



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Members of Habib Metropolitan Bank Limited

Opinion

We have audited the annexed consolidated financial statements of Habib Metropolitan Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	PROVISION AGAINST LOANS AND ADVANCES	
	<p>Refer to note 10 to the consolidated financial statements and the accounting policies in note 4.6 to the consolidated financial statements.</p> <p>The Group's advances to the customers represent 34.78% of its total assets as at 31 December 2018. Advances - net of provision amounts to Rs. 236.11 billion and provision against advances amounts to Rs. 16.56 billion.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Assessed the design and operating effectiveness of manual and automated controls over individual impairment provision including: <ul style="list-style-type: none"> - The accuracy of data input into the system used for the credit grading and the approval of credit facilities; - The ongoing monitoring and identification of advances displaying indicators of impairment and whether they are migrating, on a timely basis, to watch list or to non-performing advances; and

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The provision against loans and advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations issued by the State Bank of Pakistan.</p>	<ul style="list-style-type: none"> - Identification of past due exposures. • For a risk based sample of Corporate and Commercial exposures, challenged management assessment by comparing historical performance of the customers and formed our view whether any impairment indicators are present; • Where management has identified as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations; • Where management has not identified as displaying indicators of impairment, reviewed the credit history, account movement, financial ratios and reports on security maintained and challenged the management's assessment based on our view of the credit; • For consumer and SME advances, analyzed the days past due report and factors used for calculation of provision required in accordance with Prudential Regulations; • For Forced Sales Value (FSV) benefit availed by the management while computing provision, compared values used with the external valuation reports and assessed valuers' credentials; and • We issued instructions to auditors of those subsidiaries audited by other auditors, highlighting 'Provision against advances' as a significant risk. The auditors of those subsidiaries performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.
2	VALUATION OF INVESTMENTS	
	<p>Refer to note 9 to the consolidated financial statements and the accounting policies in note 4.5 to the consolidated financial statements.</p> <p>As at 31 December 2018, the Group has investments classified as "Available-for-Sale" and "Held to maturity" amounting to Rs. 341.28 billion in aggregate representing 50.27 % of the total assets of the Group.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of and testing the design and operation effectiveness of the controls for the valuation of investments including impairment allowance against investment classified as available for sale;

S. No.	Key Audit Matters	How the matter was addressed in our audit
	We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' as a key audit matter because of its significance in relation to the total assets of the Group and judgment involved in assessing impairment allowance.	<ul style="list-style-type: none"> Assessed, on a sample basis, whether available-for-sale investments were valued at fair value based on the last quoted market price and rates quoted by PSX, PKRV, and Mutual Fund Association of Pakistan (MUFAP) etc; and Assessed whether impairment indicators exists against investments classified as available-for-sale and assessed whether impairment is recorded for impaired investments.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Other Matter

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

Karachi: 21 February 2019

KPMG Taseer Hadi & Co
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018	2017 (Restated)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	48,177,307	42,282,249
Balances with other banks	7	1,916,548	1,202,048
Lendings to financial institutions	8	11,984,795	10,914,805
Investments	9	341,284,168	395,266,073
Advances	10	236,112,844	181,790,445
Fixed assets	11	3,947,862	3,152,455
Intangible assets	12	163,645	265,952
Deferred tax assets	13	5,821,468	2,835,420
Other assets	14	29,430,741	29,527,968
		<u>678,839,378</u>	<u>667,237,415</u>
LIABILITIES			
Bills payable	15	12,173,407	19,643,603
Borrowings	16	53,008,774	66,982,529
Deposits and other accounts	17	542,839,457	507,425,281
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	30,365,390	29,323,353
		<u>638,387,028</u>	<u>623,374,766</u>
NET ASSETS			
		<u>40,452,350</u>	<u>43,862,649</u>
REPRESENTED BY			
Share capital	19	10,478,315	10,478,315
Reserves		16,371,428	15,124,031
(Deficit) / surplus on revaluation of assets - net of tax	20	(5,562,129)	960,661
Unappropriated profit		15,950,329	14,159,430
		<u>37,237,943</u>	<u>40,722,437</u>
Non-controlling interest		3,214,407	3,140,212
		<u>40,452,350</u>	<u>43,862,649</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		Rupees in '000	
Mark-up / return / interest earned	23	43,060,826	34,201,299
Mark-up / return / interest expensed	24	<u>(26,406,518)</u>	<u>(19,949,502)</u>
Net mark-up / interest income		16,654,308	14,251,797
Non mark-up / interest income			
Fee and commission income	25	3,846,716	3,488,764
Dividend income		103,198	430,452
Foreign exchange income		1,498,410	1,171,725
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	26	84,805	422,886
Other income	27	566,629	351,637
Total non mark-up / interest income		<u>6,099,758</u>	<u>5,865,464</u>
Total income		<u>22,754,066</u>	<u>20,117,261</u>
Non mark-up / interest expenses			
Operating expenses	28	11,797,688	10,534,809
Workers' welfare fund		197,947	180,945
Other charges	29	31,105	3,229
Total non-mark-up / interest expenses		<u>(12,026,740)</u>	<u>(10,718,983)</u>
Profit before provisions		10,727,326	9,398,278
(Provisions) / reversal and write offs - net	30	<u>(382,427)</u>	113,027
Extra ordinary / unusual items		-	-
Profit before taxation		<u>10,344,899</u>	<u>9,511,305</u>
Taxation	31	<u>(3,923,994)</u>	<u>(3,646,386)</u>
Profit after taxation		<u>6,420,905</u>	<u>5,864,919</u>
Profit attributable to:			
Equity shareholders of the holding company		6,179,777	5,670,724
Non-controlling interest		<u>241,128</u>	<u>194,195</u>
		<u>6,420,905</u>	<u>5,864,919</u>
		Rupees	
Basic and diluted earnings per share	32	<u>5.90</u>	<u>5.41</u>

