charges from customers	28.1	161,711	136,655
Incidental and service charges		70,063	58,117
Gain on sale of ijarah assets		56	32
Gain on bargain purchase	2.1	131,367	–
Income from non-banking assets and (loss) / gain on sale of such assets	28.2	(46,573)	5,083
Bad debts recovered previously written off		37,788	72,730
Staff notice period and other recoveries		2,368	1,515
		<u>389,425</u>	<u>322,080</u>

28.1 This amount includes courier, telephone and swift charges etc. recovered from customers.

28.2 This includes net loss on sale of a properties amounting to Rs. 51,073 thousand (2016: net gain Rs. 583 thousands) respectively.

respectively.

	Note	2017	2016
		Rupees in '000	
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		5,075,934	4,716,639
Charge for defined benefit plans	36.5	138,427	149,094
Contribution to defined contribution plans		167,390	151,285
Non-executive directors' fees, allowances and other expenses		10,327	7,800
Brokerage and commission		119,110	135,632
Rent, taxes, insurance, electricity etc.		1,548,406	1,378,331
Legal and professional charges		156,724	122,646
Communication		286,254	251,690
Repairs and maintenance		414,626	267,235
Rentals of operating leases		11,249	34,974
Stationery and printing		167,670	174,482
Management fee		264,549	107,620
Advertisement and publicity		184,777	140,758
Donations	29.2	82,260	92,450
Auditors' remuneration	29.3	17,374	12,605
Depreciation and amortization	14 & 29.4	881,886	727,861
Security charges		392,922	380,539
Travelling and conveyance		170,480	135,196
Computer software maintenance		83,571	101,840
Subscriptions		164,428	140,633
Others		196,445	178,902
		10,534,809	9,408,212

29.1 The administrative expenses includes Rs. 17,240 thousand (2016: Rs. 5,482 thousand) incurred for providing office premises and support staff to the Chairman for carrying out his duties as chairman of the Board.

	2017	2016
	Rupees in '000	

29.2 Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

DONEE

Habib Metropolitan Employees Endowment Fund	15,000	25,000
The Citizens Foundation	14,400	13,500
Habib University Foundation	12,000	12,000
Patients' Aid Foundation	10,030	10,030
Sindh Institute of Urology and Transplantation	2,500	5,000
Mohamedali Habib Welfare Trust	2,000	2,000
Al-Sayyeda Benevolent Trust	1,960	960
The Indus Hospital	1,450	250
Masoomen Hospital Trust	1,000	1,500

	2017	2016
	Rupees in '000	
DONEE		
Fatimiyah Education Network	1,000	1,000
Alleviate Addiction Suffering Trust	1,000	1,000
Abdul Sattar Edhi Foundation	1,000	500
The Aga Khan Hospital and Medical College Foundation	1,000	500
Habib Medical Trust	960	960
Habib Poor Fund	960	960
RehmatBai Habib Food & Clothing Trust	960	960
Abbas-e-Alamdar Hostel	960	960
RehmatBai Habib Widows & Orphan Trust	960	960
The Society for the Rehabilitation of Special Children	800	–
The Layton Rehmatulla Benevolent Trust	700	–
Zehra Homes	640	1,140
Pakistan Memon Educational & Welfare Society	600	600
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
Karachi Down Syndrome Program	500	500
Poor Patients Aid Society Civil Hospital	500	500
National Academy of Performing Arts	500	–
Panah Trust	500	–
School Of Leadership Foundation	500	–
Shaukat Khanum Memorial Trust	500	–
Habib Girls School	400	–
Habib Public School	350	1,000
Marie Adelaide Leprosy Centre	350	500
Friends of Burns Centre	300	–
Memon Health and Education Foundation (Memon Medical Institute)	300	–
Developments in Literacy	250	550
Afzaal Memorial Thalassemia Foundation	250	500
Al-Umeed Rehabilitation Association	250	250
Anjuman Behbood-e-Samat-e-Atfal	250	250
Bantva Memon Jamat	250	250
Bantva Memon Rahat Committee	250	250
Pak Medical and Welfare Trust	250	250
Friends of Pink Ribbon	250	–
Publican Alumni Trust	250	–
The Pakistan Institute of International Affairs	250	–
Ahmed Abdullah Foundation	200	200
Kashmir Education Foundation	200	200
Dhoraji Association	150	150
Bantva Anjuman Himayat-e-Islam	150	150
Academy of Quranic Studies	120	120
Dhoraji Youth Services Foundation	100	200
Aziz Tabba Foundation (Tabba Heart Institute)	–	1,000
Habib Education Trust	–	1,000
MBJ Health Association	–	500
The Health Foundation	–	500
Vocational Welfare Society for Mentally Retarded Markaz-e-Umeed	–	300
Institute of Business Administration	–	300

	2017	2016
	Rupees in '000	
DONEE		
Child Aid Association	–	300
Rotary Club of Karachi Continental	–	300
Caravan of Life (Pak) Trust	–	250
Dow '86 Children Critical Care Foundation	–	250
Health Oriented Preventive Education	–	250
The Medical Aid Foundation	–	250
The Patients Behbud Society	–	250
Family Educational Services Foundation	–	200

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2017 and 2016, except for donations paid to:

Name of Donee	Directors	Interest in Donee as
Habib Education Trust	Mr. Muhammad H. Habib Mr. Mohamedali R. Habib Mr. Ali S. Habib	Member of the Board of Trustees Member of the Board of Trustees Member of the Board of Trustees
Habib Medical Trust	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib Poor Fund	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib University Foundation	Mr. Ali S. Habib 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 Member of the Board of Directors
Mohamedali Habib Welfare Trust	Mr. Ali S. Habib	Member of the Board of Trustees
RehmatBai Habib Food & Clothing Trust	Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Trustees Member of the Board of Trustees
RehmatBai Habib Widows & Orphan Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees

29.3 Auditors' remuneration	Note	2017	2016
		Rupees in '000	
Audit fee		3,910	2,325
Review of half-yearly financial statements		971	870
Certifications and agreed upon procedures engagements		11,104	7,873
Out-of-pocket expenses		1,389	1,537
		<u>17,374</u>	<u>12,605</u>

29.4 This amount includes Rs. 22,461 thousand (2016: Rs. 19,866 thousand) charged against non-banking assets.

30. OTHER PROVISIONS / WRITE OFFS / (REVERSAL)

Reversal of provision against other assets - net	16.2	(149,365)	(172,705)
Other assets write off		–	1,702
		<u>(149,365)</u>	<u>(171,003)</u>

	Note	2017	2016
		Rupees in '000	
31. OTHER CHARGES			
Penalties imposed by the SBP		3,229	18,572
Workers' welfare fund	31.1	180,945	214,331
		<u>184,174</u>	<u>232,903</u>

31.1 Under the Workers' Welfare Ordinance 1971, the Group is liable to pay workers' welfare fund (WWF) @ 2% of accounting profit before tax or taxable income, whichever is higher.

The Group has made full provision for WWF based on profit for the respective years.

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

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

32. TAXATION

For the year			
Current		2,781,296	3,522,345
Deferred	15.1	452,068	115,275
		<u>3,233,364</u>	<u>3,637,620</u>
For prior years			
Current		413,022	581,742
	23.10 & 32.1	<u>3,646,386</u>	<u>4,219,362</u>

32.1 Relationship between tax expense and accounting profit

Profit before tax	9,511,305	10,348,052
Tax at the applicable tax rate	3,229,783	3,621,917
Prior years' taxation	413,022	581,742
Others	3,581	15,703
Tax charge for the year	<u>3,646,386</u>	<u>4,219,362</u>

32.2 Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances.

Further, Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,248,393 thousand (2016: Rs. 3,761,929 thousand).

	Note	2017	2016
		Rupees in '000	
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit attributable to the equity shareholders of the holding company		<u>5,670,724</u>	<u>6,128,690</u>
		(Number in '000)	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		(Rupees)	
Basic and diluted earnings per share		<u>5.41</u>	<u>5.85</u>
34. CASH AND CASH EQUIVALENTS		Rupees in '000	
Cash and balances with treasury banks	9	42,282,249	35,561,885
Balances with other banks	10	1,234,380	2,260,110
Overdrawn nostro accounts	18.2	(1,788,779)	(773,124)
Overdrawn local bank accounts	18.2	(363,210)	(117,017)
		<u>41,364,640</u>	<u>36,931,854</u>
35. STAFF STRENGTH		(Number)	
Permanent		3,816	3,667
Temporary / on contractual basis		264	265
Group's own staff strength at end of the year		<u>4,080</u>	<u>3,932</u>
Outsourced		711	689
Total staff strength		<u>4,791</u>	<u>4,621</u>
36. DEFINED BENEFIT PLAN			
36.1 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 subject to a maximum of 24 months last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

36.2 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2017 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	Note	2017	2016
Discount rate - percent (per annum)		8.25-9.50	9.25
Expected rate of return on plan assets - percent (per annum)		9.25	9.25
Long term rate of salary increase - percent (per annum)		8.25-9.50	8.75
Mortality rates (for death in service)		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Rate of employees turnover		Light-Moderate	Moderate

36.3 Reconciliation of payable to defined benefit plan

		Rupees in '000	
Fair value of plan assets	36.6	1,125,860	998,280
Present value of defined benefit obligations	36.7	(1,326,139)	(1,196,096)
Amount payable to the plan (deficit)		<u>(200,279)</u>	<u>(197,816)</u>

The above balance includes actuarial gain of Rs. 1,385 thousand (2016: actuarial gain of Rs. 30,289 thousand).

36.4 Movement in payable to defined benefit plan

Opening balance		197,816	228,105
Transfer of opening through acquisition		1,829	-
Defined benefit charge to profit and loss account	36.5	138,427	149,094
Defined benefit charged to other comprehensive income - actuarial (gain) / loss for the year	36.8	1,385	(30,289)
Contribution to the fund	36.6	(139,178)	(149,094)
Closing balance		<u>200,279</u>	<u>197,816</u>

36.5 Charge for defined benefit plan

Current service cost	36.7	120,423	126,284
Net interest	36.7	108,667	110,415
Expected return on plan assets	36.6	(90,663)	(87,605)
Total charge recognised in the profit and loss account		<u>138,427</u>	<u>149,094</u>

The expected gratuity cost for the year 2018 is Rs. 149,179 thousand as per actuarial valuation.

36.6 Movement in fair value of plan assets

Opening balance		998,280	915,700
Transfer of opening through acquisition		21,628	-
Expected return on plan assets	36.5	90,663	87,605
Actuarial loss recognised in other comprehensive income	36.8	(42,147)	(74,825)
Benefits paid	36.7	(72,399)	(79,294)
Benefits due but not paid		(9,343)	-
Contribution to the fund	36.4	139,178	149,094
Closing balance		<u>1,125,860</u>	<u>998,280</u>

	Note	2017	2016
		Rupees in '000	
36.7 Movement in present value of defined benefit obligation			
Opening balance		1,196,096	1,143,805
Transfer of liability through acquisition		23,457	–
Current service cost	36.5	120,423	126,284
Interest cost	36.5	108,667	110,415
Actuarial gain recognised in other comprehensive income	36.8	(40,762)	(105,114)
Benefits paid	36.6	(72,399)	(79,294)
Benefits due but not paid		(9,343)	–
Closing balance		<u>1,326,139</u>	<u>1,196,096</u>
36.8 Annual actuarial loss / (gain) recognised in 'Other Comprehensive Income'			
Experience gain on obligation	36.7	(40,762)	(105,114)
Experience loss on plan assets	36.6	42,147	74,825
Total loss / (gain) recognised during the year	36.4	<u>1,385</u>	<u>(30,289)</u>
36.9 Actual return on plan assets		<u>48,516</u>	<u>12,780</u>

36.10 Plan assets comprise the following:

	Note	2017		2016	
		(Rupees in '000)	%	(Rupees in '000)	%
Bank deposits	36.10.1	225,265	20.01	527,193	52.81
Federal government securities (Pakistan Investment Bonds)		877,353	77.93	471,087	47.19
Certificate of investments		23,242	2.06	–	0.00
		<u>1,125,860</u>	<u>100.00</u>	<u>998,280</u>	<u>100.00</u>

36.10.1 The amount represents balance which is deposited with the branches of the holding company.

36.11 Re-measurements recognised in other comprehensive income during the year

	Note	2017	2016
		Rupees in '000	
Actuarial (gain) / loss on obligation			
– Demographic assumptions		–	–
– Financial assumptions		–	(438)
– Experience adjustment		(40,762)	(104,676)
Return on plan assets over interest income		(48,516)	(12,780)
Adjustment for mark-up		90,663	87,605
Total re-measurements recognised in other comprehensive income	36.8	<u>1,385</u>	<u>(30,289)</u>

36.12 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:

	2017 Rupees in '000
Increase in discount rate by 1%	(130,864)
Decrease in discount rate by 1%	153,619
Increase in expected future increment in salary by 1%	152,712
Decrease in expected future increment in salary by 1%	(132,419)
Increase in expected withdrawal rate by 10%	234
Decrease in expected withdrawal rate by 10%	(335)
Increase in expected mortality rate by 1%	249
Decrease in expected mortality rate by 1%	(225)

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.

36.13 Historical information

	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	1,326,139	1,196,096	1,143,805	961,616	816,018
Fair value of plan assets	(1,125,860)	(998,280)	(915,700)	(762,904)	(518,394)
Deficit	200,279	197,816	228,105	198,712	297,624
Actuarial (gain) / loss on obligation	(40,762)	(105,114)	21,035	(16,895)	80,322
Actuarial loss on assets	42,147	74,825	11,253	9,327	24,126

36.14 The average duration of defined benefit obligation is 11 years.

37. DEFINED CONTRIBUTION PLAN

The Group 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. Investment made out of provident fund have been made in accordance with the provision of section 227 of the repealed Companies Ordinance 1984.

37.1 Following information relates to provident fund scheme based on audited accounts as of June 2017:

	Note	2017	2016
		Rupees in '000	
Size of the fund		3,135,980	2,631,087
Cost of investments made	37.1.1	2,801,733	2,398,340
Percentage of investments made		89%	91%
Fair value of investments		2,772,932	2,474,435

	2017	2016
	Rupees in '000	
37.1.1 Breakup of investments made		
Pakistan investment bond	704,707	1,248,340
Mutual funds	350,000	—
Bank balances	97,026	—
Special saving certificates	200,000	—
Term deposits receipts	1,450,000	1,150,000
	<u>2,801,733</u>	<u>2,398,340</u>

Number of the members participating in the fund at the end of the year as per audited accounts are 3,304 (2016: 3,087).

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Fees	—	—	3,400	7,800	—	—
Managerial remuneration	72,990	66,300	—	—	2,500,586	2,488,457
Charge for defined benefit plan	2,650	2,767	—	—	81,839	89,723
Contribution to defined contribution plan	3,300	3,300	—	—	109,173	95,204
Utilities	6,142	5,993	970	—	—	4,242
Bonus	9,500	8,250	—	—	280,382	264,766
Others	1,600	—	5,957	—	1,600	129
	<u>96,182</u>	<u>86,610</u>	<u>10,327</u>	<u>7,800</u>	<u>2,973,580</u>	<u>2,942,521</u>
Number of persons	<u>3</u>	<u>2</u>	<u>6</u>	<u>6</u>	<u>1,230</u>	<u>1,214</u>

38.1 The Chief Executive and certain executives are provided with free use of car and household equipment in accordance with their terms of employment. The Chief Executive is also provided with leave fare assistance.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable and willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices except for tradable securities classified by the holding company as held-to-maturity. These securities are being carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004, and have been disclosed in "Annexure I".

Fair values of unlisted equity investments is determined on the basis of breakup value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.7.

The maturity and repricing profile and effective rates are stated in notes 44.5.1 and 44.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

39.1 Off-balance sheet financial instruments

	2017		2016	
	Contracted Value	Fair Value	Contracted Value	Fair Value
Rupees in '000				
Forward purchase of foreign exchange contracts	<u>78,728,094</u>	<u>81,575,492</u>	<u>76,832,902</u>	<u>76,022,687</u>
Forward sale of foreign exchange contracts	<u>48,559,582</u>	<u>50,180,677</u>	<u>66,117,312</u>	<u>66,779,677</u>

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

On balance sheet financial instruments

	2017			
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Rupees in '000				
		Total		

Financial assets measured at fair value

- Investments					
- Available-for-sale securities					
Federal government securities	350,542,073	-	350,542,073	-	350,542,073
Sukuk certificates and bonds	1,904,562	-	1,904,562	-	1,904,562
Ordinary shares of listed companies	741,041	741,041	-	-	741,041
Mutual funds	1,402,494	1,402,494	-	-	1,402,494
Listed term finance certificates	2,701,393	2,701,393	-	-	2,701,393
Unlisted term finance certificates	85,590	-	85,590	-	85,590

Financial assets not measured at fair value

- Cash and balances with treasury banks	42,282,249	-	-	-	-
- Balances with other banks	1,234,380	-	-	-	-
- Lendings to financial institutions	10,914,805	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,360,790	-	-	-	-
Certificates of investments	1,500,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	28,130	-	-	-	-
- Advances	181,790,445	-	-	-	-
- Other assets	11,594,814	-	-	-	-
	<u>643,082,766</u>	<u>4,844,928</u>	<u>352,532,225</u>	<u>-</u>	<u>357,377,153</u>

Financial liabilities not measured at fair value

- Bills payable	9,383,752	-	-	-	-
- Deposits and other accounts	517,685,132	-	-	-	-
- Borrowings	67,323,249	-	-	-	-
- Other liabilities	11,326,775	-	-	-	-
	<u>605,718,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>37,363,858</u>	<u>4,844,928</u>	<u>352,532,225</u>	<u>-</u>	<u>357,377,153</u>

Carrying value	2016				Total
	Fair value				
	Level 1	Level 2	Level 3		
	Rupees in '000				

Financial assets measured at fair value

- Investments					
- Available-for-sale securities					
Federal government securities	274,215,763	-	274,215,763	-	274,215,763
Sukuk certificates and bonds	1,149,362	-	1,149,362	-	1,149,362
Ordinary shares of listed companies	1,840,554	1,840,554	-	-	1,840,554
Mutual funds	4,678,866	4,678,866	-	-	4,678,866
Listed term finance certificates	2,024,268	2,024,268	-	-	2,024,268
Unlisted term finance certificates	287,330	-	287,330	-	287,330

Financial assets not measured at fair value

- Cash and balances with treasury banks	35,561,885	-	-	-	-
- Balances with other banks	2,260,110	-	-	-	-
- Lendings to financial institutions	16,750,886	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	27,642,036	-	-	-	-
Certificates of investments	2,200,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	94,695	-	-	-	-
- Advances	142,951,166	-	-	-	-
- Other assets	7,041,238	-	-	-	-
	518,698,159	8,543,688	275,652,455	-	284,196,143

Financial liabilities not measured at fair value

- Bills payable	8,108,633	-	-	-	-
- Deposits and other accounts	430,443,867	-	-	-	-
- Borrowings	37,205,175	-	-	-	-
- Other liabilities	10,024,431	-	-	-	-
	485,782,106	-	-	-	-
	32,916,053	8,543,688	275,652,455	-	284,196,143

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

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

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

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

40. TRUST ACTIVITIES

The Group is currently not engaged in any trust activities.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	24,427,444	2,723,729	26,241,367	53,392,540
Total expenses *	(20,136,099)	(2,439,903)	(21,305,233)	(43,881,235)
Net income	4,291,345	283,826	4,936,134	9,511,305
Segment assets	412,784,913	8,698,613	229,641,898	651,125,424
Segment non-performing loans	–	4,554	18,515,295	18,519,849
Segment provision required	–	4,554	16,164,028	16,168,582
Segment liabilities	37,028,808	73,904,395	496,329,572	607,262,775
Segment return on assets (ROA) (%)	5.92%	3.69%	5.29%	
Segment cost of funds (%)	4.88%	3.30%	4.29%	
	2016			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	27,977,242	3,837,879	27,403,674	59,218,795
Total expenses *	(20,994,105)	(2,738,219)	(25,138,419)	(48,870,743)
Net income	6,983,137	1,099,660	2,265,255	10,348,052
Segment assets	334,342,416	2,363,424	189,736,812	526,442,652
Segment non-performing loans	–	4,554	19,868,588	19,873,142
Segment provision required	–	4,554	16,792,385	16,796,939
Segment liability	14,747,117	65,055,739	406,901,652	486,704,508
Segment return on net assets (ROA) (%)	8.37%	5.90%	6.73%	
Segment cost of funds (%)	6.28%	4.21%	6.18%	

* Includes Rs. 13,287,989 thousand (2016: Rs. 17,150,107 thousand) of inter-segment revenues and expenses.

42. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 December 2017					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	503,799	19,992,444	129,686	538,535	1,666,278	22,830,742
Received during the year	15,941,979	1,576,776,036	689,483	3,844,414	2,113,317	1,599,365,229
Repaid during the year	(15,714,073)	(1,575,716,335)	(650,630)	(3,706,991)	(1,375,476)	(1,597,163,505)
At end of the year	<u>731,705</u>	<u>21,052,145</u>	<u>168,539</u>	<u>675,958</u>	<u>2,404,119</u>	<u>25,032,466</u>
Advances						
At beginning of the year	–	3,184,499	144,644	–	–	3,329,143
Disbursed during the year	2,204	52,778,815	81,721	–	–	52,862,740
Recovered during the year	–	(54,258,678)	(53,780)	–	–	(54,312,458)
At end of the year	<u>2,204</u>	<u>1,704,636</u>	<u>172,585</u>	<u>–</u>	<u>–</u>	<u>1,879,425</u>
Certificate of investments	–	–	–	–	26,502	26,502
Bank balances held by the Group	<u>172,044</u>	<u>53,133</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>225,177</u>
Overdrawn bank balances held by the Group	–	<u>9,459</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,459</u>
Mark-up / return / interest receivable	–	<u>5,960</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,960</u>
Mark-up / return / interest payable	–	<u>281,861</u>	<u>3,808</u>	<u>2,162</u>	<u>543,364</u>	<u>831,195</u>
Management fee payable for technical and consultancy services *	<u>225,673</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>225,673</u>
Prepayments / Advance deposits	–	<u>8,388</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,388</u>
Dividend receivable	–	–	–	–	–	–
Insurance premium and other payables	–	<u>2,929</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,929</u>
Transaction-related contingent liabilities	–	<u>6,604,326</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,604,326</u>
Trade-related contingent liabilities	–	<u>2,444,319</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,444,319</u>
Commitment against operating leases	–	–	–	–	–	–
Receivable / (payables) against purchase / (sale) of securities	<u>8,421</u>	<u>–</u>	<u>–</u>	<u>(322)</u>	<u>–</u>	<u>8,099</u>

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

	31 December 2016					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	304,504	17,875,031	66,322	498,364	1,121,035	19,865,256
Received during the year	22,750,934	1,433,239,459	758,702	2,016,849	2,406,913	1,461,172,857
Repaid during the year	(22,551,639)	(1,431,122,046)	(695,338)	(1,976,678)	(1,861,670)	(1,458,207,371)
At end of the year	<u>503,799</u>	<u>19,992,444</u>	<u>129,686</u>	<u>538,535</u>	<u>1,666,278</u>	<u>22,830,742</u>
Advances						
At beginning of the year	–	3,967,805	128,974	–	–	4,096,779
Disbursed during the year	–	63,535,889	61,857	–	–	63,597,746
Recovered during the year	–	(64,319,195)	(46,187)	–	–	(64,365,382)
At end of the year	<u>–</u>	<u>3,184,499</u>	<u>144,644</u>	<u>–</u>	<u>–</u>	<u>3,329,143</u>
Bank balances held by the Group	<u>292,215</u>	<u>29,364</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>321,579</u>
Overdrawn Bank balances held by the Group	<u>–</u>	<u>6,472</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,472</u>
Mark-up / return / interest receivable	<u>–</u>	<u>1,457</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,457</u>
Mark-up / return / interest payable	<u>–</u>	<u>325,084</u>	<u>4,954</u>	<u>2,169</u>	<u>351,899</u>	<u>684,106</u>
Management fee payable for technical and consultancy services *	<u>180,265</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180,265</u>
Prepayments / Advance deposits	<u>–</u>	<u>26,265</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>26,265</u>
Insurance premium and other payables	<u>–</u>	<u>830</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>830</u>
Transaction-related contingent liabilities	<u>–</u>	<u>4,670,305</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,670,305</u>
Trade-related contingent liabilities	<u>–</u>	<u>5,041,474</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,041,474</u>
Receivable / (payables) against purchase / (sale) of securities	<u>10,190</u>	<u>–</u>	<u>(233)</u>	<u>–</u>	<u>–</u>	<u>9,957</u>

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

Transactions during the year

	For the year ended 31 December 2017					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up / return / interest earned	289	83,820	7,415	–	–	91,524
Mark-up / return / interest expensed	–	1,151,256	9,624	21,002	205,383	1,387,265
Commission / brokerage / bank charges recovered	11,524	190,721	–	231	–	202,476
Commission / brokerage / bank charges paid	1,303	1,049	–	–	–	2,352
Dividend income	–	–	–	–	–	–
Rent income	5,616	–	–	–	–	5,616
Salaries and allowances	–	–	377,261	–	–	377,261
Directors' fees & other benefits	–	–	–	10,327	–	10,327
Charge for defined benefit plans	–	–	–	–	138,427	138,427
Charge for defined contribution plan	–	–	–	–	167,390	167,390
Operating lease rentals / rent expenses	–	12,072	–	–	–	12,072
Insurance premium expenses	–	77,441	–	–	–	77,441
Maintenance, electricity, stationery and entertainment	–	57,940	–	–	–	57,940
Management fee expense for technical and consultancy services *	261,171	–	–	–	–	261,171
Donation paid	–	33,318	–	–	–	33,318
Dividend paid	–	104,271	–	–	–	104,271
Professional / other charges paid	–	257	–	–	–	257

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

Transactions during the year

	For the year ended 31 December 2016					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up / return / interest earned	–	101,224	5,459	–	–	106,683
Mark-up / return / interest expensed	–	1,145,812	5,815	23,557	173,421	1,348,605
Commission / brokerage / bank charges recovered	11,994	164,786	14	79	–	176,873
Commission / brokerage / bank charges paid	295	756	–	–	–	1,051
Rent income	5,615	–	–	–	–	5,615
Salaries and allowances	–	–	348,638	–	–	348,638
Directors' fees	–	–	–	7,800	–	7,800
Charge for defined benefit plan	–	–	–	–	149,094	149,094
Charge for defined contribution plan	–	–	–	–	151,285	151,285
Rent expenses	–	11,441	–	–	–	11,441
Insurance premium expenses	2,752	43,859	–	–	–	46,611
Maintenance, electricity, stationery & entertainment expenses	–	52,769	–	–	–	52,769
Management fee expense for technical and consultancy services*	107,620	–	–	–	–	107,620
Donation paid	–	43,840	–	–	–	43,840
Professional / other charges paid	–	209	–	–	–	209

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

43. CAPITAL ASSESSMENT AND ADEQUACY

43.1 Scope of Applications

The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated 15 August 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from 31 December 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by 31 December, 2018. This Capital Adequacy framework is applicable to the Group.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirement of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigates are also applied against the Group's exposures based on eligible collateral.

43.1.1 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return.

Statutory minimum capital requirement and Capital Adequacy Ratio

The SBP through its BSD Circular No. 07 dated 15 April, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the holding company for the year ended 31 December, 2017 stood at Rs. 10,478 million (2016: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.275% of the risk weighted exposures of the Group. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at 31 December, 2017. As at 31 December, 2017 the Group was fully compliant with prescribed ratios as the Group's CAR was 17.36% whereas CET 1 and Tier 1 ratios both stood at 16.97%. The Group and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net un-appropriated profits meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly;

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of assets - net of tax, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;

43.2 Capital Structure

	Note	31 December 2017 Rupees in '000	31 December 2016	Source based on reference number from Note 43.3.2
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Fully paid-up capital / capital deposited with SBP		10,478,315	10,478,315	(s)
Balance in share premium account		2,550,985	2,550,985	(s)
Reserve for issue of bonus shares		—	—	
Discount on issue of shares		—	—	
General / statutory reserves		12,573,046	11,382,890	(u)
Gain / (losses) on derivatives held as cash flow hedge		—	—	
Unappropriated / unremitted profits / (losses)		14,159,430	12,796,778	(w)
Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		978,206	—	(x)
CET 1 before regulatory adjustments		40,739,982	37,208,968	
Total regulatory adjustments applied to CET1	43.2.1	485,152	930,804	
Common Equity Tier 1		40,254,830	36,278,164	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium		—	—	
of which: classified as equity		—	—	(t)
of which: classified as liabilities		—	—	(m)
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		—	—	(y)
of which: instrument issued by subsidiaries subject to phase out		—	—	
AT1 before regulatory adjustments		—	—	
Total regulatory adjustment applied to AT1 capital	43.2.2	—	—	
Additional Tier 1 capital after regulatory adjustments		—	—	
Additional Tier 1 capital recognized for capital adequacy		—	—	
Tier 1 Capital (CET1 + admissible AT1)		40,254,830	36,278,164	

	Note	31 December 2017	31 December 2016	Source based on reference number from Note 43.3.2
		Rupees in '000		
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-	(n)
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III Rules		-	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-	-	(z)
of which: instruments issued by subsidiaries subject to phase out		-	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets		257,841	134,110	(g)
Revaluation reserves (net of taxes)		-	-	portion of (aa)
of which: revaluation reserves on fixed assets		-	-	(aaa)
of which: unrealized gain on AFS		668,292	1,852,108	
Foreign exchange translation reserves		-	-	(v)
Undisclosed / other reserves		-	-	
T2 before regulatory adjustments		926,133	1,986,218	
Total regulatory adjustment applied to T2 capital	43.2.3	-	-	
Tier 2 capital (T2) after regulatory adjustments		926,133	1,986,218	
Tier 2 capital recognized for capital adequacy		926,133	1,986,218	
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-	
Total Tier 2 capital admissible for capital adequacy		926,133	1,986,218	
Total capital (T1 + admissible T2)		41,180,963	38,264,382	
Total Risk Weighted Assets (RWA)	43.5	237,181,666	208,590,947	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET 1 to total RWA		16.97%	17.39%	
Tier 1 capital to total RWA		16.97%	17.39%	
Total capital to total RWA		17.36%	18.34%	
Bank specific buffer requirement (minimum CET 1 requirement plus capital conservation buffer plus any other buffer requirement)		6.00%	6.00%	
of which: capital conservation buffer requirement		-	-	
of which: countercyclical buffer requirement		-	-	
of which: D-SIB or G-SIB buffer requirement		-	-	
CET 1 available to meet buffers (as a percentage of risk weighted assets)		10.97%	11.39%	
National minimum capital requirements prescribed by SBP				
CET 1 minimum ratio		6.00%	6.00%	
Tier 1 minimum ratio		7.50%	7.50%	
Total capital minimum ratio		11.275%	10.65%	

43.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	31 December 2017	Amounts subject to Pre-Basel III treatment	31 December 2016	Source based on reference number from Note 43.3.2
	Rupees in '000			
Goodwill (net of related deferred tax liability)	-	-	-	
All other intangibles (net of any associated deferred tax liability)	265,952	-	190,582	(h) – (p)
Shortfall in provisions against classified assets	-	-	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	
Defined-benefit pension fund net assets	-	-	-	
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	219,200	-	740,222	(d)
Cash flow hedge reserve	-	-	-	
Investment in own shares / CET1 instruments	-	-	-	
Securitization gain on sale	-	-	-	
Capital shortfall of regulated subsidiaries	-	-	-	
Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	-	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	
Amount exceeding 15% threshold	-	-	-	
of which: significant investments in the common stocks of financial entities	-	-	-	
of which: deferred tax assets arising from temporary differences	-	-	-	
National specific regulatory adjustments applied to CET1 capital	-	-	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	
Any other deduction specified by SBP	-	-	-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	
Total regulatory adjustments applied to CET1	485,152	-	930,804	

43.2.2 Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
Investment in own AT1 capital instruments	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the group does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital I based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 capital	-	-	-
Adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-

31 December 2017 Amounts subject to Pre-Basel III treatment 31 December 2016 Source based on reference number from Note 43.3.2

————— Rupees in '000 —————

43.2.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital

Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities

Investment in own Tier 2 capital instrument

Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the group does not own more than 10% of the issued share capital (amount above 10% threshold)

Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation

Amount of regulatory adjustment applied to Tier 2 capital

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

31 December 2017 31 December 2016

————— Rupees in '000 —————

43.2.4 Additional Information

Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)

of which: deferred tax assets

of which: Defined-benefit pension fund net assets

of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity

of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

-	-
-	-
-	-
-	-

Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities

Significant investments in the common stock of financial entities

Deferred tax assets arising from temporary differences (net of related tax liability)

3,105,522	3,023,453
-	-
2,933,598	2,535,790

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)

Cap on inclusion of provisions in Tier 2 under standardized approach

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings based approach (prior to application of cap)

Cap for inclusion of provisions in Tier 2 under internal ratings based approach

257,841	134,110
2,495,337	2,095,453
-	-
-	-

43.3 Capital Structure Reconciliation

43.3.1 Step 1

The accounting consolidation is identical to the scope of regulatory consolidation.

43.3.2 Step 2

	2017		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	Rupees in '000		
ASSETS			
Cash and balances with treasury banks	42,282,249	42,282,249	
Balances with other banks	1,234,380	1,234,380	
Lendings to financial institutions	10,914,805	10,914,805	
Investments	395,266,073	395,266,073	
of which: Non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	—	—	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	—	—	b
of which: Mutual Funds exceeding regulatory threshold	—	—	c
of which: reciprocal crossholding of capital instrument (separate for CET 1, AT 1, Tier 2)	219,200	219,200	d
of which: others	—	—	e
Advances	181,790,445	181,790,445	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	—	—	f
general provisions reflected in Tier 2 capital	257,841	257,841	g
Fixed Assets	3,418,407	3,418,407	
of which intangibles	265,952	265,952	h
Deferred Tax Assets	2,835,420	2,835,420	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	—	—	i
of which: DTAs arising from temporary differences exceeding regulatory threshold	—	—	j
Other assets	13,383,645	13,383,645	
of which: Goodwill	—	—	k
of which: Defined-benefit pension fund net assets	—	—	l
Total assets	651,125,424	651,125,424	

	2017		Ref.
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	Rupees in '000		
LIABILITIES & EQUITY			
Bills payable	9,383,752	9,383,752	
Borrowings	67,323,249	67,323,249	
Deposits and other accounts	517,685,132	517,685,132	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	12,870,642	12,870,642	
Total liabilities	607,262,775	607,262,775	
Share capital	13,029,300	13,029,300	
of which: amount eligible for CET 1	13,029,300	13,029,300	s
of which: amount eligible for AT 1	-	-	t
Reserves	12,573,046	12,573,046	
of which: portion eligible for inclusion in CET 1 (statutory reserve, special reserve & revenue reserve)	12,573,046	12,573,046	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	14,159,430	14,159,430	w
Minority Interest	3,167,652	3,167,652	
of which: portion eligible for inclusion in CET 1	978,206	978,206	x
of which: portion eligible for inclusion in AT 1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	933,221	933,221	aa
of which: revaluation reserves on non-banking assets	182,331	182,331	
of which: unrealized gains / (losses) on AFS - recognised	668,292	668,292	aaa
of which: unrealized gains / (losses) on AFS - unrecognised	82,598	82,598	
In case of deficit on revaluation (deduction from CET 1)	-	-	
Total Equity	43,862,649	43,862,649	
Total liabilities and Equity	651,125,424	651,125,424	

43.1.4 Main features template of regulatory capital instruments

Issuer	Habib Metropolitan Bank Ltd.
Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	HMB
Governing law(s) of the instrument	Capital Market Law
Regulatory treatment	
Transitional Basel III rules	Common Equity Tier 1
Post-transitional Basel III rules	Common Equity Tier 1
Eligible at solo / group / group & solo	Group & standalone
Instrument type	Common Shares
"Amount recognized in regulatory capital (Currency in PKR thousand, as of reporting date)"	41,180,963
Par value of instrument	PKR 10
Accounting classification	Shareholder equity
Original date of issuance	1992
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	Not Applicable
Optional call date, contingent call dates and redemption amount	Not Applicable
Subsequent call dates, if applicable	
Coupons / dividends	Not Applicable
Fixed or floating dividend/ coupon	Not Applicable
coupon rate and any related index/ benchmark	Not Applicable
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Not Applicable
Convertible or non-convertible	Non-Convertible
If convertible, conversion trigger (s)	Not Applicable
If convertible, fully or partially	Not Applicable
If convertible, conversion rate	Not Applicable
If convertible, mandatory or optional conversion	Not Applicable
If convertible, specify instrument type convertible into	Not Applicable
If convertible, specify issuer of instrument it converts into	Not Applicable
Write-down feature	
If write-down, write-down trigger(s)	Not Applicable
If write-down, full or partial	Not Applicable
If write-down, permanent or temporary	Not Applicable
If temporary write-down, description of write-up mechanism	Not Applicable
"Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)"	Not Applicable
Non-compliant transitioned features	Not Applicable
If yes, specify non-compliant features	Not Applicable

43.5 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy is as follows:

Credit risk

Portfolios subject to standardised approach (Simple)