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MOHSIN A. NATHANI
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TARIQ IKRAM
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017 (Restated)
	Rupees in '000	
Profit after taxation	6,420,905	5,864,919
Other comprehensive income		
Items that may be reclassified to profit and loss in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(6,459,320)	(1,623,608)
Items that will not be reclassified to profit and loss in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(692)	(1,412)
Movement in surplus on revaluation of non-banking assets - net of tax	(2,870)	27,653
	(3,562)	26,241
Total comprehensive income	<u>(41,977)</u>	<u>4,267,552</u>
Equity share holders of the holding company	(343,872)	4,102,125
Non-controlling interest	301,895	165,427
	<u>(41,977)</u>	<u>4,267,552</u>

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Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Reserves					Surplus / (deficit) on revaluation		Un-appropriated profit	Sub total	Non-controlling interest	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Non banking assets				
	Rupees in '000										
Opening balance as at 1 January 2017 - as previously reported	10,478,315	2,550,985	9,642,529	240,361	1,500,000	-	-	12,796,778	37,208,968	-	37,208,968
Effect of retrospective change in presentation - net of tax (note 2.3.1)	-	-	-	-	-	2,374,498	154,678	-	2,529,176	-	2,529,176
Opening balance as at 1 January 2017 (restated)	10,478,315	2,550,985	9,642,529	240,361	1,500,000	2,374,498	154,678	12,796,778	39,738,144	-	39,738,144
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	3,156,225	3,156,225
Profit after taxation	-	-	-	-	-	-	-	5,670,724	5,670,724	194,195	5,864,919
Other comprehensive income - net of tax	-	-	-	-	-	(1,596,168)	53,315	(84)	(1,542,937)	(28,768)	(1,571,705)
Transfer to statutory reserve	-	-	1,190,156	-	-	-	-	(1,190,156)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(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 30 June 2017	-	-	-	-	-	-	-	-	-	(181,440)	(181,440)
Balance as at 31 December 2017 (restated)	10,478,315	2,550,985	10,832,685	240,361	1,500,000	778,330	182,331	14,159,430	40,722,437	3,140,212	43,862,649
Profit after taxation	-	-	-	-	-	-	-	6,179,777	6,179,777	241,128	6,420,905
Other comprehensive income - net of tax	-	-	-	-	-	(6,519,920)	-	(857)	(6,520,777)	60,767	(6,460,010)
Transfer to statutory reserve	-	-	1,247,397	-	-	-	-	(1,247,397)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(2,870)	2,870	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2017	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)	-	(3,143,494)
Profit distribution by First Habib Modaraba (Rs. 1.25 per certificate) for the period ended 30 June 2018	-	-	-	-	-	-	-	-	-	(226,800)	(226,800)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.10 per certificate) for the period ended 30 June 2018	-	-	-	-	-	-	-	-	-	(900)	(900)
Balance as at 31 December 2018	10,478,315	2,550,985	12,080,082	240,361	1,500,000	(5,741,590)	179,461	15,950,329	37,237,943	3,214,407	40,452,350

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 (Restated)
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		10,344,899	9,511,305
Less: Dividend income		(103,198)	(430,452)
		<u>10,241,701</u>	<u>9,080,853</u>
Adjustments			
Depreciation on fixed assets	11.2	823,827	756,238
Depreciation on non banking assets	14.1.1	12,044	22,461
Amortization	12	128,672	103,188
Provisions and write offs (excluding recovery of written off bad debts)		476,138	(75,239)
(Gain) on bargain purchase	30	–	(131,367)
Net (gain) on sale of fixed assets		(8,707)	(13,795)
Net (gain) / loss on sale of non-banking assets	27	(202,282)	51,073
(Gain) on sale of non-current assets held for sale	27	(35,042)	–
Provision against workers' welfare fund		197,947	180,945
Provision against compensated absences	28.1	76,527	60,505
Provision against defined benefit plan	35.8	149,894	138,427
		<u>1,619,018</u>	<u>1,092,436</u>
		11,860,719	10,173,289
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,069,990)	5,836,081
Advances		(54,754,210)	(32,087,682)
Other assets (excluding current taxation and including non-banking assets)		(2,451,007)	(3,833,718)
		<u>(58,275,207)</u>	<u>(30,085,319)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(7,470,196)	11,534,970
Borrowings from financial institutions		(15,351,182)	25,258,052
Deposits and other accounts		35,414,176	76,981,414
Other liabilities (excluding dividend)		2,530,226	1,130,144
		<u>15,123,024</u>	<u>114,904,580</u>
		(31,291,464)	94,992,550
Payment against compensated absences		(71,234)	(44,461)
Contribution made to defined benefit plan		(148,937)	(139,178)
Income tax paid		(3,153,723)	(3,865,544)
		<u>(34,665,358)</u>	<u>90,943,367</u>
Net cash flow (used in) / generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		42,328,838	(74,849,808)
Net investments in held-to-maturity securities		1,601,441	(8,018,754)
Dividend received		103,674	431,313
Consideration paid on acquisition of subsidiary		–	(209,325)
Net cash received on acquisition of subsidiary and flotation of modaraba		–	151,939
Investments in fixed assets		(1,632,823)	(842,411)
Investments in intangibles assets		(26,365)	(178,476)
Proceeds from sale of fixed assets		22,296	15,875
Proceeds from sale of non-banking assets		600,000	500,000
Proceeds from sale of non-current assets held for sale		250,000	–
		<u>43,247,061</u>	<u>(82,999,647)</u>
Net cash flow generated from / (used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(3,349,572)	(3,291,513)
		<u>(3,349,572)</u>	<u>(3,291,513)</u>
Net cash used in financing activities			
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		41,673,028	37,020,821
Cash and cash equivalents at end of the year	33	<u>46,905,159</u>	<u>41,673,028</u>

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

SOHAIL HASSAN
Director

TARIQ IKRAM
Director

MOHAMEDALI R. HABIB
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATUS AND NATURE OF BUSINESS

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

Holding Company

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 03 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The holding company operates 322 (2017: 286) branches, including 31 (2017: 29) Islamic banking branches and 30 (2017: 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 holding company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, II. Chundrigar Road, Karachi.

Subsidiary Companies

- Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, 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 Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, II. Chundrigar Road, Karachi.

- First Habib Modaraba - 10% holding

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

- Habib Metro Modaraba - 70% holding

Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, II. 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 / musharaka or any other approved modes of financing. The Bank and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

2. BASIS OF PRESENTATION

2.1 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.

2.2 Statement of Compliance

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

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

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

The SBP vide BSD Circular No. 10, dated August 26, 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 April 28, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 1 January 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these financial statements.

2.3.1 The SBP has prescribed a new format for financial statements of banks effective from the year ended 31 December 2018. Accordingly, these consolidated financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Recording of acceptances, refer note 4.21, as on-balance sheet item (previously disclosed as off-balance sheet item) (note 14 and 18).
- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 30).

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2017. As the holding company's financial statements are prepared in accordance with the format prescribed by the SBP, it did not have a direct impact on the financial statements except that for disclosure of related parties transactions, as required by the fourth schedule of Companies Act 2017 the definition of related parties as given in IAS 24 - Related parties has been followed.

2.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2019:

- 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 holding company has carried out an impact assessment as at 31 December 2017 which has been submitted to the SBP. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for banks.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Group's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss

on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Group's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- 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.

2.5 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

i) Classification 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 4.6.

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 International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plan

Liability is determined on the basis of actuarial advice using the "projected unit credit actuarial cost method", as fully disclosed in note 35 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.

3. BASIS OF MEASUREMENT

Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value, non-banking assets and derivative financial instruments are carried at fair value as disclosed in notes 4.5, 4.9 and 4.10 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all the years presented except for changes explained in note 4.1.1.

4.1.1 SBP revised the format for presentation of banks' financial statements for the year ended 31 December 2018. This requires a change in accounting policy for deficit / surplus on revaluation of investments which is now required to be shown as part of equity. Previously, it was shown below the equity. Furthermore, acceptances which were previously reported as off-balance sheet item are now being reported as on-balance sheet item (note 4.21, 14 and 18).

4.2 Basis of consolidation

These consolidated financial statements include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the holding company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter-company transactions have been eliminated.

4.3 Cash and cash equivalents

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

4.4 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.

Certificate of Investments (Musharakah)

Certificate of Investments (COI's) are carried at principal amount in the 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.

4.5 Investments

4.5.1 Other investments are classified as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

4.5.2 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 the 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.

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 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 the 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.

4.6 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 modarabas 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 10 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 holding company is done in line with the requirements laid down in the Prudential Regulations issued by the SBP 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.

4.7 Fixed assets

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 11.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets 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.

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

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

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

Capital work-in-progress

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

4.8 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 Group. 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.

4.9 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.

4.10 Derivative financial instruments

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

4.11 Provisions

Provision against identified 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.

4.12 Taxation

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

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.

4.13 Employees' benefits

4.13.1 Retirement benefits

Defined benefit plan

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

All actuarial gains and losses are recognised in other comprehensive income as they occur.

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

Defined contribution plan

The Group operates a recognised provident fund schemes 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.

4.13.2 Compensated absences

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

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

4.14 Revenue recognition

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

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 are accounted for under IFAS 2 (refer note 4.6) 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.

4.15 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.

4.16 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.

4.17 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 Bank'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.

4.18 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 financial statements of the current year. These are recognised in the period in which these are declared / approved.

4.19 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.

4.20 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.

4.21 Acceptances

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

4.22 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.

5. FUNCTIONAL AND PRESENTATION CURRENCY

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

	Note	2018	2017
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,657,684	6,248,584
Foreign currencies		2,013,643	1,802,683
		<u>9,671,327</u>	<u>8,051,267</u>
With State Bank of Pakistan in			
Local currency current account	6.1	20,272,479	17,986,230
Foreign currency current account	6.2	244,068	23,880
Foreign currency deposit accounts			
– cash reserve account	6.3	4,151,971	3,787,089
– special cash reserve account	6.4	12,370,079	11,196,194
		<u>37,038,597</u>	<u>32,993,393</u>
With National Bank of Pakistan in			
Local currency current account		1,443,318	1,220,000
National Prize Bonds			
		24,065	17,589
		<u>48,177,307</u>	<u>42,282,249</u>

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

6.2 This represents US Dollar collection / settlement account with the SBP.

6.3 This represents account maintained with the SBP to comply with the Cash Reserve requirement against foreign currency deposits.

6.4 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2018, carries mark-up at the rate of 1.35% (2017: 0.37%) per annum.

7. BALANCES WITH OTHER BANKS

In Pakistan

In current accounts		94,703	42,432
In deposit accounts	7.1	1,008,359	189,788
		<u>1,103,062</u>	<u>232,220</u>

Outside Pakistan

In current accounts	7.2	813,486	969,828
		<u>1,916,548</u>	<u>1,202,048</u>

7.1 These carry mark-up rates ranging from 2.84% to 9.75% (2017: 3.26% to 4.09%) per annum.

7.2 These include balances in current accounts of Rs. 112,023 thousand (2017: Rs. 172,044 thousand) with branches of the ultimate parent company.