On-balance sheet

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	Rupees in '000			
Cash and cash equivalents	—	—	—	—
Government of Pakistan and SBP	—	—	—	—
Public sector entities	236,674	206,003	2,366,735	2,060,031
Banks	926,261	727,210	9,262,608	7,272,102
Corporate	11,845,905	9,503,388	118,459,046	95,033,881
Retail	984,916	510,882	9,849,161	5,108,816
Residential mortgage finance	84,491	77,413	844,909	774,128
Past due loans	262,889	356,783	2,628,886	3,567,825
Operating fixed assets	315,246	305,678	3,152,455	3,056,776
Other assets	925,430	850,093	9,254,302	8,500,928
	15,581,812	12,537,450	155,818,102	125,374,487

Off-balance sheet

Non market related	3,893,540	3,772,424	38,935,401	37,724,238
Market related	131,504	86,924	1,315,040	869,238
	4,025,044	3,859,348	40,250,441	38,593,476

Equity Exposure Risk in the Banking Book

Under simple risk weight method
e.g. Listed, Unlisted
Under Internal models approach

	355,841	366,824	3,558,413	3,668,238
	—	—	—	—
	355,841	366,824	3,558,413	3,668,238

Total Credit Risk

	19,962,697	16,763,622	199,626,956	167,636,201
--	------------	------------	-------------	-------------

Market risk

Capital requirement for portfolios subject to Standardised Approach

Interest rate risk	2,006	39,842	25,075	498,025
Equity position risk	220,193	671,075	2,752,413	8,388,432
Foreign exchange risk	35,330	50,216	441,619	627,700
Total Market risk	257,529	761,133	3,219,107	9,514,157

Operational risk

Capital requirement for operational risks subject to Basic Indicator Approach

	2,746,848	2,515,247	34,335,603	31,440,589
Total Risk Weighted Assets	22,967,074	20,040,002	237,181,666	208,590,947

Capital adequacy ratio

	31 December 2017		31 December 2016	
	Required	Actual	Required	Actual
	%		%	
CET1 to total RWA	6.00	16.97	6.00	17.39
Tier-1 capital to total RWA	7.50	16.97	7.50	17.39
Total capital to total RWA including capital conversion buffer	11.275	17.36	10.65	18.34

43.6 Credit risk - General disclosures

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

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

Types of exposures and ECAI's used

Exposures	2017				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–
Securitisation	–	–	–	–	–
Others	–	–	–	–	–

42.7 Credit Exposures subject to Standardized Approach

Exposures	Rating category	2017			2016		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	14,103,057	1,054,176	13,048,881	10,902,240	37,409	10,864,831
	2	11,404,154	135,481	11,268,673	5,930,650	892,506	5,038,144
	3,4	1,484,109	–	1,484,109	494,949	–	494,949
	5,6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less		9,882,982	260,168	9,622,814	11,646,102	478,066	11,168,036
Retail		19,012,569	3,951,956	15,060,613	12,048,722	3,162,578	8,886,144
Public sector entities	1	9,598,961	59,425	9,539,536	5,957,423	14,273	5,943,150
	2,3	3,357,187	–	3,357,187	1,405,364	–	1,405,364
Others		483,101,975	11,468,000	471,633,975	388,932,323	12,093,000	376,839,323
Unrated		157,740,362	23,326,692	134,413,670	134,082,269	17,339,243	116,743,026

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

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

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

43.8 Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. As at 31 December 2017 the Group's Leverage ratio stood at 5.03% (2016: 5.68%) which is well above the minimum requirement of 3.0%.

	Note	2017	2016
		Rupees in '000	
Total assets		651,125,424	526,442,652
Less: Total regulatory adjustments applied to CET1	43.2	485,152	930,804
Total assets net of regulatory adjustments		650,640,272	525,511,848
Commitments in respect of derivatives - off balance sheet items		1,180,313	1,283,686
Total off-balance sheet commitments excluding derivatives		148,549,095	111,575,755
Total exposures (A)		800,369,680	638,371,289
Tier-1 Capital (B)	43.2	40,254,830	36,278,164
Leverage Ratio (B/A)		5.03%	5.68%

44. RISK MANAGEMENT

Risk management aspects are embedded in the Group's strategy, organization structure and processes. The Group has adopted a cohesive risk management structure for credit, operations, liquidity, market 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 Group. 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 Group's system and organization.

44.1 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 Group.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 199,626,956 thousand (2016: Rs. 167,636,201 thousand) as depicted in note 43.5.

The Group's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Group, 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 Group's credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

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

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

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

44.1.1 Segmental information

Segment by class of business	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Agriculture, forestry, hunting and fishing	1,151,162	0.58	17,983,640	3.47	102,120	0.04
Automobile and transportation equipment	2,298,566	1.16	20,214,938	3.90	10,653,493	3.69
Cement	2,262,875	1.14	9,498,720	1.83	3,609,032	1.25
Chemicals and pharmaceuticals	9,277,531	4.68	23,511,642	4.54	13,597,391	4.71
Construction	2,527,248	1.27	18,951,802	3.66	875,421	0.30
Commodity finance	11,468,000	5.79	—	—	—	—
Electronics and electrical appliances	4,362,207	2.20	32,723,030	6.32	4,871,753	1.69
Exports / imports	3,943,570	1.99	12,912,469	2.49	4,599,957	1.59
Financial	3,590,831	1.81	21,683,039	4.19	113,070,548	39.18
Footwear and leather garments	808,292	0.41	13,122,880	2.53	802,071	0.28
Individuals	3,554,460	1.79	25,720,097	4.97	144,340	0.05
Insurance	—	—	244,774	0.05	—	—
Mining and quarrying	239,794	0.12	34,539,920	6.67	12,835,396	4.45
Power (electricity), gas, water, sanitary	28,857,897	14.56	19,601,725	3.79	9,740,365	3.37
Services	9,374,774	4.73	31,023,582	5.99	9,667,530	3.35
Sugar	530,842	0.27	1,921,790	0.37	933,179	0.32
Textile	78,097,997	39.40	36,843,286	7.12	57,325,899	19.86
Transport, storage and communication	2,593,311	1.31	18,402,376	3.55	2,829,072	0.98
Wholesale and retail trade	7,199,496	3.63	9,879,135	1.91	16,489,797	5.71
Others	26,078,015	13.18	168,906,287	32.63	26,462,030	9.18
	<u>198,216,868</u>	<u>100.00</u>	<u>517,685,132</u>	<u>100.00</u>	<u>288,609,394</u>	<u>100.00</u>

Segment by sector	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Public / Government	26,223,053	13.23	86,625,168	16.73	14,343,263	4.97
Private	171,993,815	86.77	431,059,964	83.27	274,266,131	95.03
	<u>198,216,868</u>	<u>100.00</u>	<u>517,685,132</u>	<u>100.00</u>	<u>288,609,394</u>	<u>100.00</u>

Details of non-performing advances and specific provisions by class of business segment

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	10,681	1,756	—	—
Automobile and transportation equipment	1,507,153	1,506,436	1,519,602	1,518,885
Chemicals and pharmaceuticals	332,746	306,773	339,687	301,854
Construction	124,088	64,412	189,056	68,412
Electronics and electrical appliances	284,000	284,000	523,887	523,887
Exports / imports	139,497	19,918	99,020	—
Footwear and leather garments	29,077	13,930	17,430	17,430
Individuals	6,211	5,446	6,691	5,671
Power (electricity), gas, water, sanitary	23,229	23,229	23,229	23,229
Services	90,033	56,766	100,384	51,785
Sugar	158,286	115,660	—	—
Textile	13,609,822	11,838,455	14,728,045	12,284,223
Transport, storage and communication	8,403	3,007	5,619	4,999
Wholesale and retail trade	363,015	289,984	427,690	303,006
Others	1,833,608	1,638,810	1,892,802	1,693,558
	<u>18,519,849</u>	<u>16,168,582</u>	<u>19,873,142</u>	<u>16,796,939</u>

Details of non-performing advances and specific provisions by sector

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Private	18,519,849	16,168,582	19,873,142	16,796,939

Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	9,511,305	651,125,424	43,862,649	288,609,394

Total assets employed include intra group items of Rs. 172,044 thousand.

44.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

The Board of Directors oversees the Group's strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the Group, assesses the impact of interest rate change on the Group's investment portfolio through stress testing, and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy amongst other aspects covers the Group asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the Group has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system and a middle office function oversees limit adherence. Market risk can be categorised into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

44.3 Foreign exchange risk

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

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

2017				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	603,166,321	525,904,512	(33,529,114)	43,732,695
United States Dollar	44,463,953	74,102,310	30,028,086	389,729
Euro	2,392,602	2,180,402	(221,678)	(9,478)
Great Britain Pound	535,394	4,267,095	3,725,676	(6,025)
Asian Currency Unit	447,339	743,499	–	(296,160)
Japanese Yen	14,885	48,123	39,722	6,484
Arab Emirates Dirham	62,042	18	(51,102)	10,922
Canadian Dollar	–	4,299	8,410	4,111
Australian Dollar	4,675	–	–	4,675
Saudi Riyal	3,344	–	–	3,344
Other Currencies	34,869	12,517	–	22,352
	47,959,103	81,358,263	33,529,114	129,954
	651,125,424	607,262,775	–	43,862,649
2016				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	488,551,171	437,066,922	(11,969,666)	39,514,583
United States Dollar	33,997,469	43,817,954	10,425,758	605,273
Euro	2,594,738	1,240,805	(1,355,104)	(1,171)
Great Britain Pound	551,032	3,696,076	3,145,172	128
Asian Currency Unit	465,943	868,699	–	(402,756)
Japanese Yen	63,265	685	(57,502)	5,078
Arab Emirates Dirham	201,991	17	(202,186)	(212)
Canadian Dollar	–	6,472	9,925	3,453
Australian Dollar	696	–	–	696
Saudi Riyal	441	–	–	441
Other Currencies	15,906	6,878	3,603	12,631
	37,891,481	49,637,586	11,969,666	223,561
	526,442,652	486,704,508	–	39,738,144

44.4 Interest rate risk

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 Group's fixed income portfolio. Optimization of yield is achieved through the Group's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of the ALCO. The advances and deposits of the Group are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Group based on the earlier of contractual repricing or maturity date is as follows:

		2017									
		Exposed to yield / interest risk									
Effective yield/ interest rate %		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
			Rupees in '000								
On-balance sheet financial instruments											
Assets											
-	Cash and balances with treasury banks	42,282,249	-	-	-	-	-	-	-	-	42,282,249
3.26% - 4.09%	Balances with other banks	1,234,380	189,788	-	-	-	-	-	-	-	1,044,592
5.55% - 6.45%	Lendings to financial institutions	10,914,805	7,346,890	-	3,567,915	-	-	-	-	-	-
5.75% - 12.00%	Investments	395,266,073	24,705,679	172,290,832	14,304,795	13,754,546	38,171,279	22,366,826	91,160,446	17,911,826	599,844
1.00% - 20.50%	Advances	181,790,445	22,043,246	132,838,110	12,193,786	1,225,540	2,525,186	3,111,420	3,922,670	1,827,544	-
-	Other assets	11,594,814	-	-	-	-	-	-	-	-	11,594,814
		643,082,766	54,285,603	305,128,942	30,066,496	14,980,086	40,696,465	25,478,246	95,083,116	19,739,370	55,521,499
Liabilities											
-	Bills payable	9,383,752	33,642,345	18,252,751	8,117,461	441,573	749,429	757,956	-	-	9,383,752
2.00% - 5.90%	Borrowings	67,323,249	116,921,069	89,900,481	120,292,184	29,536,880	1,659,105	3,366,492	1,005,225	1,218,582	2,166,714
0.25% to 16.67%	Deposits and other accounts	517,685,132	-	-	-	-	-	-	2,965,533	-	153,043,388
-	Other liabilities	11,326,775	-	-	-	-	-	-	-	-	11,326,775
		605,718,908	150,563,414	108,153,232	128,409,645	29,978,453	2,408,534	4,124,448	3,970,758	1,218,582	175,920,629
On-balance sheet gap											
		37,363,858	(96,277,811)	196,975,710	(98,343,149)	(14,998,367)	38,287,931	21,353,798	91,112,358	18,520,788	(120,399,130)
Off balance sheet financial instruments											
	Forward purchase	78,728,094	-	-	-	-	-	-	-	-	78,728,094
	Forward sale	(48,559,582)	-	-	-	-	-	-	-	-	(48,559,582)
	Off balance sheet gap	30,168,512	-	-	-	-	-	-	-	-	30,168,512
Total yield / interest risk sensitivity gap											
		67,532,370	(96,277,811)	196,975,710	(98,343,149)	(14,998,367)	38,287,931	21,353,798	91,112,358	18,520,788	(90,230,618)
Cumulative yield / interest risk sensitivity gap											
		67,532,370	(96,277,811)	100,697,899	2,354,750	(12,643,617)	25,644,314	46,998,112	138,110,470	156,631,258	67,532,370

2016

	Effective yield/ interest rate %	Exposed to yield / interest risk									
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Non-interest bearing financial instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	—	35,561,885	—	—	—	—	—	—	—	—	35,561,885
Balances with other banks	3.75%	2,260,110	44,415	—	—	—	—	—	—	—	2,215,695
Lendings to financial institutions	4.50% to 6.65%	16,750,886	3,492,366	13,258,520	—	—	—	—	—	—	—
Investments	6.10% to 12.00%	314,132,874	2,289,380	121,821,854	50,139,395	10,233,533	20,730,039	24,381,025	47,774,106	30,022,561	6,740,981
Advances	1.15% to 20.55%	142,951,166	13,171,450	107,146,489	15,812,764	588,782	745,821	966,999	1,428,159	2,118,485	—
Other assets	—	7,041,238	—	—	—	—	—	—	—	—	7,041,238
		518,698,159	18,997,611	242,226,863	65,952,159	10,822,315	21,475,860	25,348,024	49,202,265	32,141,046	51,559,799
Liabilities											
Bills payable	—	8,108,633	—	—	—	—	—	—	—	—	8,108,633
Borrowings	1.00% to 5.90%	37,205,175	17,319,993	7,139,554	6,641,393	2,016,461	521,870	581,186	944,096	1,149,018	890,142
Deposits and other accounts	0.25% to 16.67%	430,443,867	110,713,307	52,606,915	104,729,501	27,085,389	2,015,855	1,665,452	5,371,721	—	126,255,727
Other liabilities	—	10,024,431	—	—	—	—	—	—	—	—	10,024,431
		485,782,106	128,033,300	59,746,469	111,370,894	29,101,850	2,537,725	2,246,638	6,315,817	1,149,018	145,278,933
On-balance sheet gap		32,916,053	(109,035,689)	182,480,394	(45,418,735)	(18,279,535)	18,938,135	23,101,386	42,886,448	30,992,028	(93,719,134)
Off balance sheet financial instruments											
Forward purchase	—	76,832,902	—	—	—	—	—	—	—	—	76,832,902
Forward sale	—	(66,117,312)	—	—	—	—	—	—	—	—	(66,117,312)
Off balance sheet gap	—	10,715,590	—	—	—	—	—	—	—	—	10,715,590
Total yield / interest risk sensitivity gap		43,631,643	(109,035,689)	182,480,394	(45,418,735)	(18,279,535)	18,938,135	23,101,386	42,886,448	30,992,028	(83,003,544)
Cumulative yield / interest risk sensitivity gap		43,631,643	(109,035,689)	73,444,705	28,025,970	9,746,435	28,684,570	51,785,956	94,672,404	125,664,432	43,631,643

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

	2017 (Rupees in '000)	2016 (Rupees in '000)	2017 (Rupees in '000)	2016 (Rupees in '000)
Reconciliation to total assets				
Total financial assets	643,082,766	518,698,159	605,718,908	485,782,106
Add: non financial assets				
Operating fixed assets	3,418,407	3,247,358	1,543,867	922,402
Deferred tax asset	2,835,420	2,452,502		
Other assets	1,788,831	2,044,633		
	8,042,658	7,744,493		
Balance as per statement of financial position	651,125,424	526,442,652	607,262,775	486,704,508
Reconciliation to total liabilities				
Total financial liabilities				
Add: non financial liabilities				
Other liabilities				
Balance as per statement of financial position				

44.5 Liquidity risk

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

Governance of Liquidity risk management

ALCO manages the liquidity position on a continuous basis. Liquidity and related risks are managed through standardized processes established in the holding company. The management of liquidity risk within the Group is undertaken within limits and other parameters set by the BoD. The holding company's treasury function has the primary responsibility for assessing, monitoring and managing the Bank's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. The BoD and senior management are apprised of holding company'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 holding company 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 holding company.

Funding Strategy

The holding company's liquidity model is based on "self-reliance" with an extensive branch network to diversify the holding company deposit base. Further, the holding company can also generate liquidity from interbank market against government securities to fund its short term requirement, if any. The holding company as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns. Furthermore, long term loans are generally kept at an amount lower than the holding company's capital / reserves.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios which are monitored regularly against approved triggers and communicated to senior management and the ALCO. Further, holding company also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. The holding company also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity Stress Testing

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

Contingency Funding Plan

Contingency funding plan (CFP) is a part of liquidity management framework of the holding company which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The holding company has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress condition. 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.

44.5.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Group

The maturity profile set out below has been prepared as required by IFRS on the basis of contractual maturities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the statement of financial position date to the contractual maturity date. Assets and liabilities that do not have contractual maturities or are payable on demand have been classified in the first bucket. Certain other assets and liabilities have been reported in the relevant bucket in which they are expected to be realized or settled.