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		Rupees in'000	
Call money lendings	8.3	3,000,000	3,000,000
Repurchase agreement lendings (Reverse Repo)	8.2	4,184,795	346,890
Bai muajjal receivable with the State Bank of Pakistan		–	3,567,915
Letter of placement	8.4	3,800,000	–
Musharakah placement	8.5	1,000,000	4,000,000
		<u>11,984,795</u>	<u>10,914,805</u>

8.1 Particulars of lendings

In local currency		<u>11,984,795</u>	<u>10,914,805</u>
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8.2 Securities held as collateral against lending to financial institutions (Reverse repo)

	Note	2018			2017		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		Rupees in'000					
Market treasury bills	8.2.2	<u>4,185,904</u>	<u>–</u>	<u>4,185,904</u>	<u>347,663</u>	<u>–</u>	<u>347,663</u>

8.2.1 These carry mark-up rates ranging from 10.25% to 10.30% (2017: 5.95% to 6.20%) per annum, with maturity upto 2 January 2019 (2017: 18 March 2018).

8.2.2 Market value of securities held as collateral against lendings to financial institutions is Rs. 4,185,945 thousands (2017: Rs. 347,659).

8.3 These carry mark-up rate of 10.75% (2017: 6.45%) per annum, with maturity upto 1 February 2019 (2017: 05 January 2018).

8.4 These carry profit / return ranging from 10.60% to 10.75% per annum with maturity upto 1 February 2019.

8.5 These carry profit / return rate of 9.25% (2017: 5.70% to 5.85%) per annum with maturity upto 2 January 2019 (2017: 12 January 2018).

9. INVESTMENTS

9.1 Investments by types

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
Available-for-sale securities								
Federal government securities	307,914,359	–	(8,965,828)	298,948,531	350,442,613	–	1,110,505	351,553,118
Shares	885,410	(273,810)	104,095	715,695	917,124	(180,668)	32,715	769,171
Non-government debt securities	5,031,734	(138,428)	16,532	4,909,838	3,832,816	(159,198)	6,882	3,680,500
Mutual funds	417,571	(5,753)	38,937	450,755	1,590,319	(197,506)	9,681	1,402,494
	<u>314,249,074</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>305,024,819</u>	<u>356,782,872</u>	<u>(537,372)</u>	<u>1,159,783</u>	<u>357,405,283</u>
Held-to-maturity securities								
Federal government securities	36,259,349	–	–	36,259,349	36,360,790	–	–	36,360,790
Non-government debt securities	–	–	–	–	1,500,000	–	–	1,500,000
	<u>36,259,349</u>	<u>–</u>	<u>–</u>	<u>36,259,349</u>	<u>37,860,790</u>	<u>–</u>	<u>–</u>	<u>37,860,790</u>
Total Investments	<u>350,508,423</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>341,284,168</u>	<u>394,643,662</u>	<u>(537,372)</u>	<u>1,159,783</u>	<u>395,266,073</u>

9.2 Investments by segments

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
Federal government securities								
Market treasury bills	167,194,000	–	(17,576)	167,176,424	206,135,982	–	(5,208)	206,130,774
Pakistan investment bonds	151,704,966	–	(8,897,428)	142,807,538	154,210,996	–	967,602	155,178,598
Ijarah sukuk	21,666,054	–	(50,824)	21,615,230	26,456,425	–	148,111	26,604,536
Bai muajjal	3,608,688	–	–	3,608,688	–	–	–	–
	<u>344,173,708</u>	<u>–</u>	<u>(8,965,828)</u>	<u>335,207,880</u>	<u>386,803,403</u>	<u>–</u>	<u>1,110,505</u>	<u>387,913,908</u>
Shares								
Listed companies	778,419	(194,739)	104,095	687,775	810,133	(101,807)	32,715	741,041
Unlisted companies	106,991	(79,071)	–	27,920	106,991	(78,861)	–	28,130
	<u>885,410</u>	<u>(273,810)</u>	<u>104,095</u>	<u>715,695</u>	<u>917,124</u>	<u>(180,668)</u>	<u>32,715</u>	<u>769,171</u>
Non-government debt securities								
Listed term finance certificates	3,421,584	(72,045)	7,719	3,357,258	2,787,900	(82,558)	(3,949)	2,701,393
Unlisted term finance certificates	81,051	(21,138)	–	59,913	114,430	(28,840)	–	85,590
Sukuk certificates / bonds	1,529,099	(45,245)	8,813	1,492,667	930,486	(47,800)	10,831	893,517
Certificates of investment	–	–	–	–	1,500,000	–	–	1,500,000
	<u>5,031,734</u>	<u>(138,428)</u>	<u>16,532</u>	<u>4,909,838</u>	<u>5,332,816</u>	<u>(159,198)</u>	<u>6,882</u>	<u>5,180,500</u>
Mutual funds								
Open end	12,753	–	2,147	14,900	1,170,634	(187,497)	2,162	985,299
Close end	404,818	(5,753)	36,790	435,855	419,685	(10,009)	7,519	417,195
	<u>417,571</u>	<u>(5,753)</u>	<u>38,937</u>	<u>450,755</u>	<u>1,590,319</u>	<u>(197,506)</u>	<u>9,681</u>	<u>1,402,494</u>
Total investments	<u>350,508,423</u>	<u>(417,991)</u>	<u>(8,806,264)</u>	<u>341,284,168</u>	<u>394,643,662</u>	<u>(537,372)</u>	<u>1,159,783</u>	<u>395,266,073</u>

	2018	2017
	— Rupees in '000 —	
9.2.1 Investments given as collateral		
Federal government securities		
Market treasury bills	3,443,636	5,710,314
Pakistan investment bonds	9,165,995	22,862,334
	<u>12,609,631</u>	<u>28,572,648</u>

9.3 Provision for diminution in value of investments

9.3.1 Opening balance	537,372	302,221
Charge for the year	100,021	343,096
Reversal for the year	(14,442)	—
Net charge for the year	85,579	343,096
Reversal on disposal	(198,028)	(107,945)
Amount written off	(6,932)	—
Closing balance	<u>417,991</u>	<u>537,372</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non-performing	Provision	Non-performing	Provision
	— Rupees in '000 —			
Domestic				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	<u>138,428</u>	<u>138,428</u>	159,198	159,198
	<u>138,428</u>	<u>138,428</u>	<u>159,198</u>	<u>159,198</u>

9.3.2.1 Exposure amounting to Rs. 59,913 thousand (2017: Rs. 85,591 thousand) relating to term finance certificates of Pakistan International Airlines Corporation Limited, which is government guaranteed scrip, has not been classified as non-performing investment as per relaxation given by the SBP.

9.4 Quality of available for sale securities

Details regarding quality of available for sale (AFS) securities are as follows:

	2018	2017
	Cost	
	— Rupees in '000 —	
Federal government securities		
Market treasury bills	167,194,000	206,135,982
Pakistan investment bonds	119,054,305	117,850,206
Ijarah sukuk	21,666,054	26,456,425
	<u>307,914,359</u>	<u>350,442,613</u>
Shares		
Listed companies		
Automobile assembler	20,091	20,091
Automobile parts & accessories	58,026	58,026
Cement	81,811	86,680
Chemical	—	5,891
Commercial banks	202,994	222,658
Engineering	10	10
Fertilizers	117,380	68,896
Food & personal care products	132	132

	2018	2017
	Cost	
	Rupees in '000	
Listed companies		
Investment banks / investment companies / securities companies	108,260	108,260
Oil & gas exploration companies	87,658	100,823
Oil & gas marketing companies	776	776
Power generation & distribution	515	12,867
Sugar and allied	70,515	70,515
Technology and communication	-	24,255
Transport	30,251	30,253
	<u>778,419</u>	<u>810,133</u>

	2018		2017	
	Cost	Break value	Cost	Break value
	Rupees in '000			
Unlisted companies				
Pakistan Export Finance Guarantee Limited	11,361	-	11,361	-
DHA Cogen Limited	50,000	-	50,000	-
Dawood Family Takaful Limited	35,000	17,290	35,000	17,500
Society For World Wide Inter Bank Fund Transfer (Swift)	10,630	12,906	10,630	12,906
	<u>106,991</u>	<u>30,196</u>	<u>106,991</u>	<u>30,406</u>

Non-government debt securities and mutual funds

	2018	2017
	Cost	
	Rupees in '000	
Listed		
AAA	381,783	442,577
AA+	1,149,200	999,600
AA	636,399	439,855
A+	939,270	263,639
AA-	1,019,600	949,700
A	200,000	349,800
A-	107,142	142,857
RR1	387,869	387,869
4 Star	-	291,330
BBB+(f)	-	27,952
3 Star	-	112,132
5 Star	-	54,477
Unrated	546,991	846,917
	<u>5,368,254</u>	<u>5,308,705</u>
Unlisted		
Unrated	81,051	114,430

9.5 Particulars relating to held to maturity securities are as follows:

Federal government securities

Pakistan investment bonds	32,650,661	36,360,790
Bai muajjal	3,608,688	-
	<u>36,259,349</u>	<u>36,360,790</u>

Non-government debt securities

Certificate of investments - unlisted

Unrated	-	1,500,000
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9.5.1 The market value of securities classified as held-to-maturity is Rs. 37,847,389 thousand (2017: 40,692,650 thousand).

10. ADVANCES

	Note	Performing		Non-Performing		Total	
		2018	2017	2018	2017	2018	2017
Rupees in '000							
Loans, cash credits, running finances, etc.							
In Pakistan	10.1	172,288,376	124,707,573	14,710,168	15,345,544	186,998,544	140,053,117
Islamic financing and related assets	10.2	27,084,790	21,290,008	503,972	440,152	27,588,762	21,730,160
Bills discounted and purchased		35,620,461	33,699,438	2,465,767	2,734,153	38,086,228	36,433,591
Advances - gross		234,993,627	179,697,019	17,679,907	18,519,849	252,673,534	198,216,868
Provision against non-performing advances							
-specific		-	-	(15,324,500)	(16,168,582)	(15,324,500)	(16,168,582)
-general		(1,236,190)	(257,841)	-	-	(1,236,190)	(257,841)
		(1,236,190)	(257,841)	(15,324,500)	(16,168,582)	(16,560,690)	(16,426,423)
Advances - net of provisions		233,757,437	179,439,178	2,355,407	2,351,267	236,112,844	181,790,445

10.1 Net investments in finance lease

	2018			2017		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Rupees in '000						
Lease rentals receivable	160,706	74,785	235,491	70,325	258,834	329,159
Residual value	93,817	13,146	106,963	40,446	67,904	108,350
Minimum lease payments	254,523	87,931	342,454	110,771	326,738	437,509
Financial charges for future periods	(19,076)	(11,414)	(30,490)	(11,110)	(15,094)	(26,204)
Present value of minimum lease payments	235,447	76,517	311,964	99,661	311,644	411,305

10.2 It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 9,342,734 thousand and Rs. 112,365 thousand respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 18,133,663 thousand as disclosed in Annexure II to the consolidated financial statements.