		2017							
		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
Total									
Assets									
Cash and balances with treasury banks	42,282,249	42,282,249	-	-	-	-	-	-	-
Balances with other banks	1,234,380	1,234,380	-	-	-	-	-	-	-
Lendings to financial Institutions	10,914,805	7,346,890	-	3,567,915	-	-	-	-	-
Investments	395,266,073	25,422,005	173,351,451	13,247,163	13,873,913	38,221,455	22,395,812	90,709,843	18,044,431
Advances	181,790,445	38,485,191	116,396,165	12,193,786	1,225,540	2,525,186	3,111,420	3,922,670	1,827,544
Operating fixed assets	3,418,407	151,892	219,128	328,692	657,385	905,288	97,767	183,138	386,475
Deferred tax assets	2,835,420	1,284,536	876,938	403,774	145,153	(3,005)	52,087	(22,426)	90,162
Other assets	13,383,645	7,967,519	550,575	581,871	3,158,938	555,047	124,030	283,746	15,140
	651,125,424	124,174,662	291,394,257	30,323,201	19,060,929	42,203,971	25,781,116	95,076,971	20,363,752
									2,746,565
Liabilities									
Bills payable	9,383,752	9,383,752	-	-	-	-	-	-	-
Borrowings	67,323,249	35,809,059	18,252,751	8,117,461	441,573	749,429	757,956	1,005,225	1,218,582
Deposits and other accounts	517,685,132	340,734,152	89,900,481	49,522,489	29,536,880	1,659,105	3,366,492	2,965,533	-
Other liabilities	12,870,642	8,575,462	479,064	302,519	1,362,181	463,492	312,859	957,068	417,997
	607,262,775	394,502,425	108,632,296	57,942,469	31,340,634	2,872,026	4,437,307	4,927,826	1,636,579
									971,213
Net assets / (liabilities)	43,862,649	(270,327,763)	182,761,961	(27,619,268)	(12,279,705)	39,331,945	21,343,809	90,149,145	18,727,173
									1,775,352
Share capital	10,478,315								
Reserves	15,124,031								
Unappropriated profit	14,159,430								
Surplus on revaluation of assets - net of tax	933,221								
Non-controlling interest	3,167,652								
	43,862,649								

2016

Rupees in '000

Assets

	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
Cash and balances with treasury banks	35,561,885	-	-	-	-	-	-	-	-
Balances with other banks	2,260,110	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,492,366	13,258,520	-	-	-	-	-	-	-
Investments	8,868,221	120,134,421	44,724,545	10,471,460	25,035,452	24,966,164	48,525,086	31,386,675	20,850
Advances	37,879,956	46,131,950	25,903,482	11,021,905	5,336,734	5,094,967	6,237,958	4,152,544	1,191,670
Operating fixed assets	3,247,358	185,339	278,010	556,009	803,468	167,440	189,713	473,764	414,456
Deferred tax assets	2,452,502	1,349,137	393,585	307,992	(47,783)	(2,216)	(79,587)	(9,159)	(17,059)
Other assets	9,085,871	6,873,777	202,838	1,226,698	73,739	238,137	22,474	30,446	30,737
	526,442,652	180,654,847	71,502,460	23,584,064	31,201,610	30,464,492	54,895,644	36,034,270	1,640,654

Liabilities

Bills payable	8,108,633	-	-	-	-	-	-	-	-
Borrowings	37,205,175	7,139,554	6,641,393	2,016,461	521,870	581,186	944,096	1,149,018	1,462
Deposits and other accounts	430,443,867	52,606,915	40,611,527	27,085,389	2,015,855	1,665,452	5,371,720	-	-
Other liabilities	10,946,833	1,813,883	1,223,043	1,446,688	76,678	63,923	845,662	385,343	-
	486,704,508	61,560,352	48,475,963	30,548,538	2,614,403	2,310,561	7,161,478	1,534,361	1,462

Net assets / (liabilities)

	39,738,144	119,094,495	23,026,497	(6,964,474)	28,587,207	28,153,931	47,734,166	34,499,909	1,639,192
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Share capital	10,478,315
Reserves	13,933,875
Unappropriated profit	12,796,778
Surplus on revaluation of assets - net of tax	2,529,176
	39,738,144

44.5.2 Maturities of assets and liabilities - based on historical pattern of assets and liabilities of the Group

The maturity profile set out below has been prepared as determined by the assets and liabilities committee (ALCO), keeping in view the historical pattern of those current and saving deposit accounts which do not have contractual maturity.

2017

		Rupees in '000								
		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										
Assets	Cash and balances with treasury banks	42,282,249	-	-	-	-	-	-	-	
	Balances with other banks	1,234,380	-	-	-	-	-	-	-	
	Lendings to financial institutions	10,914,805	7,346,890	-	-	-	-	-	-	
	Investments	395,266,073	25,422,005	173,351,451	13,873,913	22,395,812	90,709,843	18,044,431	-	
	Advances	181,790,445	38,485,191	116,396,165	1,225,540	2,525,186	3,922,670	1,827,544	2,102,943	
	Operating fixed assets	3,418,407	151,892	219,128	657,385	905,288	183,138	386,475	488,642	
	Deferred tax assets	2,835,420	1,284,536	876,938	403,774	145,153	52,087	(22,426)	8,201	
	Other assets	13,383,645	7,967,519	550,575	581,871	3,158,938	283,746	15,140	146,779	
		651,125,424	124,174,662	291,394,257	30,323,201	19,060,929	25,781,116	95,076,971	20,363,752	2,746,565
	Liabilities									
Liabilities	Bills payable	9,383,752	-	-	-	-	-	-	-	
	Borrowings	67,323,249	18,252,751	8,117,461	441,573	749,429	757,956	1,218,582	971,213	
	Deposits and other accounts	517,685,132	117,781,316	188,926,654	71,358,131	43,480,356	3,366,492	2,965,532	-	
	Other liabilities	12,870,642	8,575,462	479,064	302,519	463,492	312,859	957,068	417,997	
		607,262,775	143,574,924	136,513,131	197,346,634	44,693,277	4,437,307	4,927,825	1,636,579	971,213
Net assets / (liabilities)		43,862,649	(19,400,262)	154,881,126	(167,023,433)	(2,489,306)	21,343,809	90,149,146	18,727,173	1,775,352
Share capital		10,478,315								
Reserves		15,124,031								
Unappropriated profit		14,159,430								
Surplus on revaluation of assets - net of tax		933,221								
Non-controlling interest		3,167,652								
		43,862,649								

2016

Rupees in '000

Assets

	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
Cash and balances with treasury banks	35,561,885	-	-	-	-	-	-	-	-
Balances with other banks	2,260,110	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,750,886	13,258,520	-	-	-	-	-	-	-
Investments	314,132,874	120,134,421	44,724,545	10,471,460	25,035,452	24,966,164	48,525,086	31,386,675	20,850
Advances	142,951,166	37,879,956	25,903,482	11,021,905	5,336,734	5,094,967	6,237,958	4,152,544	1,191,670
Operating fixed assets	3,247,358	179,159	278,010	556,009	803,468	167,440	189,713	473,764	414,456
Deferred tax assets	2,452,502	1,349,137	393,585	307,992	(47,783)	(2,216)	(79,587)	(9,159)	(17,059)
Other assets	9,085,871	6,873,777	202,838	1,226,698	73,739	238,137	22,474	30,446	30,737
	526,442,652	96,464,611	71,502,460	23,584,064	31,201,610	30,464,492	54,895,644	36,034,270	1,640,654

Liabilities

Bills payable	8,108,633	-	-	-	-	-	-	-	-
Borrowings	37,205,175	7,139,554	6,641,393	2,016,461	521,870	581,186	944,096	1,149,018	1,462
Deposits and other accounts	430,443,867	77,003,765	65,008,377	149,069,628	38,611,124	38,260,720	5,371,720	-	-
Other liabilities	10,946,833	5,091,613	1,223,043	1,446,688	76,678	63,923	845,662	385,343	-
	486,704,508	85,957,202	72,872,813	152,532,777	39,209,672	38,905,829	7,161,478	1,534,361	1,462

Net assets / (liabilities)

Share capital	39,738,144	94,697,645	(1,370,353)	(128,948,713)	(8,008,062)	(8,441,337)	47,734,166	34,499,909	1,639,192
Reserves	10,478,315	7,935,697							
Unappropriated profit	13,933,875								
Surplus on revaluation of assets - net of tax	12,796,778								
	2,529,176								
	39,738,144								

44.6 Operational risk

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

The holding company's operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Treadway Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and I.T. security.

The holding company's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with Group's business / support units and regularly collaborates in determining and reviewing the risks, and assessment of residual risk leading to improved quality of control infrastructure and strengthening of the processes (sub processes) & management information.

The Group's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Group's operational risk management infrastructure has been further strengthened through the establishment of a separate operational and risk control unit.

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Group over the past three years. Figures of capital charge of operation risk for the year is Rs. 2,746,848 thousand (2016: Rs. 2,515,247 thousand).

45. KEY ISLAMIC BANKING OPERATIONS

45.1 The holding company is operating 29 (2016: 25) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2017 and for the year are as follows:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017	2016
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		2,540,250	2,723,811
Balances with other banks		—	—
Due from financial institutions		7,567,915	13,613,465
Investments		28,340,952	20,540,621
Islamic financing and related assets	45.4	13,872,126	8,429,751
Operating fixed assets		107,070	79,530
Deferred tax assets		—	—
Other assets		1,378,555	1,414,567
		<u>53,806,868</u>	<u>46,801,745</u>
LIABILITIES			
Bills payable		658,486	304,581
Due to financial institutions		1,850,668	860,517
Deposits and other accounts		48,306,291	43,154,644
- Current accounts		8,057,204	7,660,817
- Saving deposits		13,597,942	10,641,554
- Term deposits		17,123,561	16,415,145
- Others		270,810	111,661
- Deposits from financial institutions - remunerative		9,104,551	8,321,653
- Deposits from financial institutions - non - remunerative		152,223	3,814
Due to head office		—	—
Other liabilities		542,718	506,326
		<u>51,358,163</u>	<u>44,826,068</u>
NET ASSETS		<u>2,448,705</u>	<u>1,975,677</u>
REPRESENTED BY			
Islamic banking fund		2,002,760	1,402,615
Reserves		—	—
Unappropriated profit		283,058	191,936
		<u>2,285,818</u>	<u>1,594,551</u>
Surplus on revaluation of assets		162,887	381,126
		<u>2,448,705</u>	<u>1,975,677</u>

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

2017**2016**

Rupees in '000

Profit / return on financing, investments and placements earned	2,543,055	2,752,564
Profit / return on deposit & other dues expensed	(1,865,993)	(2,306,490)
Net spread earned	677,062	446,074
Provision against non performing financing	14,201	15,852
Provision for diminution in the value of investments	—	—
Provision for consumer financing Ijarah	—	—
Bad debts written off directly	—	—
	(14,201)	(15,852)
Net spread after provisions	662,861	430,222
OTHER INCOME		
Fee, commission and brokerage income	90,112	40,746
Dividend income	—	—
Income from dealing in foreign currencies	20,830	23,661
Gain on sale / redemption of securities	17,594	66,907
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	12,573	44,146
Total other income	141,109	175,460
	803,970	605,682
OTHER EXPENSES		
Administrative expenses	518,109	413,464
Other provisions / write offs	—	—
Other charges	2,803	282
Total other expenses	(520,912)	(413,746)
	283,058	191,936
Extraordinary / unusual items	—	—
PROFIT BEFORE TAXATION	283,058	191,936

45.2 Remuneration to Shariah Advisor / Board

8,081

7,747

45.3 Charity Fund

Opening balance	327	491
Additions during the year		
Received from customer on delayed payments	152	550
Payments / utilization during the year		
Education	—	(148)
Health	—	(566)
	—	(714)
Closing balance	479	327

	2017	2016
	Rupees in '000	
45.4 Financings / investments / receivables		
Murabaha financing		
Murabaha receivable - gross	4,348,615	4,257,445
Less: deferred murabaha income	(126,098)	(125,683)
Advance against murabaha	300,727	109,071
	<u>4,523,244</u>	<u>4,240,833</u>
Provision against murabaha financing	(362,163)	(345,550)
	<u>4,161,081</u>	<u>3,895,283</u>
Ijarah		
Asset held for ijarah	549,812	367,292
Less: accumulated depreciation	(138,701)	(115,788)
Ijarah financing	-	-
Less: unearned income	-	-
Advance against ijarah	114,290	32,218
	<u>525,401</u>	<u>283,722</u>
Provision against ijarah financing	(22,821)	(23,796)
	<u>502,580</u>	<u>259,926</u>
Diminishing musharakah		
Diminishing musharakah - gross	5,405,867	3,477,592
Less: unrealised income on diminishing musharakah	(765,831)	(779,718)
Advance against diminishing musharakah	324,624	146,306
	<u>4,964,660</u>	<u>2,844,180</u>
Provision against diminishing musharakah	(1,891)	(3,327)
	<u>4,962,769</u>	<u>2,840,853</u>
Export refinance murabaha		
Export refinance murabaha receivable - gross	636,827	95,142
Less: deferred export refinance murabaha income	(8,810)	(1,247)
Advance against murabaha IERF	6,880	6,673
	<u>634,897</u>	<u>100,568</u>
Istisna financing		
Istisna financing - gross	562,381	44,645
Less: deferred istisna income	(153,474)	(13,394)
Advance against istisna	364,896	146,308
	<u>773,803</u>	<u>177,559</u>
Advance against export refinance istisna		
Export refinance istisna receivable - gross	764,706	13,226
Less: deferred export refinance istisna income	(114,706)	(2,645)
Advance against istisna IERF	600,000	754,400
	<u>1,250,000</u>	<u>764,981</u>
Al-Bai financing	<u>13,104</u>	<u>-</u>
Al-Bai goods	<u>172,892</u>	<u>55,081</u>
Istisna goods	<u>-</u>	<u>29,500</u>
Working capital musharakah	<u>1,401,000</u>	<u>306,000</u>
45.5 Islamic mode of financing		
Financings / investments / receivables	12,374,692	7,522,867
Assets / inventories	172,892	84,581
Advances	1,711,417	1,194,976
Gross islamic financing and related assets	<u>14,259,001</u>	<u>8,802,424</u>
Provision against financing	(386,875)	(372,673)
	<u>13,872,126</u>	<u>8,429,751</u>

45.6 Following pools are maintained by the holding company's Islamic Banking Division (IBD)

- **General pool - local currency and foreign currency**
Deposit accepted in general pool local and foreign currency is based on Mudaraba. Profit is distributed to depositors as per pre agreed weightages.
- **Special pool**
Deposit accepted in special pools are based on Mudaraba. Profit is distributed to depositors as per pre-agreed profit sharing ratio.
- **Islamic Export Refinance Scheme musharakah pool**
The IERS Pool caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

45.6.1 Nature of general / specific pools local and foreign currencies

- a) Consideration attached with risk and reward
 - Period, return, safety, security and liquidity of investment
 - All financing proposals under process at various stages and likely to be extended in near future
 - Expected withdrawal of deposits according to the maturities affecting the deposit base
 - Maturities of funds obtained under mudaraba arrangement from head office, Islamic Banking financial institutions
 - Element of risk associated with different kind of investments
 - Regulatory requirement
 - Shariah compliance
- b) Priority of utilization of funds
 - Depositor funds
 - Equity funds
 - Placement / investments of other IBI
 - Mudaraba placement of Habib Metro (head office)
- c) Weightages for distribution of profits

Profits are calculated on the basis of weightages assigned to different tiers and tenors (General pool). 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).
- d) Identification and allocation of pool related income and expenditure:

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

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. 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.

45.6.2 Islamic Export Refinance Scheme musharakah pool

All the features and other details of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

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

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

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

a) Basis of profit allocation

	From January 01, 2017 to December 31, 2017	
	Local Currency	Foreign Currency
	%	
- Rabbul maal	50	10
- Mudarib	50	90

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment costs are borne by IBD as Mudarib.

c) Provisions

During the year, specific provision amounting to Rs. 14,201 thousand (2016: Rs. 15,852 thousand) has been made.

45.9 Mudarib share (in amount and percentage of distributable income)

	2017		2016	
	Rupees in '000	%	Rupees in '000	%
Rabbul maal	996,612	41.74	1,237,019	44.23
Mudarib	1,390,950	58.26	1,560,018	55.77
Distributable income	<u>2,387,562</u>	<u>100.00</u>	<u>2,797,037</u>	<u>100.00</u>

45.10 Amount and percentage of mudarib share transferred to depositors through Hiba

	2017	2016
	Rupees in '000	
Mudarib share	1,390,950	1,560,018
Hiba	382,825	551,899
Hiba percentage of mudarib share	27.52%	35.38%

45.11 Profit rate earned and profit rate distributed to depositors during the year

	2017	2016
	%	
Profit rate earned	5.74	6.32
Profit rate distributed to depositors	4.26	4.82

46 GENERAL

46.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated 17 February 2006.

46.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 16 February 2018 has proposed a final cash dividend of Rs. 3.00 per share amounting to Rs. 3,143,494 thousand (2016: final cash dividend of Rs. 3.00 per share amounting to Rs. 3,143,494 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 16 February 2018 by the Board of Directors of the holding company.

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

1. MARKET TREASURY BILLS

These securities have a maturity period of 1 year, with yield ranging between 5.92% to 6.08% (2016: 5.87% to 6.28%) per annum.

2. PAKISTAN INVESTMENT BONDS

These securities have a maturity period of 3 to 10 years with interest rates ranging between 5.92% to 12.00% (2016: 7.00% to 12.00%) per annum.

3. FULLY PAID-UP ORDINARY SHARES - LISTED

	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	No. of shares of		Paid up value		Market Value		Cost		Rating			
	Rs. 10/- each				Rupees in '000							
Allied Bank Limited	580,500	582,500	5,805	5,825	49,331	69,440	65,492	66,611	AA+	AA+		
Amreli Steel Limited	200	137,500	2	13,750	19	91,561	10	71,562	A	A		
Bank Al Habib Limited	687,737	2,237,737	6,877	22,377	40,135	132,004	30,354	96,728	AA+	AA+		
Bank Alfalah Limited	22,000	1,822,000	220	18,220	935	69,163	601	49,742	AA+	AA		
Bank Islami Pakistan Limited	1,000,000	-	10,000	-	9,290	-	13,000	-	**	-		
Cherat Cement Company Limited	521,160	571,060	5,212	5,711	57,802	99,387	61,517	62,594	A	A		
Dawood Hercules Corporation Limited	50,000	-	500	-	5,594	-	6,113	-	AA-	-		
DGK Cement Limited	85,000	435,000	850	4,350	11,366	96,453	14,589	74,662	**	**		
Engro Food Limited	800	81,800	8	818	64	15,701	132	11,929	A+	A+		
Engro Fertilizer Limited	385,000	1,005,000	3,850	10,050	26,072	68,320	24,073	65,598	AA-	AA-		
Fatima Fertilizers Company Limited	489,000	2,371,500	4,890	23,715	15,100	87,485	15,143	73,323	AA-	AA-		
Fauji Cement Company Limited	100,000	-	1,000	-	2,501	-	4,006	-	**	-		
Fauji Fertilizers Bin Qasim Limited	107,000	897,000	1,070	8,970	3,803	45,935	5,240	41,370	**	AA		
Fauji Fertilizers Company Limited	162,200	662,200	1,622	6,622	12,832	69,114	18,326	74,818	AA	AA		
Ghani Gases Limited	211,400	-	2,114	-	3,234	-	5,891	-	**	-		
Habib Bank Limited	160	197,960	2	1,980	27	54,093	35	41,592	AAA	AAA		
Habib Sugar Mills Limited	1,510,668	-	15,107	-	53,734	-	70,516	-	**	-		
Hi-Tech Lubricants Limited	8,000	164,500	80	1,645	568	18,896	776	13,966	**	**		
Honda Atlas Cars (Pakistan) Limited	28,700	50,100	287	501	14,706	33,499	20,093	29,349	**	**		
Hub Power Company Limited	106,525	934,425	1,065	9,344	9,694	115,383	12,867	73,811	AA+	AA+		
Kot Addu Power Company Limited	-	942,000	-	9,420	-	74,230	-	73,163	AA+	AA+		
Lucky Cement Limited	7,000	56,400	70	564	3,622	48,856	5,705	40,562	**	**		
MCB Bank Limited	3,000	263,000	30	2,630	637	62,546	798	70,354	AAA	AAA		
Meerzan Bank Limited	3,590	524,500	36	5,245	106,824	35,724	111,857	28,135	AA	AA		
National Bank of Pakistan	7,000	1,055,000	70	10,550	340	79,008	478	74,408	AAA	AAA		
Nishat Power Limited	-	326,000	-	3,260	-	20,893	-	17,068	A+	A+		
Oil and Gas Development Corporation Limited	94,700	529,700	947	5,297	15,416	87,584	20,354	123,215	AAA	AAA		
Pakistan Petroleum Limited	212,000	347,000	2,120	3,470	43,653	65,296	33,432	71,238	**	**		
Pakistan Oilfield Limited	116,100	353,200	1,161	3,532	68,994	188,828	47,040	141,644	**	**		
Pakistan International Bulk Terminal Limited	1,050,000	-	10,500	-	15,698	-	30,254	-	**	-		
Pakistan Telecommunication Limited	1,500,000	-	15,000	-	19,575	-	24,255	-	**	-		
Pakistan Stock Exchange	4,759,965	-	47,600	-	111,393	-	108,257	-	**	-		
Thatta Cement Company Limited	25,000	-	250	-	550	-	864	-	**	-		
The General Tyre & Rubber Company of Pakistan Limited	199,100	55,800	1,991	558	37,491	15,543	58,026	15,230	**	**		
United Bank Limited	218	400,218	2	4,002	41	95,612	40	69,726	AAA	AAA		
					741,041	1,840,554	810,134	1,572,398				

**** Unrated**

4. FULLY PAID-UP ORDINARY SHARES - UNLISTED

	Percentage of holding	Number of shares held	Cost	Breakup value of investment	Based on audited financial statements	Name of Chief Executive	Credit rating
			— Rupees in '000	—			
Pakistan Export Finance Guarantee Limited	5.26%	1,136,088	11,361	—	—	Under liquidation	**
DHA Cogen Limited	1.77%	5,000,000	50,000	—	31 December 2014	Mr. M. Waqas Mohsin	**
Dawood Family Takaful Limited	4.67%	3,500,000	35,000	17,500	31 December 2015	Mr. Rizwan Ahmed Farid	**
Society for World Wide Inter Bank Fund Transfer (SWIFT)	—	43	10,630	12,906	31 December 2014	Mr. Gottfried Liebbrandt	**
			<u>106,991</u>				

** Unrated

5. TERM FINANCE CERTIFICATES - LISTED

	2017	2016	2017	2016	2017	2016	2017	2016
	No. of certificates of Rs. 5,000/- each		Market Value		Cost		Rating	
			Rupees in '000					
Askari Bank Limited V	50,000	50,000	250,299	254,446	249,700	249,800	AA-	AA-
Bank Al Habib Limited TFC 2016	54,000	54,000	270,107	273,185	269,838	269,946	AA	AA
Bank Alfalah Limited V	7,350	7,350	37,338	37,660	36,684	36,699	AA	AA-
Bank Al Habib Limited	149,000	—	700,000	—	700,000	—	AA-	AA-
Habib Bank Limited (TFC Rs 100,000/- each)	10,000	10,000	990,764	1,002,500	999,600	1,000,000	AAA	AAA
NIB Bank Limited	40,000	40,000	202,836	202,078	199,720	199,880	AAA	A+
Soneri Bank Limited	50,000	50,000	250,049	254,398	249,800	249,900	A+	A+
World Call Telecom Limited III	42,000	42,000	82,558	82,559	82,558	82,558	**	**
	2,783,951	2,106,826	2,787,900	2,088,783				

** Unrated

5.1 Other particulars of listed term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
Askari Bank Limited V	6 months KIBOR plus 120 bps	Semi annually	30-Sep-21
Bank Al Habib Limited TFC 2016	6 months KIBOR plus 75 bps	Semi annually	17-Mar-26
Bank Alfalah Limited V	6 months KIBOR plus 125 bps	Semi annually	20-Feb-21
Bank Al Habib Limited TFC 2017	6 months KIBOR plus 115 bps	Semi annually	Perpetual
Habib Bank Limited (TFC Rs 100,000/- each)	6 months KIBOR plus 50 bps	Semi annually	21-Dec-25
NIB Bank Limited	6 months KIBOR plus 115 bps	Semi annually	19-Jun-22
Soneri Bank Limited	6 months KIBOR plus 135 bps	Semi annually	31-Mar-23
World Call Telecom Limited III	6 months KIBOR plus 160 bps	Semi annually	7-Apr-17

6. TERM FINANCE CERTIFICATES - UNLISTED

	2017	2016	2017	2016	2017	2016
	No. of certificates of Rs. 5,000/- each		Cost		Rating	
			Rupees in '000			
New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)	10,000	10,000	21,138	21,138	**	**
Pakistan International Airlines Corporation Limited (Managing Director: Mr. Musharaf Rasool Cyan)	27,411	27,411	85,590	111,268	**	**
Bank Al-Falah Limited IV (Chief Executive: Mr. Noman Ansari)	-	15,000	-	49,870	AA-	AA-
Faysal Bank Limited III (Chief Executive: Mr. Yousuf Hussain)	-	30,000	-	74,850	-	AA-
Security Leasing Corporation Limited (Chief Executive: Ms. Farah Azeem)	10,000	10,000	7,702	7,702	**	**
Standard Chartered Bank Limited II (Chief Executive: Mr. Shahzad Dada)	-	10,000	-	50,000	**	**
			114,430	314,828		

** Unrated

6.1 Other particulars of unlisted term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
New Allied Electronics Industries (Private) Limited	3 months KIBOR plus 275 bps	Quarterly	14-Feb-17
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 125 bps	Semi annually	19-Feb-20
Security Leasing Corporation Limited	Fixed at the rate 6% per annum	Semi annually	28-Jan-22

7. SUKUK CERTIFICATES AND BONDS

	2017	2016	2017	2016	2017	2016
	No. of certificates of Rs. 5,000/- each		Rupees in '000		Rating	
Al-Baraka Bank Limited (Sukuk Rs 1,000,000/- each) - Issue 2014	250	250	142,857	178,571	A	A
Al-Baraka Bank Limited (Sukuk Rs 1,000,000/- each) - Issue 2017	100	-	100,000	-	**	**
Engro Foods Limited	-	20,000	-	42,500	-	**
GOP Ijarah Sukuk - 15th Issue	-	700,000	-	3,510,666	-	**
GOP Ijarah Sukuk - 16th Issue	972,387	700,000	4,872,979	3,874,180	**	**
GOP Ijarah Sukuk - 17th Issue	2,000,000	2,000,000	10,000,000	10,000,000	**	**
GOP Ijarah Sukuk - 18th Issue	2,316,689	-	11,583,444	-	**	**
Liberty Power Technology Limited	109,942	109,942	263,639	326,674	A+	A+
Pakistan Mobile Communication	40,000	40,000	133,334	200,000	AA	AA
Sitara Peroxide Limited	20,000	20,000	38,300	38,300	**	**
Three Star Hosiery Mills Limited	1,900	1,900	9,500	9,500	**	**
WAPDA Sukuk Bonds - 2nd Issue	-	70,000	-	58,333	-	**
WAPDA Sukuk Bonds - 3rd Issue	85,000	85,000	242,857	303,570	**	**
			<u>27,386,910</u>	<u>18,542,294</u>		

** Unrated

7.1 Other particulars of Sukuk Certificates / Bonds are as follows:

	Coupon rate	Payment	Maturity date
Al-Baraka Bank Limited (Sukuk Rs 1,000,000/- each) Issue 2014	6 months KIBOR plus 125 bps	Semi annually	26-Sep-24
Al-Baraka Bank Limited (Sukuk Rs 1,000,000/- each) Issue 2017	6 months KIBOR plus 75 bps	Semi annually	22-Aug-24
GOP Ijarah Sukuk - 16th Issue	6 months weighted average T-bills rate minus 50 bps	Semi annually	18-Dec-18
GOP Ijarah Sukuk - 17th Issue	Fixed at the rate 6.10% per annum	Semi annually	15-Feb-19
GOP Ijarah Sukuk - 18th Issue	Fixed at the rate 5.59% per annum	Semi annually	29-Mar-19
Liberty Power Technology Limited	3 months KIBOR plus 300 bps	Quarterly	18-Mar-21
Pakistan Mobile Communication	3 months KIBOR plus 88 bps	Quarterly	22-Dec-19
Sitara Peroxide Limited	3 months KIBOR plus 100 bps	Quarterly	19-Feb-20
Three Star Hosiery Mills Limited	6 months KIBOR plus 325 bps	Semi annually	4-Aug-17
WAPDA Sukuk Bonds - 3rd Issue	6 months KIBOR plus 100 bps	Semi annually	14-Oct-21

8. OPEN END MUTUAL FUNDS

	2017	2016	2017	2016	2017	2016	2017	2016	Rating
	Number of Units		Net Asset Value		Rupees in '000		Cost		Rating
ABL Stock Fund	7,206,999	17,627,151	100,188	331,977	100,000	300,000	**	**	**
AKD Aggressive Income Fund	-	980,483	-	52,244	-	50,000	-	BBB+(f)	BBB+(f)
AKD Opportunity Fund	178,300	448,833	14,514	51,015	20,177	50,000	4 Star	4 Star	4 Star
Atlas Stock Market Fund	51,871	254,742	30,163	170,233	33,126	150,000	**	**	**
Alfalsh GHP Islamic Value Fund	247,865	-	25,002	-	25,000	-	**	**	**
Alfalsh GHP Stock Fund	791,427	-	103,789	-	134,738	-	4 Star	4 Star	-
Al Ameen Islamic Aggressive Income Fund	323,230	312,600	32,816	31,931	26,060	25,000	A-	BBB+(f)	BBB+(f)
Askari High Yield Scheme	272,258	979,270	28,229	102,119	27,952	100,000	BBB+(f)	A(f)	A(f)
BMA Chundrigar Road Savings Fund	-	3,014,627	-	25,465	-	25,000	-	A+(f)	A+(f)
HBL Islamic Asset Allocation Fund	208,879	195,843	21,296	21,693	21,377	20,000	**	**	**
HBL Mustaheekum Sarmaya Fund 1	-	516,814	-	54,923	-	50,000	-	**	**
HBL Stock Fund	997,705	2,392,928	101,770	305,148	133,879	300,000	**	**	**
Lakson Equity Fund	901,417	2,553,836	100,067	366,161	100,000	303,063	3 Star	3 Star	3 Star
JS Large Cap Fund	-	460,596	-	68,067	-	50,000	-	-	-

	2017		2016		2017		2016		Rating
	Number of Units		Net Asset Value		Rupees in '000		Cost		
Lakson Asset Allocation Developed Market Fund	-	187,015	-	21,834	-	20,324	-	**	
Lakson Income Fund	-	491,366	-	51,070	-	50,000	-	A+(f)	
MCB Pakistan Stock Market Fund	1,183,769	3,948,270	107,748	442,798	136,415	403,260	4 Star	**	
NAFA Income Opportunity Fund	-	18,728,536	-	207,081	-	200,000	-	A(f)	
NAFA Islamic Energy Fund	-	9,394,834	-	131,851	-	99,554	-	**	
NAFA Stock Fund	2,918,639	42,960,523	41,014	752,253	54,477	704,049	5 Star	**	
National Investment Unit Trust	3,478,563	1,198,322	245,483	104,902	314,855	100,000	**	AM2+	
Pak Oman Advantage Asset Allocation Fund	197,688	407,365	10,046	27,456	12,133	25,000	3 Star	2 Star	
PIML Asset Allocation Fund	-	153,563	-	16,180	-	15,000	-	**	
PIML Income Fund	-	4,419,559	-	449,513	-	436,507	-	A+(f)	
PIML Value Equity Fund	-	106,015	-	14,528	-	10,000	-	**	
Primus Strategic Multi Asset	-	216,848	-	26,427	-	22,000	-	**	
UBL Stock Advantage Fund	348,570	5,587,732	23,174	437,352	30,445	400,000	**	**	
			985,299	4,264,221	1,170,634	3,908,757			

** Unrated

9. CLOSE END MUTUAL FUNDS

	2017		2016		2017		2016		2017		2016		2017		2016		Rating
	No. of Units				Market Value		Rupees in '000		Cost								
Dolmen City RIET	35,417,833	35,417,833	389,596	384,992	387,869	387,869	387,869	387,869	387,869	387,869	387,869	RR1	RR1	RR1	RR1	RR1	-
PICIC Growth Fund	973,500	973,500	27,599	29,653	31,816	31,816	31,816	31,816	31,816	31,816	31,816	**	**	**	**	**	**
			417,195	414,645	419,685	419,685	419,685	419,685	419,685	419,685	419,685						

** Unrated

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 written-off	Other financial relief provided	Total	
				Principal	Interest / mark-up	Others						Total
						5	6					
1	2	3	4	Rupees in '000				9	10	11	12	
1	Century 21 Textile & Sportswear Private Limited Plot No C-55, KDA Scheme No 1, Main Karsaz Road, Karachi	Zahid Razzak 42000-0571249-5 Mrs Ambreen Zahid 42000-0514201-6	Abdul Razzak Zahid Razzak	655,721	154,480	-	810,201	164,191	154,480	-	318,671	
2	National Thread Private Limited 1st Floor, Dada Chambers, M A Jinnah Road, Karachi	Marium Ali Muhammad 42201-5815076-4 Amin Ali Muhammad 42201-1392870-5 Anwar Ali Muhammad 42201-2468168-3 Aslam Ali Muhammad 42201-6769103-5 Ashraf Ali Muhammad 42201-0159986-1	Ali Muhammad Ali Muhammad Ali Muhammad Ali Muhammad Ali Muhammad	96,555	-	15,147	111,702	6,555	-	15,147	21,702	
3	Atlas Cables Private Limited Atlas Rubber & Plastic Industries Private Limited 9th Floor, Textile Plaza, Mumtaz Hassan Road, Karachi	Sheikh Arshad Javed 42201-0255323-3 Sheikh Danish Javed 42201-0255323-7 Sheikh Adeel Javed 42201-3385330-5 Sheikh AL Aman Javed 42201-0430580-9	Sheikh Nazir Hussain Sheikh Arshad Javed Sheikh Arshad Javed Sheikh Arshad Javed	238,041	84,481	99,384	421,906	64,910	84,481	99,384	248,775	

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 written-off	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
4	Asif Javaid & Company P-13/2, Ex-Punjab Cold Store, New Khalid Abad, Faisalabad	Javaid Ahmad 33100-6310595-7	Sheikh Abdur Rasheed	9,886	843	-	10,729	-	843	-	843
5	Hassan Zaman Private Limited 21/B, M-Block, Gulberg III, Lahore	Muhammad Saleem Rana 35202-2052703-5 Muhammad Saeed Akhtar 35202-2631584-3	Hassan Muhammad Khan Malik Muhammad Zaman Awan	-	8,563	14,452	23,015	-	-	14,452	14,452
6	Hameed Steel Furnance Near Awan Chowk, Grid Station, Gujranwala	Saleem Akhtar 34101-4907725-7	Malik Abdul Majeed	29,995	898	-	30,893	-	1,141	-	1,141
7	Seignior Pharma Seignior House, 245/1/D, Block 6, PECHS Karachi	Sher Afgan Khan 42201-0263524-5	Abdul Sattar Khan	6,941	910	3,765	11,616	-	351	3,765	4,116
8	Azmat Garments Plot # 7-B, Street # 2, Sector # 12-C Industrial Area North Karachi, Karachi.	Syed Azmat Ali 42000-3892716-5	Syed Farhat Ali	24,251	436	392	25,079	-	308	392	700
				1,061,390	250,611	133,140	1,445,141	235,656	241,604	133,140	610,400

- خصوصی اسلامک بینکنگ اسٹاف کی اسلامک بینکاری سے متعلق خطرات کی جانچ و نشاندہی اور ان کے تدارک کے لئے رسک مینجمنٹ ڈپارٹمنٹ میں تقرری کی جانی چاہیے۔
 - اسلامک بینکنگ ڈویژن کے ملازمین کیلئے ہیلتھ انشورنس کی سہولت کا بندوبست مکمل کمپنی کے ذریعے کیا جاسکتا ہے۔
- ہماری دعا ہے کہ اللہ تعالیٰ ہماری کوششوں کو قبول فرمائے اور ہمیں اسلامی فنانس کے شعبے میں کامیابی عطا فرمائے۔ ہم اللہ تعالیٰ سے دعا کرتے ہیں اور اُس سے حبیب میٹرو صراط کی مزید ترقی، ارتقاء اور خوشحالی کے لئے رہنمائی اور فضل چاہتے ہیں۔

مفتی محمد زبیر اشرف عثمانی
چیئر مین شریعہ بورڈ

مفتی عبدالستار لغاری
ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محمد ابراہیم عیسیٰ
ممبر شریعہ بورڈ

کراچی: 16 فروری 2018

شریعی بورڈ رپورٹ

برائے 31 دسمبر 2017

اللہ تعالیٰ کے مبارک نام سے جو نہایت مہربان اور رحم کرنے والا ہے

جبکہ بورڈ آف ڈائریکٹرز اور مینجمنٹ مکمل طور پر اس امر کیلئے ذمہ دار ہیں کہ حبیب میٹرو صراط کے آپریشنز اس طریقے پر انجام دیئے جائیں کہ تمام مراحل پر شریعہ کے اصولوں کی پاسداری ہو، شریعی بورڈ کے لئے یہ ضروری ہے کہ وہ حبیب میٹرو صراط میں شریعت کے اصولوں کی مجموعی پاسداری کے بارے میں رپورٹ جمع کرائیں۔

اللہ تعالیٰ کی مہربانی سے شریعی بورڈ (ایس بی) نے سال کے دوران مختلف پروڈکٹس، تصورات، ٹرانزیکشنز طریقہ کار اور شریعت کے اصولوں کا جائزہ لینے کیلئے 17 اجلاس منعقد کئے جن کا حوالہ ریڈیڈنٹ شریعی بورڈ ممبر (آر ایس بی ایم) کی جانب سے دیا گیا تھا۔ مزید برآں فنانسنگ کی سہولتوں کے بارے میں جاری تمام طریقہ کار کی منظوری آر ایس بی ایم کی جانب سے لی گئی اور شریعی بورڈ نے بھی اس کی توثیق کی۔