10.3 Particulars of advances – gross

	2018	2017
Rupees in '000		
In local currency	223,055,631	168,069,741
In foreign currencies	29,617,903	30,147,127
	252,673,534	198,216,868

10.4 Advances include Rs. 17,679,907 thousand (2017 : Rs. 18,519,849 thousand) which have been placed under non-performing status as detailed below:

Category of classification Domestic	2018		2017	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Substandard	259,378	17,562	118,214	15,870
Doubtful	127,952	2,136	4,996	–
Loss	17,292,577	15,304,802	18,396,639	16,152,712
	<u>17,679,907</u>	<u>15,324,500</u>	<u>18,519,849</u>	<u>16,168,582</u>

10.5 Particulars of provision against advances

	Note	2018			2017		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		16,168,582	257,841	16,426,423	16,796,939	134,110	16,931,049
Charge for the year		936,036	978,349	1,914,385	1,052,345	123,731	1,176,076
Reversals for the year		(1,482,574)	–	(1,482,574)	(1,445,046)	–	(1,445,046)
Net charge / (reversal) for the year		(546,538)	978,349	431,811	(392,701)	123,731	(268,970)
Amount written off	10.5	(297,544)	–	(297,544)	(235,656)	–	(235,656)
Closing balance		<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>	<u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>

10.5.1 General provision includes provision of Rs. 5,134 thousand (2017: Rs. 5,203 thousand) made against consumer portfolio and Rs. 35 thousand (2017: Rs. 36 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

10.5.2 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	14,952,295	1,236,190	16,188,485	15,875,994	257,841	16,133,835
In foreign currencies	372,205	–	372,205	292,588	–	292,588
	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>	<u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>

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

During the current year, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 628,190 thousand (2017: 360,868 thousand). Further, as of 31 December 2018, had the benefit of FSVs (including those availed into previous year) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 2,096,898 thousand (2017: Rs. 2,260,109 thousand) and accumulated profit would have been lower by Rs. 1,362,983 thousand (2017: Rs. 1,469,071 thousand). This amount of Rs. 1,362,983 thousand (2017: Rs. 1,469,071 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	2018	2017
		Rupees in '000	
10.6 Particulars of write offs			
10.6.1 Against provisions	10.5	297,544	235,656
Directly charged to profit and loss account		-	-
		<u>297,544</u>	<u>235,656</u>
10.6.2 Write offs of Rs. 500,000/- and above		297,544	235,656
Write offs of below Rs. 500,000/-		-	-
		<u>297,544</u>	<u>235,656</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2018 is enclosed as Annexure I.

11. FIXED ASSETS

Capital work-in-progress	11.1	148,081	22,579
Property and equipment	11.2	3,799,781	3,129,876
		<u>3,947,862</u>	<u>3,152,455</u>
11.1 Capital work-in-progress			
Civil works	11.1.1	37,661	17,722
Equipments, etc.		110,420	4,857
		<u>148,081</u>	<u>22,579</u>

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

11.2 Property and equipment

	2018							Total
	Leasehold land	Building / office premises on freehold land	Building / office premises on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	
	Rupees in '000							
At 1 January								
Cost	7,488	352,783	1,900,513	392,344	2,495,848	47,808	2,563,501	7,760,285
Accumulated depreciation	(1,677)	(168,039)	(806,352)	(209,245)	(1,625,571)	(15,532)	(1,803,993)	(4,630,409)
Net book value	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
Year ended December								
Opening net book value	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
Additions	-	-	632,108	84,339	387,915	71,607	331,352	1,507,321
Disposals	-	-	-	(322)	(1,411)	(9,568)	(2,288)	(13,589)
Depreciation charge	(112)	(12,161)	(68,114)	(50,558)	(404,082)	(15,916)	(272,884)	(823,827)
Closing net book value	5,699	172,583	1,658,155	216,558	852,699	78,399	815,688	3,799,781
At 31 December								
Cost	7,488	352,783	2,532,247	469,068	2,822,341	104,259	2,891,545	9,182,731
Accumulated depreciation	(1,789)	(180,200)	(874,466)	(255,136)	(1,969,642)	(25,860)	(2,075,857)	(5,382,950)
Net book value	5,699	172,583	1,660,781	213,92	852,699	78,399	815,688	3,799,781
Rate of depreciation (percentage)	1.49	4	4	15	25	20	20	
2017								
	Leasehold land	Building / office premises on freehold land	Building / office premises on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Total
	Rupees in '000							
At 1 January								
Cost	7,488	352,783	1,866,913	327,529	2,025,830	13,439	2,280,292	6,874,274
Accumulated depreciation	(1,565)	(155,631)	(738,971)	(162,717)	(1,296,628)	(10,025)	(1,538,546)	(3,904,083)
Net book value	5,923	197,152	1,127,942	164,812	729,202	3,414	741,746	2,970,191
Year ended December								
Opening net book value	5,923	197,152	1,127,942	164,816	729,203	3,414	741,746	2,970,196
Additions	-	-	33,600	59,978	502,008	28,729	282,103	906,418
Disposals	-	-	-	(317)	(320)	(1,443)	-	(2,080)
Depreciation charge	(112)	(12,408)	(67,381)	(43,747)	(362,885)	(4,433)	(265,272)	(756,238)
Other adjustments - (assets acquired)*	-	-	-	2,369	2,271	6,009	931	11,580
Closing net book value	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
At 31 December								
Cost	7,488	352,783	1,900,513	392,344	2,495,848	47,808	2,563,501	7,760,285
Accumulated depreciation	(1,677)	(168,039)	(806,352)	(209,245)	(1,625,571)	(15,532)	(1,803,993)	(4,630,409)
Net book value	5,811	184,744	1,094,161	183,099	870,277	32,276	759,508	3,129,876
Rate of depreciation (percentage)	1.49	4	4	15	25	20	20	

* This represents assets pertaining to subsidiary acquired during the year ended 31 December 2017.

11.2.1 The cost of fully depreciated assets still in use is Rs. 2,753,770 thousand (2017: Rs. 2,255,521 thousand).

11.2.2 Details of fixed assets disposed-off to related parties during the year ended 31 December 2018.

Particulars	Cost	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	1,211	1,211	1,275	Negotiation	Mr. Raza Mohsin Qizilbash (Ex-employee)
Vehicle	16	6	788	Negotiation	Syed Intikhab Hussain Rizvi (Employee)
Vehicle	19	14	14	Negotiation	Mr. Mohammad Shams Izhari (Ex-employee)
Vehicle	6	-	249	Negotiation	Mr. Faisal Saleem Rathod (Employee)

12. INTANGIBLE ASSETS

	2018			2017		
	Computer software	Management rights	Total	Computer software	Management rights	Total
	Rupees in '000					
At 1 January						
Cost	405,578	41,600	447,178	265,239	-	265,239
Accumulated amortisation and impairment	(181,226)	-	(181,226)	(74,657)	-	(74,657)
Net book value	<u>224,352</u>	<u>41,600</u>	<u>265,952</u>	<u>190,582</u>	<u>-</u>	<u>190,582</u>
Year ended 31 December						
Opening net book value	224,352	41,600	265,952	190,582	-	190,582
Additions:						
Additions - purchased	26,365	-	26,365	136,876	41,600	178,476
Other adjustments - (assets acquired)		-	-	82	-	82
Amortisation charge	(128,672)	-	(128,672)	(103,188)	-	(103,188)
Closing net book value	<u>122,045</u>	<u>41,600</u>	<u>163,645</u>	<u>224,352</u>	<u>41,600</u>	<u>265,952</u>
At 31 December						
Cost	431,943	41,600	473,543	405,578	41,600	447,178
Accumulated amortisation and impairment	(309,898)	-	(309,898)	(181,226)	-	(181,226)
Net book value	<u>122,045</u>	<u>41,600</u>	<u>163,645</u>	<u>224,352</u>	<u>41,600</u>	<u>265,952</u>
Rate of amortisation (percentage)	<u>33.3</u>			<u>33.3</u>		
Useful life in years	<u>3</u>			<u>3</u>		

12.1 The cost of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2017: Rs. 27,875 thousand).

13. DEFERRED TAX ASSETS

	Balance as at 1 January 2017	Recognised in profit & loss account	Recognised in other comprehensive income	Balance as at 31 December 2017	Recognised in profit & loss account	Recognised in other comprehensive income	Balance as at 31 December 2018
Rupees in '000							
Deductable temporary differences							
Provision for diminution in value of investments	105,777	82,303	–	188,080	(41,783)	–	146,297
Provision for non-performing and off-balance sheet	3,761,929	(513,536)	–	3,248,393	(501,898)	–	2,746,495
Provision against other assets	140,978	(105,537)	–	35,441	(35,243)	–	198
Deficit / (surplus) on revaluation of investments	(1,272,613)	–	863,721	(408,892)	–	3,506,726	3,097,834
Deferred liability on defined benefit plan	70,249	101	(27)	70,323	880	477	71,680
Others	–	–	–	–	1,494	–	1,494
	2,806,320	(536,669)	863,694	3,133,345	(576,550)	3,507,203	6,063,998
Taxable temporary differences							
Surplus on revaluation of non-banking assets	(83,288)	13,818	(28,708)	(98,178)	1,546	–	(96,632)
Accelerated depreciation	(270,530)	70,783	–	(199,747)	53,849	–	(145,898)
	(353,818)	84,601	(28,708)	(297,925)	55,395	–	(242,530)
Net deferred tax asset	2,452,502	(452,068)	834,986	2,835,420	(521,155)	3,507,203	5,821,468

	Note	2018	2017
Rupees in '000			
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency		8,244,570	7,235,399
Income / mark-up / profit accrued in foreign currencies		29,916	34,724
Advances, deposits, advance rent and other prepayments		765,427	616,068
Advance taxation (payments less provision)		537,724	786,840
Non-banking assets acquired in satisfaction of claims	14.1	487,505	892,851
Non-current assets held-for-sale		–	214,958
Branch adjustment account		63	73
Mark-to-market gain on forward foreign exchange contracts		4,206,429	2,858,857
Acceptances		14,429,148	16,144,323
Receivable from the SBP against encashment of government securities		114,055	232,568
Advance against vehicles for diminishing musharakah		78,126	–
Stationery and stamps on hand		62,789	36,301
Dividend receivable		769	1,245
Others		408,805	445,182
		29,365,326	29,499,389
Provision against other assets	14.2	(210,678)	(251,930)
Other assets (net of provision)		29,154,648	29,247,459
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	20.1	276,093	280,509
		29,430,741	29,527,968
14.1 Market value of non-banking assets acquired in satisfaction of claims		774,844	1,173,360