چنانچہ اس رپورٹ میں ظاہر کی گئی رائے کی تصدیق کرنے کے لئے، بینک کے شعبہ تعمیل شریعی (شریعی کمپلائنس ڈپارٹمنٹ) نے جانچ کرنے کیلئے منتخب شدہ لین دین، ان سے متعلق دستاویزات اور ان کی عملی روانی (پراسس فلو) کا جائزہ لیا۔ مزید یہ کہ شریعی بورڈ نے ریڈیڈنٹ شریعی بورڈ ممبر، شریعی کمپلائنس ڈپارٹمنٹ اور انٹرنل شریعی آڈٹ ڈپارٹمنٹ کی معیادی رپورٹوں کا بھی جائزہ لیا، سال 2017 کیلئے بیرونی شریعی آڈٹ جاری ہے، مذکورہ بالا کی بنیاد پر شریعی بورڈ کا خیال ہے کہ:

- ۱- حبیب میٹرو صراط نے شریعی بورڈ کے جاری کردہ فتویٰ، احکامات، ہدایات کی روشنی میں شرعی قوانین اور اصولوں کی تعمیل کی ہے۔
- ۲- حبیب میٹرو صراط نے بینک دولت پاکستان کے شریعی بورڈ کے جاری کردہ احکامات، ہدایات، رہنما اصول اور ضوابط کی تعمیل کی ہے۔
- ۳- حبیب میٹرو صراط کے پاس اپنے تمام کاروباری معاملات کو شریعی کے مطابق چلائے جانے کو یقینی بنانے کے لئے ایک جامع نظام موجود ہے۔
- ۴- حبیب میٹرو صراط کے پاس ایک مضبوط اور واضح نگرانی کا نظام موجود ہے جس کے باعث کسی شرعی طور سے ممنوع ذرائع یا مقاصد سے حاصل ہونے والی آمدنی کو فلاحی کھاتے میں منتقل کر دیا گیا ہے اور اس کو مناسب طور سے صرف کیا گیا ہے۔
- ۵- حبیب میٹرو صراط نے بینک دولت پاکستان کی نفع نقصان کی تقسیم اور مالی مجموعہ کے انتظام (پول مینجمنٹ) کے بارے میں جاری ہدایات کی تعمیل کی ہے۔ مزید برآں اسلامک بینکنگ ڈویژن نے موثر شراکت اور ریڈیڈنٹ شریعی بورڈ ممبر کی رہنمائی کے ساتھ خود کار پول مینجمنٹ سسٹم نافذ کیا ہے۔
- ۶- انتظامیہ نے اپنے روایتی اور اسلامی برانچوں کے عملے کے لئے اسلامی بینکاری پر متعدد تربیتی پروگرام کروائے ہیں۔ مزید برآں شریعی بورڈ نے مخصوص پروڈکٹس کے حوالے سے بھی بینک کی اسلامی شاخوں کے عملے کے تربیتی پروگرام کا انعقاد کیا ہے۔
- ۷- عملے، انتظامیہ اور بورڈ آف ڈائریکٹرز کی مصنوعات (پروڈکٹس) اور عملی طریقوں کے بارے میں شریعی کی تعمیل کی اہمیت کو سراہنے کے بارے میں ان کی آگاہی، استعداد اور حساسیت کافی حد تک اطمینان بخش ہے۔
- ۸- شریعی بورڈ کو اپنے فرائض کی موثر طور پر ادائیگی کرنے کیلئے ضروری وسائل فراہم کئے گئے ہیں۔

اسلامک بینکنگ کے دائرہ کار اور کنٹرول کو مزید بڑھانے کی غرض سے شریعی بورڈ مندرجہ ذیل تجاویز پیش کرتا ہے:

- اسلامک بینکنگ ٹرانزیکشنز کیلئے کریڈٹ ایڈمنسٹریشن فنکشن سینٹر لائز کیا جائے اور مزید مناسب اسٹاف کی فراہمی کی جائے جس سے پروڈکٹس کی دستاویزی صورت اور جائزوں پر موثر کنٹرول حاصل ہوگا۔

حبیب میٹرو ایک موثر بورڈ آڈٹ کمیٹی کا حامل ہے جو ایس ای سی پی کی جانب سے طے کردہ اور ایس بی پی کی جانب سے مروجہ کوڈ آف کارپوریٹ گورننس کے تحت کام کرتی ہے۔ بورڈ کی آڈٹ کمیٹی کے ممبران نان ایگزیکٹو ڈائریکٹرز اور اس کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔

بورڈ آڈٹ کمیٹی کو براہ راست رپورٹ کرتے ہوئے انٹرنل آڈٹ ایکسپلٹ خطرہ پر مبنی اور برائوں کے لئے فعال نقطہ نظر، آپریشنل ایریا اور بینک کی کلیدی سرگرمیوں کا استعمال کرتا ہے اور اس کے ساتھ اصلاحی اقدامات اور کنٹرول کی خامیوں کے مدارک پر خصوصی توجہ دیتا ہے۔ یہ جائزے متعلقہ کلیدی خطرات کے اشاروں اور سسٹم کی خامیوں پر مرکوز ہوتے ہیں تاکہ کنٹرول، اخراجات اور آمدنی کی کارکردگی کی نشاندہی کی جائے۔

مستقبل پر ایک نظر

ابتدائی اشارے بتاتے ہیں کہ پاکستان کی معیشت جی ڈی پی کی شرح نمو کا 6 فیصد کا ہدف برائے مالی سال 2018 حاصل کرنے کیلئے بہتر حالت میں ہے اور معیشت کے تینوں شعبوں زراعت، صنعت اور خدمات سے بہتر کارکردگی میں اپنا کردار ادا کرنے کی توقع ہے۔ تاہم بیرونی کھاتوں کا خسارہ تشویش کا باعث ہے۔

آنے والے عرصے میں حبیب میٹرو شیئر ہولڈرز کے مفادات کا تحفظ کرنے پر کارآمد ہے جبکہ ایک جدید ترین ٹیکنالوجیکل پلیٹ فارم کے تحت تیاری گئی مالیاتی پروڈکٹس کے ایک مختلف معیار کے ذریعے اپنے صارفین کو بہترین اور شاندار خدمات کا اضافہ کرتا رہے گا۔ بینک کا ہدف نامیاتی ترقی، کم لاگتی ڈپازٹس کا فروغ، اثاثوں کے معیار میں بہتری اور باکفایت کارکردگی میں اضافہ ہے۔

اظہار تشکر

میں بورڈ، وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی معاونت اور مستقل رہنمائی اور ہمارے صارفین کو ان کے اعتماد اور تعاون پر خراج تحسین پیش کرتا ہوں۔ میں اپنے اسٹاف ممبران کا بھی ان کی انتھک جدوجہد، عزم اور شاندار کارکردگی پر انتہائی مشکور ہوں۔

منجانب بورڈ

سراج الدین عزیز

صدر و چیف ایگزیکٹو آفیسر

کراچی: 16 فروری 2018

علاوہ ازیں بینک ایک مضبوط کسٹمر ڈیوٹی پلیٹفم (سی ڈی ڈی) پروسس کا حامل ہے جو کہ ہر ایک صارف کا پروفائل/دستاویزات کو اپ ڈیٹ کرنے اور ریگولیٹری ضروریات کے مطابق جامع سی ڈی ڈی کی انجام دہی کی اجازت دیتا ہے۔ بحیثیت ٹریڈ اور پیٹھ بینک، اس امر کو یقینی بنانے کیلئے کہ کوئی بھی کاروبار ممنوعہ مالک کے ساتھ انجام نہیں دیا جا رہا، کراس بارڈر ٹرانزیکشنز کمپلائنس یونٹ کی جانب سے سکرین شدہ اور پہلے سے منظور شدہ ہوتی ہیں۔ علاوہ ازیں اے ایم ایل یونٹ ریگولیٹری رسک اور کمپلائنس یونٹس کے اشتراک سے اے ایم ایل نظریے سے پروڈکٹس اور پالیسیز کا جائزہ لیتا ہے۔

آپ کا بینک بطور ایک فارن فنانشل انسٹی ٹیوشن (ایف ایف آئی) شرکت کا حامل ہے اور فارن اکاؤنٹس ایکٹ (FATCA) کی، اس امر کا تعین کرنے کیلئے کہ ممکنہ کلائنٹس امریکی ٹیکس رپورٹنگ ذمے داریوں کا حامل ہے یا نہیں، ان سے اضافی معلومات اور دستاویزات کے حصول کے ذریعے پوری طرح تعمیل کرتا ہے۔ FATCA ایک امریکی قانون ہے جو یکم جولائی 2014 سے عمل میں آچکا ہے اور اس کا مقصد امریکی شہریوں اور کمپنیوں کی جانب سے ٹیکس کی عدم ادائیگی کی روک تھام ہے FATCA قانون کی تعمیل کو یقینی بنانے کے لئے کمپلائنس ڈویژن روابط، تربیت، ڈیولپمنٹ اور FATCA کی ضروریات کی نگرانی جیسی سہولیات فراہم کرتا ہے۔

کامن رپورٹنگ اسٹینڈرڈ (CRS) ایک عالمی معیار ہے جو اقتصادی تعاون و ترقی کی تنظیم (اوی سی ڈی) کانسلس سے منظور شدہ ہے اور حکومت پاکستان ملکی قوانین کے توسط سے اکم ٹیکس آرڈیننس مجریہ 2001 کے SRO 166(1)/2017 کی روشنی میں اس کی تشریح کرتی ہے۔ بینک CRS قوانین پر عمل پیرا اور اس مقصد کیلئے بینک کے کھاتوں کی جانچ پڑتال کی جاتی ہے تاکہ ریڈر بورڈ آف ریونیو (FBR) کو مزید رپورٹ دینے کیلئے ٹیکس کی ادائیگی واضح کی جاسکے۔

کمپلائنس یونٹ ریگولیٹری امور (بشمول فالو اپ) کی شناخت، نگرانی اور تعمیل کو امریکا کمپلائنس آفیسرز (ACO) کی جانب سے آن سائٹ جائزے کے ذریعے یقینی بناتا ہے اور برانچ اسٹاف کو تربیت بھی فراہم کرتا ہے۔ مزید برآں امریکا کمپلائنس آفیسرز ریگولیٹری اسٹینڈرڈز کی پوری طرح تعمیل کے ذریعے بینک میں کمپلائنس کلچر کے فروغ میں کلیدی کردار ادا کرتے ہیں۔

تحلیلی اور امتیازی کوششوں پر خصوصی توجہ کے ساتھ کمپلائنس فنکشن اپنے اسٹاف کی پیشہ ورانہ بہتری و ترقی اور معمولات کی انجام دہی کو مستحکم بنانے کے ذریعے اس کو موثر بناتا رہے گا۔

کنٹرولز

انٹرنل کنٹرول (ICU) جو بینک کی رسک مینجمنٹ ٹیم کا حصہ ہے، موثر آپریشنز، قانونی تقاضوں کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنانے کیلئے انٹرنل کنٹرول کے ایک موثر سسٹم کے قیام اور عملدرآمد کا ذمہ دار ہے بینک کے مجموعی مقاصد کے حصول میں ناکامی کے خطرات کی شناخت اور ان کو کم کرنے کیلئے مینجمنٹ کی طرف سے موزوں سسٹم، پراسس اور کنٹرول رائج کئے گئے ہیں۔

بینک کا تنظیمی ڈھانچہ اور اتھارٹی کی مراحل بورڈ کی جانب سے منظور کردہ پالیسیوں اور طریقہ کار کے ذریعہ انتہائی واضح اور طے کردہ اصولوں پر رائج ہیں جو موجودہ پالیسیوں اور طریقہ کار کا مستقل بنیادوں پر جائزہ لیتا ہے اور حسب ضرورت وقتاً فوقتاً ان میں بہتری لائی جاتی ہے۔ بورڈ نے مجموعی رسک مینجمنٹ فریم ورک کی نظر ثانی کیلئے ذیلی کمیٹیاں تشکیل دی ہیں جو موزوں گورننس کو یقینی بنانے کیلئے باقاعدگی سے ملتی ہیں۔

ہر پروسس اور فنکشن میں موجود کنٹرول کے وہ تمام پہلو جو پالیسیوں اور طریقہ کار کے تابع ہیں، بینک کے آپریشننگ نظام میں موجود ہیں، علاوہ ازیں ان کنٹرول کی تعمیل اور موثر ہونے کی تصدیق غیر جانبدار انٹرنل آڈٹ ڈویژن کرتا ہے جو بورڈ آڈٹ کمیٹی کو بلا واسطہ طور پر جوابدہ ہے۔

اسٹیٹ بینک آف پاکستان کی انٹرنل کنٹرول رہنما ہدایات بینک کی انتظامیہ سے انٹرنل کنٹرول کے موثر ہونے کی جانچ پڑتال کا تقاضہ کرتی ہے۔ مینجمنٹ کو یقین ہے کہ بینک کا موجودہ انٹرنل کنٹرول کا نظام مناسب انداز میں ڈیزائن کیا گیا ہے اور اس پر موثر انداز میں عملدرآمد اور نگرانی کی جاتی ہے۔ برائے مہربانی اس سالانہ رپورٹ سے منسلک ”اسٹیٹمنٹ آف انٹرنل کنٹرول“ ملاحظہ کریں۔

انٹرنل آڈٹ

بڑھتے ہوئے خطرات کی آگاہی اور ریگولیٹری کمپلائنس کو یقینی بنانے کیلئے حبیب میٹر کا انٹرنل آڈٹ بینک کے کنٹرول انفراسٹرکچر کیلئے ایک اہم اور آزاد ستون ہے جو کہ انتظامیہ اور بورڈ کو بینک کے کنٹرول انوائزمنٹ کا جائزہ لے کر غیر جانبدار یقین دہانی فراہم کرتا ہے۔ یہ ڈیپارٹمنٹ مستقل طور پر بینک کے انٹرنل کنٹرول انوائزمنٹ کا معیار بہتر بنانے، پراسس کی حفاظت اور تکمیل میں موثر توازن کو یقینی بنانے اور بینک کی جانب سے خطرات کو کم کرنے کی کوششوں کے ضمن میں امداد کی فراہمی کیلئے مستقل بنیادوں پر غور و فکر کرتا ہے۔

بینک کی سینٹرل مینجمنٹ کمیٹی، بورڈ رسک و کمپلائنس کمیٹی اور بورڈ آف ڈائریکٹرز کے ساتھ مل کر بینک کی حکمت عملی اور رسک مینجمنٹ سے متعلق کوششوں کی نگرانی کرتی ہے۔

کریڈٹ رسک

حیب میٹرو پروڈکٹ، جغرافیہ، صنعت اور صارفین کی مختلف اقسام کے ذریعے کریڈٹ رسک کو کنٹرول کرنے کی حکمت عملی کا حامل ہے۔ بینک ایک بڑا حصہ مختصر مدتی اور سیلف لیکویڈیٹنگ میں رکھتے ہوئے تجارت اور ورکنگ کیپٹل فنانسنگ کو توسیع دے رہا ہے۔ بینک کے کریڈٹ پورٹ فولیو کا ایک بڑا حصہ KIBOR کو بطور ایک حوالہ استعمال کرتے ہوئے فلوئنگ ریٹ کی بنیاد پر نرخ شدہ ہے جو شرح سود کے خطرات کو کم کرتا ہے۔ کریڈٹ کی توسیع میں شامل خطرات کا امکان کریڈٹ گرانٹ کرنے کے مضبوط طریقہ کار کے ذریعے مزید کم ہو جاتا ہے جو مناسب جانچ پڑتال، سیکوریٹی کی موزونیت اور جاری بنیادوں پر ایکسپوزرز کی مانیٹرنگ کو یقینی بنانے کیلئے تشکیل دیا گیا ہے اس میں مرکزی ٹریڈ پروسیڈنگ اور کریڈٹ کے انتظام کے ذریعے مزید اضافہ ہوتا ہے۔

مارکیٹ/لیکویڈیٹی رسک

ایسیٹ اینڈ لائبیلیٹی مینجمنٹ کمیٹی غیر ملکی زرمبادلہ اور منی مارکیٹ کی لمٹس اور ایکسپوزرز کے حوالے سے جائزہ، سفارشات اور نگرانی کے امور سنبھالتی ہے۔ اس کی حکمت عملی خطرے، لیکویڈیٹی اور منافع جات میں توازن رکھنے پر مشتمل ہے۔ بورڈ کی منظور شدہ سرمایہ کاری پالیسی، دیگر پہلوؤں کے ساتھ اثاثہ جات کو مختص کرنے اور آپریٹنگ کی رہنما ہدایات پر خصوصی توجہ دیتی ہے۔ مزید براں مارکیٹ اور لیکویڈیٹی رسک کی نگرانی کو بورڈ کی منظور کردہ مارکیٹ اور لیکویڈیٹی رسک مینجمنٹ پالیسی کے مطابق یقینی بنایا جاتا ہے۔

اسٹریٹس ٹیسٹنگ

اسٹریٹس ٹیسٹنگ کے طریقے پورے ادارے میں رسک کی موجودگی اور پورٹ فولیو کی قدر و قیمت میں تبدیلی کا جائزہ لینے کیلئے اس وقت استعمال کئے جاتے ہیں جب مختلف نوعیت کے خطرات ظاہر ہوتے ہیں۔ شرح سود، کریڈٹ، ایکویٹی پرائس، شرح مبادلہ اور لیکویڈیٹی وہ عناصر ہیں جو اسٹریٹس ٹیسٹنگ کے ماڈلز میں استعمال ہوتے ہیں۔ بینک کا اسٹریٹس ٹیسٹنگ کا طریقہ کار اسٹیٹ بینک آف پاکستان کی رہنما ہدایات پر عمل درآمد کو بھی یقینی بناتا ہے۔ اسٹریٹس ٹیسٹنگ کے نتائج آپ کے بینک کی ایک مستحکم اور پائیدار مالیاتی پوزیشن کو ظاہر کرتے ہیں۔

آپریٹنگ رسک

آپریٹنگ رسک بینکنگ کی تمام سرگرمیوں میں موجود ہیں اور دنیا بھر میں ایک اہم چیلنج تصور کئے جاتے ہیں۔ وقوع پذیر ہونے سے قبل اس خطرے کی شناخت اور اس کو کم کرنے کیلئے کنٹرول کے نظام کی تشکیل ہمیشہ بینک کی ترجیح رہی ہے۔ بینک میں ایک مخصوص آپریٹنگ رسک مینجمنٹ یونٹ موجود ہے جو رسک اور کنٹرول سیلف اسمسمنٹ کی انجام دہی کرتا ہے جس کا پروسس اونرز (دفاع کی پہلی لائن) اور اس کے بعد بینک کی مینجمنٹ، بورڈ کمیٹیاں اور بورڈ جائزہ لیتے ہیں۔ اس جائزہ کے مطابق اصلاحی اقدامات اختیار کئے جاتے ہیں۔ رسک مینجمنٹ جس میں آپریٹنگ رسک اور انٹرئل کنٹرول یونٹ شامل ہیں، بینک کی تمام حکمت عملیوں اور طریقہ کار کا جائزہ لیتا ہے۔ یہ بینک کی بقاء میں اضافے اور طے شدہ اہداف کے حصول کو یقینی بنانے میں معاون ہے۔ بینک ایک انتہائی مستحکم بزنس کنٹینر ٹی پلان، ایک انفارمیشن سیکورٹی یونٹ اور مضبوط اور آزادانہ آڈٹ سیٹ اپ کا حامل ہے۔

کمپلائنس

آپ کے بینک نے سال کے دوران اپنے نیٹ ورک پر مکمل نگرانی کو مستحکم رکھا جس میں کے وائی سی / اے ایم ایل کنٹرولز میں اضافہ اور ریگولیٹری کمپلائنس کی آگاہی شامل ہے۔ کمپلائنس یونٹ نے کمپلائنس اور ریگولیٹری امور پر انتظامیہ اور اسٹاف کو سپورٹ اور مشاورت فراہم کی۔ تمام نئی پالیسیاں اور طریقہ کار، اقدامات، پروڈکٹس، سروسز، کاروباری طریقہ کار وغیرہ کمپلائنس کے نظریے سے جائزہ اور ریگولیٹری حکام کے ساتھ تعلقات کا قیام رکھنا اس یونٹ کے فرائض میں شامل ہے۔ یہ یونٹ ایک ریگولیٹری لائبریری، جس میں اسٹیٹ بینک آف پاکستان اور دیگر متعلقہ ریگولیٹری حکام کی جانب سے جاری سرکلر شامل ہیں، کے قیام اور اسے برقرار رکھنے میں بھی سرگرم ہے مزید براں اسٹیٹ بینک آف پاکستان کے انسپشن کے عمل کو آسان بنانے کیلئے اسٹیٹ بینک آف پاکستان اور اسکی آن سائٹ انسپشن ٹیم کے ساتھ سہولت کاری اور رابطہ کاری میں اس یونٹ کا اہم کردار رہا ہے۔

انتہائی چیلنج اور متقاضی عالمی اے ایم ایل / سی ایف ٹی انوائزمنٹ کے ساتھ بینک کا اے ایم ایل فنکشن بینک میں مکمل طور پر کمپلائنس کے اعلیٰ ترین معیار کے نفاذ اور ان اسٹینڈرڈز کو انتظامیہ اور ملازمین کیلئے یقینی بنانے کیلئے پرعزم ہے۔ بینک کا جدید ترین ٹرانزیکشن مانیٹرنگ سسٹم (ٹی ایم ایس) بینک کے چینلز، پروڈکٹس اور سروسز کے ذریعے منی لائڈرنگ جیسی سرگرمیوں سے محفوظ رکھتا ہے۔ ٹی ایم ایس غیر معمولی منتقلیوں کی نگرانی اور اس میں موجود کثیر نوعیتی اے ایم ایل صورت حال کے ذریعے ٹرانزیکشنز کی مختلف سرگرمیوں کا جائزہ لیتا ہے۔

کوڈ آف کارپوریٹ گورننس کی ہدایات کے مطابق، بورڈ کی آڈٹ کمیٹی نے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی 31 دسمبر 2018 کو ختم ہونے والے سال کیلئے بینک کے آڈیٹر کی حیثیت سے تقرری کی سفارش کی ہے۔

کارپوریٹ وفاقش رپورٹنگ فریم ورک

- ۱- بینک کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو شفاف انداز میں پیش کیا گیا ہے۔
- ۲- بینک کی جانب سے حسابات کی باقاعدہ کتب تیار کی گئی ہیں۔
- ۳- موزوں اکاؤنٹنگ پالیسیاں اور تخمینہ جات، مالیاتی حسابات کی تیاری میں تسلسل کے ساتھ لاگو کئے گئے ہیں۔
- ۴- مالیاتی حسابات کی تیاری میں پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عمل کیا گیا ہے اور ان سے کسی بھی روگردانی مناسب طور پر ظاہر کیا گیا ہے۔
- ۵- انٹرئل کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل اور نگرانی رہا ہے۔
- ۶- بینک کے کاروبار کو جاری رکھنے کی صلاحیت پر کسی قسم کے شبہات نہیں ہیں۔
- ۷- لسٹنگ ریگولیشنز میں درج کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی روگردانی نہیں کی جاتی ہے۔
- ۸- بینک کا کلیڈی آپریٹنگ اور مالیاتی ڈیٹا برائے گزشتہ 6 سال درج ذیل ہے:

روپے ملین میں

2012	2013	2014	2015	2016	2017	
26,002	27,364	30,200	33,120	37,165	39,557	شیئرز ہولڈرز کی ایکویٹی
10,478	10,478	10,478	10,478	10,478	10,478	اداشدہ سرمایہ
304,416	311,454	397,380	489,879	526,606	644,554	مجموعی اثاثہ جات
217,798	247,644	320,023	403,355	430,888	518,364	ڈپازٹس
110,444	129,834	134,751	132,647	142,962	174,319	ایڈوانسز
160,850	142,444	221,761	292,779	314,619	396,637	سرمایہ کاریاں
5,044	5,112	7,312	12,539	10,334	9,129	منافع قبل از ٹیکس
3,406	3,526	4,927	7,656	6,119	5,509	منافع بعد از ٹیکس
3.25	3.37	4.70	7.31	5.84	5.26	آمدنی فی حصص (روپے)
20	20	25	20	30	30	منافع منقسمہ (فیصد) - حتمی
-	-	-	20	-	-	عبوری
3,284	3,559	3,914	4,277	4,597	4,719	عملی تعداد
183	214	240	276	307	320	برانچوں/ذیلی برانچوں کی تعداد

پروایڈٹ فنڈ اور گریجویٹ اسکیم کی سرمایہ کاریوں کی قدر و قیمت درج ذیل کے مطابق ہے:

- پروایڈٹ فنڈ 2,773 ملین روپے بمطابق 30 جون 2017

- گریجویٹ فنڈ 1,103 ملین روپے بمطابق 31 دسمبر 2016

رиск مینجمنٹ

رиск مینجمنٹ فریم ورک پر بیان

حبیب میٹرو بینک کی حکمت عملی و تنظیمی ڈھانچے میں خطرات کے انتظامی پہلو بھی موجود ہیں۔ بینک کریڈٹ، آپریشنز، لیکویڈیٹی اور مارکیٹ ریسک کیلئے منظم اپروچ اور مستحکم انٹرئل کنٹرول کے ایک مربوط و منظم ریسک مینجمنٹ اسٹرکچر کا حامل ہے۔

بینک کا مکمل برانچ نیٹ ورک آن لائن اور جدید ترین پروسیجرنگ سسٹم محفوظ اور مناسب گنجائش کا حامل ہے۔ بینک کے نظام اور تنظیم میں فرائض کی تقسیم موجود ہے۔ کنٹرول سسٹم کی جانچ پڑتال کیلئے انٹرئل آڈٹ ڈویژن سال بھر بینک کی برانچوں اور دیگر امور کا آزاد اور خطرات پر مبنی جائزہ لیتا اور توثیق کرتا ہے۔ مینجمنٹ کے پاس ریسک کنٹرول کرنے کیلئے جامع اندرونی رپورٹس اور MIS کی اضافی سہولیات موجود ہیں ریسک مینجمنٹ ڈویژن خطرات کے تمام پہلوؤں سے نمٹنے کے پیشہ ورانہ مہارت کے حامل افراد پر مشتمل ہے۔

صارفین کی شکایات

صارف کے اطمینان کو بینک کی کامیابی کا ایک اہم عنصر تصور کیا جاتا ہے۔ بینک نے صارف کی شکایت کا منصفانہ اور موثر حل نکالنے کیلئے شکایات کے ازالے کے طریقہ کار کو مزید بہتر کیا ہے، جس کے ذریعے کئی اقدامات بشمول شکایات نمٹانے کے نظام کی خودکاری، شکایت کنندہ کو SMS کے ذریعہ اطلاع، شکایت کی ہر وقت نگرانی اور مسلسل موصولہ شکایات پر درست اقدامات بروئے کار لائے گئے۔

مختلف ذرائع سے موصولہ صارف کی شکایات کو نمٹاتے وقت بینک صارف کے مسائل کے منصفانہ حل کیلئے ایک عملی اور منطقی طریقہ کار رکھتا ہے۔ سال 2017 کے دوران 6,371 شکایات موصول ہوئیں اور شکایات کے ازالے کے موثر نظام کے باعث ان کے حل کا اوسط دوران تقریباً 7 دن تھا۔

بہتر شفافیت اور اضافی کنٹرول انوائزمنٹ کیلئے صارف کی شکایات کو نمٹانے کا مرکزی نظام موجود ہے۔ بینک اپنے صارفین کو بہترین خدمات اور ہمہ گیر پروڈکٹس کی فراہمی کیلئے اپنے عزم پر قائم ہے۔

کارپوریٹ گورننس

بورڈ کے اجلاس

سال 2017 کے دوران بورڈ آف ڈائریکٹرز اور اس کی سب کمیٹیوں کے اجلاس اور ہر ایک ڈائریکٹر/کمیٹی ممبر کی جانب سے اس کی شرکت کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز	آڈٹ	کریڈٹ	ہیومن ریسورسز وری میڈریشن	رہنما و کمیٹیاں
جناب محمد علی آر۔ حبیب	5/5	-	-	2/2	-
جناب علی ایس۔ حبیب	5/5	4/4	-	-	-
جناب انجم زید۔ اقبال	5/5	2/2	2/2	-	4/4
جناب فراست علی	5/5	2/2	-	1/1	3/3
جناب محمد بشیر	5/5	-	-	-	-
جناب محمد ایف۔ حبیب	4/5	-	2/2	-	-
جناب سہیل حسن	5/5	2/2	-	-	1/1
جناب طارق اکرام	5/5	2/2	-	2/2	-
جناب سراج الدین عزیز	5/5	-	2/2	1/1	4/4
منعقدہ اجلاس	5	4	2	2	4

بورڈ کی کارکردگی کا جائزہ

بورڈ کی کارکردگی جانچنے کا ایک باقاعدہ طریقہ کار موجود ہے۔ مختلف پہلوؤں مثلاً حکمت عملی و کارکردگی اور بورڈ اور اس کی ذیلی کمیٹیوں کے آپریشنز کو مد نظر رکھتے ہوئے اعدادی تکنیک کی بنیاد پر اسکو شدہ سوالنامے (1 سے 5 کا پیمانہ استعمال کرتے ہوئے) کا ایک اندرونی طریقہ کار استعمال کیا جاتا ہے۔ اس کا نتیجہ مرتب کر کے بورڈ کو ان کے جائزے اور بہتری کیلئے پیش کیا جاتا ہے۔

پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2017 کو پیٹرن آف شیئر ہولڈنگ رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز

موجودہ آڈیٹرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہوئے اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرر کیلئے پیش کیا۔

ایوارڈز

حبیب میٹروکو 2017 میں ایشیائی ترقیاتی بینک کی جانب سے ”بیسٹ ایس ایم ای ٹریڈ ڈیل“ کا اعزاز پیش کیا گیا۔ بینک کو پاکستان اسٹاک ایکسچینج کی صفہ اول کی 25 کمپنیوں میں شامل ہونے کا بھی اعزاز حاصل ہوا۔ مزید برآں جے پی مورگن کی جانب سے حبیب میٹرو کو ایلٹ کو الٹی ریلکینیشن ایوارڈ 2017 پیش کیا گیا اور صراط نے کیمریج اینالٹیکس (UK) سے اسلامک ریشیل بینکنگ میں بہترین ابھرتے برانڈ کا اعزاز حاصل کیا۔

صارفین تک اضافی رسائی

اللہ تعالیٰ کے کرم سے حبیب میٹرو نے 2017 میں اپنے نیٹ ورک میں مزید 13 نئی برانچوں کا اضافہ کر کے اپنی رسائی کو وسعت دی اور 7 نئے شہروں کے اضافے کے ساتھ پاکستان بھر میں 94 شہروں میں 320 برانچوں بشمول 29 اسلامی بینکاری برانچوں کے ذریعے قدم جمائے۔ اب قومی سطح پر بینک ملک کے شمالی حصے میں 168 برانچوں اور جنوبی حصے میں 152 برانچوں پر مشتمل ہے۔

آپ کا بینک 100 سے زائد ملک میں مستحکم بینکوں کے ساتھ تعلقات رکھتا ہے اور متعدد دیگر بینکوں سے باقاعدہ کریڈٹ لائنز کا بھی حامل ہے۔ حبیب میٹرو پورے ملک میں اپنے صارفین کو جامع بینکاری خدمات اور پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس، اس کے ساتھ جدید ترین ٹیکنالوجیز سے آراستہ خدمات مثلاً محفوظ SMS، ویب بینکنگ سروسز، عالمی طور پر قابل قبول ویزا ڈیبٹ کارڈز اور ملک گیر ATM نیٹ ورک فراہم کر رہا ہے۔

آپ کے بینک کی ذیلی کمپنی حبیب میٹرو پالیٹن فنانشل سروسز باسہولت اور قابل اعتماد ایکویٹی بروکریج اور کھڑی خدمات فراہم کر رہی ہے۔ مزید یہ کہ حبیب میٹرو پالیٹن مضاربہ مینجمنٹ نے فرسٹ حبیب مضاربہ کے انتظامی حقوق بھی حاصل کر لئے جو اسلامی فنانسنگ کا مستحکم حل پیش کرتی ہے۔ سال کے دوران مینجمنٹ کمپنی نے حبیب میٹرو مضاربہ کے نام سے ایک نیا مضاربہ بھی متعارف کرایا۔

متبادل ڈیلیوری کے چینل

انتیازی خدمات کے معیار کو برقرار رکھنا آپ کے بینک کی حکمت عملی کی بنیاد ہے۔ سال کے دوران بینک نے 25 نئی آٹومیٹڈ ٹیلر مشینیں (ATMs) بشمول آف سائٹ ATMs کی تنصیب کی اور اس طرح ملک بھر میں ATMs کی مجموعی تعداد 345 تک پہنچ چکی ہے۔ بینک کے ویزا ڈیبٹ کارڈز اور ایس ایم ایس اور ویب بینکنگ سبسکرپشن نے بھی اس مدت کے دوران قابل ذکر اضافہ ظاہر کیا۔

افراد و وسائل

حبیب میٹرو فنانس کی مجموعی تعداد سال کے دوران 4,597 سے بڑھ کر 4,719 ہو گئی۔ بینک وسیع تر انداز میں اندرونی خانہ کورسز کے انعقاد اور اسٹاف کو بیرونی تربیت کیلئے بھیج کر اپنی افرادی قوت کی تربیت کی ضروریات کو پورا کر رہا ہے۔

آپ کا بینک ملازمت کے مساوی مواقع فراہم کرنے والا ادارہ ہے جہاں خواہشمند بینکرز کو پرجوش کیریئر اور ترقی کے شاندار مواقع فراہم کئے جاتے ہیں۔

کارپوریٹ سماجی ذمہ داریاں

بحیثیت ایک مختلط اور ذمہ دار سماجی شہری آپ کا بینک اپنی سماجی ذمہ داریوں کو بخوبی سمجھتا اور سماجی اداروں کی معاونت کرتا ہے۔ سال کے دوران بینک نے تین اہم شعبوں یعنی تعلیم، صحت کی دیکھ بھال اور سماجی بہبود میں پسماندہ طبقات کی معاونت کی۔ یہ رضا کارانہ عطیات 81.6 ملین روپے مالیت کے تھے۔

دی سٹیزن فاؤنڈیشن مالی معاونت کے بڑے وصول کنندگان میں سے ایک رہا اور بینک اس کے ذریعے پسماندہ دیہی علاقوں میں 6 اسکول چلا رہا ہے جہاں 1000 سے زائد بچے داخل ہیں۔ بینک کی سماجی معاونت کی تفصیل اکاؤنٹس کے نوٹس میں دیکھی جاسکتی ہے۔

آپ کا بینک سال 2017 کے دوران حکومت پاکستان کو 3.70 بلین روپے سے زائد بلا واسطہ (ڈائریکٹ) ٹیکسوں کی مدد میں ادائیگی کے ساتھ ملک کے بڑے ٹیکس دہندگان میں سے ایک رہا ہے۔ مزید برآں بینک نے نیٹ ورک کے ذریعے تقریباً 8.57 بلین روپے کی اضافی رقم بلا واسطہ ٹیکس اور ووہولڈنگ انکم ٹیکس کٹوتیوں کی مدد میں قومی خزانے کے لئے جمع کی گئی۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

میرے لئے یہ امر باعث مسرت ہے کہ آپ کے سامنے 31 دسمبر 2017 کو ختم ہونے والے مالی سال کے لئے حبیب میٹرو پالیٹن بینک (حبیب میٹرو) کے سالانہ حسابات پیش کر رہا ہوں۔

اقتصادی اور بینکاری کا جائزہ

سرمایہ کاروں کے اعتماد اور سرگرمیوں میں اضافے کی وجہ سے ملکی معیشت میں بہتری دیکھی گئی ہے، جس کی بڑی وجوہات میں امن و امان کی صورتحال میں بہتری، مستحکم اقتصادی و سیاسی پالیسیاں اور (CPEC) کا آغاز شامل ہیں۔ مالی سال 2017-2018 کی پہلی ششماہی کا اوسط افراط زر 3.8 فیصد پر رہا۔ پاکستانی روپے کی قدر میں کمی اور تیل کی عالمی قیمتوں کے اضافی اثرات کے باعث افراط زر 6 فیصد کے سالانہ حد کی طرف بڑھنے کا امکان ہے۔

مالی سال 2018 کی پہلی ششماہی کے دوران غیر ملکی برآمدات میں 10.8 فیصد کا اضافہ ریکارڈ کیا گیا جو گزشتہ 7 سال کا بلند ترین تناسب ہے، جبکہ گزشتہ مالی سال 2017 کی اسی مدت میں اس میں 1.4 فیصد کمی دیکھی گئی تھی۔ ترسیلات زر میں بھی 2.5 فیصد بہتری دیکھی گئی جو گزشتہ سال کی اسی مدت میں کمی کا شکار رہی تھی۔ تاہم اشیاء و خدمات کی درآمدات میں مقابلہ زائد اضافہ ہوا۔ نتیجتاً رواں مالی سال کی پہلی ششماہی کا کرنٹ اکاؤنٹ خسارہ بڑھ کر 7.4 بلین امریکی ڈالر تک جا پہنچا۔

اسٹیٹ بینک آف پاکستان کے پاس موجود زرمبادلہ ذخائر جون 2017 کے اختتام سے 2.6 بلین امریکی ڈالر کمی کے بعد جنوری 2018 کے وسط تک 13.5 بلین امریکی ڈالر رہ گئے۔ نومبر 2017 سے پاکستانی روپے کی قدر میں 5 فیصد تک کمی ہو چکی ہے۔ آئندہ عرصے میں برآمدات کی بحالی، سازگار غیر ملکی ماحول اور سمندر پار ہم وطنوں کی بھیجی گئی ترسیلات زر میں اضافے کے امکان سے ملک کے کرنٹ اکاؤنٹ خسارے میں کمی کی توقع ہے۔

بینکنگ سیکٹر کے ڈیپازٹس سال بہ سال 12.7 فیصد سے بڑھتے ہوئے اکتوبر 2017 کے اختتام تک 11.78 ٹریلین روپے کی سطح پر تھے تاہم ایڈوانسز 19 فیصد بڑھ کر 6.15 ٹریلین روپے اور سرمایہ کاری 16 فیصد اضافے کے بعد 8.34 ٹریلین روپے ہو گئی۔ ستمبر 2017 کے اختتام پر سیکٹر کے غیر فعال ایڈوانسز کا حجم 611.81 بلین روپے ریکارڈ کیا گیا اور انفیکشن تناسب 10 فیصد پر برقرار تھا۔

اسٹیٹ بینک آف پاکستان نے اپنے 2018 کے مالیاتی پالیسی کے بارے میں جاری اسٹیٹمنٹ میں پالیسی ریٹ 25 bps اضافے کے بعد 6 فیصد کر دیا۔

سال کے دوران بینک کی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے بینک کا بعد از ٹیکس منافع سال 2017 کے اختتام پر 5.5 بلین روپے رہا۔ فی حصص آمدنی 5.26 روپے اور شیئر ہولڈرز کی ایکویٹی پر منافع 14.4 فیصد رہا۔

زیر جائزہ سال کے دوران بینک کے ڈپازٹس بڑھ کر 518 بلین روپے ہو گئے جبکہ مجموعی ایڈوانسز 190.7 بلین روپے ریکارڈ کئے گئے۔ نیٹ ایکویٹی 39.56 بلین روپے پر اور کپٹل ایڈیکویسی 17.2 فیصد کی آرام دہ سطح پر رہی۔

کمٹمنٹس

بینک کے مالیاتی سال اور رپورٹ کی تاریخ کے درمیان بینک کی مالیاتی پوزیشن کو متاثر کرنے والی مالی ذمہ داریوں میں کوئی نمایاں تبدیلی وقوع پذیر نہیں ہوئی۔

کریڈٹ ریٹنگ

اللہ تعالیٰ کے کرم سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کی جانب سے مسلسل 17 ویں سال بینک کی کریڈٹ ریٹنگ طویل مدت کیلئے AA+ (ڈبل اے پلس) اور قلیل مدت کیلئے A1+ (اے ون پلس) برقرار رکھی گئی۔ جو کہ کریڈٹ کے اعلیٰ معیار، کریڈٹ رسک کے کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

BRANCH NETWORK

Registered Office and Head Office

Ground Floor, Spencer's Building, G.P.O. Box 1289,
I.I. Chundrigar Road, Karachi-74200, Pakistan
U.A.N.: (92-21) 111-14-14-14 Fax: (92-21) 32630404-05

HMB Connect: 111-1-HABIB (42242)

For information / query: info@habibmetro.com

SOUTHERN REGION

KARACHI

Main Branch

Abul Hassan Isphani Road Branch
(Sub Branch of University Road)

Aisha Manzil Branch
(Sub Branch of Hussainabad)

Alamgir Road Branch

Allama Iqbal Road Branch

Baara Market Branch

Bahadurabad Branch

Bilal Chowranghi Branch
(Sub Branch of Korangi)

Block-M, North Nazimabad
(Sub Branch of Hyderi)

Block-N, North Nazimabad
(Sub Branch of UP More)

Boat Basin Branch

Bohri Bazar Branch

Bombay Bazar Branch
(Sub Branch of Jodia Bazar)

Business Avenue Branch

Ceramic Market Branch

Chandni Chowk Branch

Chartered Accountants Avenue
(Sub Branch of Gizri)

City Court Branch

Civil Lines Branch

Clifton Block 2 Branch

Clifton Branch

Cloth Market Branch

D.H.A Branch

Dalmia Road Branch

Dastagir Branch
(Sub Branch of Hussainabad)

DHA Phase I Branch

DHA Phase II Branch

DHA Phase IV Branch
(Sub Branch of Khayaban-e-Sehar)

DHA Phase VI Branch
(Sub Branch of Khayaban-e-Shahbaz)

Dhoraji Colony Branch

DMCHS Branch

Eidgah Branch

Falcon Complex Branch

Garden East Branch

Gizri Branch

Gulistan-e-Johar Branch

Gulshan Chowranghi Branch

Gulshan-e-Ali Branch
(Sub Branch of Water Pump)

Gulshan-e-Iqbal 13-C Branch
(Sub Branch of Hasan Square)

Gulshan-e-Iqbal Branch

Gulshan-e-Jamal Branch

Gulshan-e-Maymar Branch

Hasrat Mohani Road

Hassan Square Branch

HBZ Plaza Branch

Hussainabad Branch

Hyderi Branch

Industrial Area Korangi Branch

Itehad Branch

Jodia Bazar Branch

Juna Market Branch

Karimabad Branch

Khalid Bin Walid Road Branch

Khayaban-e-Bukhari Branch

Khayaban-e-Nishat Branch

Khayaban-e-Sehar Branch

Khayaban-e-Shahbaz Branch

Khayaban-e-Tanzeem Branch

Korangi Branch

Korangi Township Branch

Kutchi Gali Branch

Landhi Industrial Area Branch

Liaquatabad Branch

Lines Area Branch

M.A. Jinnah Road Branch

Malir Cantt Branch

Malir City Branch

Manghopir Road Branch

Marriot Road Branch

Mehmoodabad Branch
 Mereweather Branch
 Mission Road Branch
 Mithadar Branch
 NHS Branch Karachi
 Nazimabad No.1 Branch
 Nazimabad No.3 Branch
 (Sub Branch of North Nazimabad)
 NHS Complex Karsaz Branch
 Nishtar Road Branch
 North Karachi Industrial Area Branch
 North Napier Road Branch
 North Nazimabad Branch
 Paper Market Branch
 Paposh Nagar Branch
 PIB Colony Branch
 Philips Chowrangi Branch
 Plaza Square Branch
 Port Qasim Branch
 Preedy Street Branch
 Progressive Plaza Branch
 Saba Avenue Branch
 Saddar Branch
 Safoora Goth Branch
 Samanabad Gulberg Branch
 Sehba Akhtar Road Branch
 (Sub Branch of Gulshan Chowrangi)
 Shahbaz Commercial Branch
 (Sub Branch of Khayaban-e-Bukhari)
 Shah Faisal Colony Branch
 Shahrah-e-Faisal Branch
 Shahrah-e-Liaquat Branch
 Shahrah-e-Quaideen Branch
 Sharfabad Branch
 (Sub Branch of Alamgir Road)
 Shershah Branch

Shireen Jinnah Colony Branch
 (Sub Branch of Clifton)
 Sindhi Muslim Society Branch
 (Sub Branch of Shahrah-e-Quaideen)
 S.I.T.E. Branch
 S.I.T.E. - II Branch
 Soldier Bazar Branch
 South Park Avenue Branch
 (Sub Branch of Ittehad)
 Stadium Road Branch
 Star Gate Branch
 Stock Exchange Branch
 Sunset Boulevard Branch
 (Sub Branch of Gizri)
 Textile Plaza Branch
 Timber Market Branch
 Tipu Sultan Road Branch
 University Road Branch
 UP More Branch
 Water Pump Branch
 West Wharf Branch
 Zamzama Branch

HYDERABAD

Hyderabad Branch
 Latifabad Branch
 Market Road Branch-Hyderabad

OTHER SOUTHERN REGION CITIES

Daharki Branch
 Dhoro Naro Branch
 Hub Chowki Branch
 Jacobabad Branch
 Gwadar Branch
 Kandhkot Branch
 Khairpur Branch

Mirpurkhas Branch
 Nawabshah Branch
 Quetta Branch
 Qazi Ahmed Branch
 Shikarpur Branch
 Sukkur Branch
 Tandoadam Branch
 Tando Muhammad Khan Branch
 Umerkot Branch

NORTHERN REGION

LAHORE

Lahore Main Branch
 Azam Cloth Market Branch
 (Sub Branch of BadamiBagh)
 Badami Bagh Branch
 Badian Road Branch
 (Sub Branch of DHA Lahore)
 Baghbanpura Branch
 Brandreth Road Branch
 Cantt. Branch
 Circular Road Branch
 Davis Road Branch
 DHA Branch
 DHA Phase IV Branch
 DHA Phase V Branch
 (Sub Branch of Walton Road)
 DHA Phase VI Branch
 EME Society Branch
 (Sub Branch of Raiwind Road)
 Faisal Town Branch
 (Sub Branch of Model Town Link Road)
 Ferozepur Road Branch
 Fruit & Sabzi Market Branch
 (Sub Branch of Ravi Road)

Garden Town Branch
 Garhi Shahu Branch
 Gulberg Branch
 Gulshan-e-Ravi Branch
 Hall Road Lahore
 Iqbal Town Branch
 Johar Town Branch
 Main Boulevard Branch
 Mcleod Road Branch
 (Sub Branch of Brandreth Road)
 Misri Shah Branch
 (Sub Branch of Badami Bagh)
 Model Town Link Road Branch
 Punjab C.H.S. Branch
 Raiwind Road Branch
 Ravi Road Branch
 Samanabad Branch
 (Sub Branch of Iqbal Town)
 Shadman Branch
 Shahalam Market Branch
 Shahdara Branch
 Shahrah-e-Quaid-e-Azam Branch
 Sheikhupura Road Branch
 Township Branch
 Urdu Bazar Branch
 Valencia Town Branch
 (Sub Branch of Raiwind Road)
 Wahadat Road Branch
 (Sub Branch of Shadman)
 Walton Road Branch
 WAPDA Town Branch

FAISALABAD

Faisalabad Main Branch
 Ghulam Muhammadabad Branch
 Karkhana Bazar Branch
 Millat Chowk Branch
 Peoples Colony Branch

Sargodha Road Branch
 Susan Road Branch
 University of Faisalabad
 (Sub Branch of Faisalabad)

MULTAN

GhallaMandi Branch
 Gulgasht Colony Branch
 (Sub Branch of Multan)
 Hussain Agahi Branch
 Multan Main Branch
 Shahrukn-e-Alam Branch

SIALKOT

Do-BurjiMalhiyan Branch
 Gohadpur Branch
 Khadim Ali Road
 Pasrur Road Branch
 Sialkot Cantt. Branch
 Sialkot Main Branch
 Small Industrial Estates Branch
 Sohawa Branch
 Ugoki Branch

ISLAMABAD

Bahria Town Branch
 E-11 Branch
 (Sub Branch of F-10 Markaz)
 F-7 Markaz Branch
 F-8 Markaz Branch
 F-10 Markaz Branch
 F-11 Markaz Branch
 G - 6 Markaz Branch
 G-11 Markaz Branch
 I-9 Markaz Branch
 I-10 Markaz Branch
 Islamabad Main Branch
 Tarnol Branch

RAWALPINDI

Dhamial Camp Branch
 Iqbal Road Branch
 KallarSyedan Branch
 Kashmir Road Branch
 Khanna Branch
 Muree Road Branch
 PWD Commercial
 Area Branch
 Raja Bazar Branch
 Rawalpindi Main Branch

PESHAWAR

Peshawar Branch
 Karkhano Bazar Branch
 Khyber Bazar Branch
 Rampura Branch
 University Road Branch

AZAD KASHMIR

ArraJattan Branch
 Mirpur (A.K) Branch
 Pang Peeran Branch

GILGIT BALTISTAN

Astore Branch
 Aliabad Branch
 Chillas Branch
 Danyore Branch
 Gilgit Branch
 Jutial Branch
 Khaplu Branch
 Skardu Branch
 Sost Branch

FATA / PATA

Dassu Branch
Khawazakhela Branch
Mingora Branch
Parachinar Branch

OTHER NORTHERN REGION CITIES

Abbottabad Branch
Arifwala Branch
Bahawalpur Branch
Bhalwal Branch
Besham Branch
Chakwal Branch
Chak #111 SB Branch
Chiniot Branch
D. G. Khan Branch
D. I. Khan Branch
Dharanwala Branch
FaqirWali Branch
Gujranwala Branch
Gujrat Branch
Hafizabad Branch
Haripur Branch
Haroonaabad Branch
Hasilpur Branch
Jauharabad Branch
Jhelum Branch
Kamoke Branch
Kasur Branch
Kohat Branch
Kharian City Branch

Khushab Branch
Lala Musa Branch
Muslim Bazar Branch
MandiBahauddin Branch
Mansehra Branch
Mianwali Branch
MianChannu Branch
Mardan Branch
MouzaKachi Jamal Branch
Nankana Sahib Branch
Okara Branch
Oghi Branch
Pezu Branch
Rahim Yar Khan Branch
Sadiqabad Branch
Sahiwal Branch
Sargodha Branch
Sheikhupura Branch
Talagang Branch
WahCantt Branch
Yazman Branch
ZahirPir Branch

ISLAMIC BANKING BRANCHES

KARACHI

Alfalah Court Branch
Clifton Branch
Dhorajee Colony Branch
Gulzar-e-Hijri Branch

Jodia Bazar Branch
Korangi Branch
Khayaban-e-Jami
Rashid Minhas Road Branch
Shahrah-e-Faisal Branch
Shaheed-e-Millat Branch
SITE Branch
North Karachi Branch
North Nazimabad

LAHORE

BadamiBagh Branch
Cirucular Road Branch
Gulberg Branch
Azam Cloth Market Branch

OTHER CITIES

Batkhela Branch
Gujranwala Branch
Hyderabad Branch
Islamabad Branch
Multan Branch
Mingora Branch
Nowshera Branch
Peshawar Branch
Rawalpindi Branch
Saleh Khana Branch
Sialkot
Timergarah Branch

PROXY FORM

I/We _____

of _____

being member (s) of Habib Metropolitan Bank Limited and holding _____

ordinary shares, as per Folio No. & CDC participant ID - A/C No. _____

hereby appoint _____ Folio No. / CDC participant ID - A/C No. _____

of _____

or failing him / her _____ Folio No. / CDC participant ID - A/C No. _____

of _____

another member of the Bank to vote for my / our behalf at the 26th Annual General Meeting of the Bank to be held on March 29, 2018 and at any adjournment thereof.

As Witness my / our hand this _____ day of March 2018.

Witness

1. Signature _____

Name _____

Address _____

CNIC # _____

2. Signature _____

Name _____

Address _____

CNIC # _____

REVENUE
STAMP
Rs. 5/-

Signature of Member(s)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his own as well as the proxy's CNIC / Passport with the proxy form. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies, in order to be valid, must be deposited at the Registered Office of the Bank not less than 48 hours before the time of meeting.

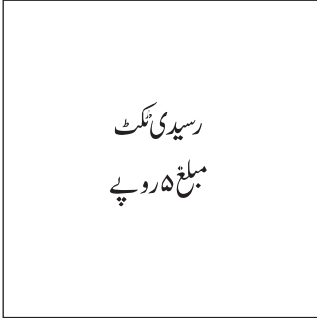
پراکسی فارم

میں/ہم _____
 ساکن _____
 بحیثیت ممبر حبیب میٹرو پولیٹن بینک لمیٹڈ اور ہولڈنگ _____ عام شیئرز جن کے فوئیو نمبر _____ رکھتا ہوں/رکھتی ہوں/رکھتے ہیں۔
 بذریعہ ہذا _____ فوئیو نمبر _____
 ساکن _____
 اور اگر ان کے لئے ممکن نہ ہو تو _____ فوئیو نمبر _____
 ساکن _____

جو کہ بینک کے ممبر ہیں کو بینک کے ۲۶ واں سالانہ اجلاس عام جو مورخہ ۲۹ مارچ ۲۰۱۸ء کو منعقد ہو رہا ہے یا اس کے کسی بھی التواء میں میری/ہماری جگہ شرکت کرنے اور ووٹ دینے کیلئے پراکسی مقرر کرتا ہوں/کرتی ہوں/کرتے ہیں۔

بطور سند میرے/ہمارے دستخط مورخہ _____ مارچ ۲۰۱۸ء۔

گواہان



ممبر (ممبران) کے دستخط

۱- دستخط _____
 نام _____
 پتہ _____
 سی این آئی سی نمبر _____
 ۲- دستخط _____
 نام _____
 پتہ _____
 سی این آئی سی نمبر _____

ایک ممبر جو کہ ایک اجلاس عام میں شرکت کا حق رکھتا ہے یہ حق بھی رکھتا ہے کہ اُس کی جگہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے وہ پراکسی نامزد کر سکے۔ پراکسی بینک کا ممبر ہونا چاہیئے۔ کوئی شخص بطور پراکسی (کارپوریشن مستثنیٰ) شرکت نہیں کر سکتا تا آنکہ وہ بذاتے خود اجلاس میں موجود ہونے اور ووٹ دینے کا حق نہ رکھتا ہو۔

شیئرز ہولڈر کے اپنے اور پراکسی کے سی این آئی سی/پاسپورٹ کے سلسلے میں دونوں مصدقہ نقول پراکسی فارم کے ساتھ ارسال کرنا ہوں گی۔ کارپوریٹ اداروں کے سلسلے میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع مصدقہ دستخط کے پراکسی فارم کے ساتھ ارسال کرنا ہوگی۔

پراکسی کی تقرری کے دستاویز ممبر یا اس کے تحریری طور پر مجاز کئے ہوئے اٹارنی کی دستخط شدہ ہونی چاہیئے۔ اگر ممبر کوئی کارپوریشن ہے تو اس کی عمومی مہر (اگر کوئی ہو تو) دستاویز پر ثبت ہونی چاہیئے۔

پراکسیز بینک کے رجسٹرڈ دفتر میں اجلاس شروع ہونے سے ۴۸ گھنٹے قبل جمع کرادینی چاہیئے۔

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سرمایہ کاری سمجھداری کے ساتھ



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Be safe**

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(based on live feed from KSE)
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notifications, corporate and
regulatory actions)
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mobile device
- 📺 Online Quizzes



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Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices



HABIB METROPOLITAN BANK LTD.
HEAD OFFICE: SPENCER'S BUILDING
I.I. CHUNDRIGAR ROAD
KARACHI, PAKISTAN.

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