	2018	2017
	Rupees in '000	
14.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	1,173,360	1,664,871
Additions	-	-
Revaluation	-	82,023
Disposals	(397,718)	(551,073)
Depreciation	(12,044)	(22,461)
Closing balance	<u>763,598</u>	<u>1,173,360</u>
14.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	600,000	500,000
Less:		
- Cost	(405,000)	(566,263)
- Depreciation	7,282	15,190
Gain / (loss)	<u>202,282</u>	<u>(51,073)</u>
14.2 Provision held against other assets		
Operational loss	210,000	150,000
Non-banking assets acquired in satisfaction of claims	-	101,250
Other receivable	678	930
	<u>210,678</u>	<u>251,930</u>
14.2.1 Movement in provision held against other assets		
Opening balance	251,930	401,295
Charge for the year	60,000	150,000
Reversal for the year	(101,252)	(299,365)
	<u>(41,252)</u>	<u>(149,365)</u>
Closing balance	<u>210,678</u>	<u>251,930</u>
15. BILLS PAYABLE		
In Pakistan	<u>12,173,407</u>	<u>19,643,603</u>

	Note	2018	2017
		Rupees in '000	
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under Export Refinance Scheme		24,196,093	23,796,577
Under Long Term Financing Facility - Renewable Energy		962,784	971,213
Under Long Term Financing Facility - Locally Manufactured Plant and Machinery		<u>6,730,915</u>	<u>4,361,589</u>
	16.2	31,889,792	29,129,379
Repurchase agreement borrowings (Repo)	16.3	12,658,729	28,463,727
Due against bills rediscounting	16.4	<u>3,310,164</u>	<u>3,634,271</u>
		<u>47,858,685</u>	<u>61,227,377</u>
Unsecured			
Call borrowing	16.5	300,000	1,450,000
Certificates of investments	16.6	1,411,393	2,493,883
Murhabaha financing	16.7	250,000	-
Overdrawn nostro accounts		3,183,003	1,788,779
Overdrawn local bank accounts		5,693	22,490
		<u>5,150,089</u>	<u>5,755,152</u>
		<u>53,008,774</u>	<u>66,982,529</u>
16.1 Particulars of borrowings in respect of currencies			
In local currency		46,515,607	61,559,479
In foreign currencies		<u>6,493,167</u>	<u>5,423,050</u>
		<u>53,008,774</u>	<u>66,982,529</u>
16.2	These carry mark-up rates ranging between 2.00% to 4.50% (2017: 2.00% to 4.50%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.		
16.3	These carry mark-up rates ranging between 10.00% to 10.35% (2017: 5.76% to 5.90%) per annum having maturity upto 7 February 2019 (2017: 26 March 2018) and are secured against investments mentioned in note 9.2.1.		
16.4	This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rate at 4.00% (2017: 2.15% to 2.25%) per annum having maturity upto 25 June 2019 (2017: 20 April 2018).		
16.5	This carries mark-up rate of 10.30% (2017: 5.90%) per annum, with maturity upto 2 January 2019 (2017: 2 January 2018).		
16.6	This carries mark-up rate ranging from 8.35% to 10.05% (2017: 4.00% to 9.25%) per annum.		
16.7	This carries mark-up rate of 11.13% per annum.		

	Note	2018	2017
Rupees in '000			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		6,520,736	6,073,694
Mark-up / return / interest payable in foreign currencies		362,013	297,138
Unearned commission and income on bills discounted		190,533	171,687
Accrued expenses		785,163	757,697
Acceptances		14,429,148	16,144,323
Unclaimed dividend		107,725	86,103
Mark-to-market loss on forward foreign exchange contracts		3,549,157	1,632,554
Provision for compensated absences		208,864	203,571
Deferred liability on defined benefit plan		202,404	200,279
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund		952,940	736,432
Charity fund payable		291	479
Excise duty payable		1,003	2,063
Locker deposits		764,223	713,227
Advance against diminishing musharakah		98,166	58,632
Advance rental for ijarah		2,259	152,461
Security deposits against leases / ijarah		657,958	570,915
Sundry creditors		673,480	684,993
Withholding tax / duties		339,235	247,548
Others		406,376	475,841
		<u>30,365,390</u>	<u>29,323,353</u>
18.1 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>
The above represents provision against certain letters of credit and guarantees.			
18.2 Reconciliation of changes in other liabilities arising from financing activities			
Balance as at 1 January		29,323,353	22,436,370
Changes from financing cash flows			
Dividend paid		(3,349,572)	(3,291,513)
Other changes - liability related			
Cash based		2,530,226	1,130,144
Non-cash based			
Acquired during the year		-	573,604
Defined benefit plan		(1,572)	1,385
Provision against workers welfare fund		197,947	180,945
Provision against compensated absences		5,293	16,044
Acceptances		(1,715,175)	4,743,773
Dividend declared and profit distribution		3,371,194	3,324,934
Others		3,696	207,667
		<u>4,391,609</u>	<u>10,178,496</u>
		<u>30,365,390</u>	<u>29,323,353</u>

19. SHARE CAPITAL

19.1 Authorised capital

2018 (Number of shares)	2017		2018	2017
			Rupees in '000	
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

19.2 Issued, subscribed and paid-up capital

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

19.3 As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2017: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

	Note	2018	2017
		Rupees in '000	
20. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS			
(Deficit) / surplus on revaluation of			
- Non-banking assets	20.1	276,093	280,509
- Available for sale securities	9.2	(8,806,264)	1,159,783
		(8,530,171)	1,440,292
Deferred tax on (deficit) / surplus on revaluation of			
- Non-banking assets	20.1	96,632	98,178
- Available for sale securities		(3,097,834)	408,893
		3,001,202	(507,071)
		(5,528,969)	933,221
(Surplus) / deficit pertaining to non-controlling interest		(33,160)	27,440
(Deficit) / surplus pertaining to equity holder's share		(5,562,129)	960,661
20.1 Non-banking assets			
Surplus on revaluation of non-banking assets as at 1 January		280,509	237,966
Revaluation of non-banking assets during the year		-	82,023
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the period - net of deferred tax		(2,870)	(25,662)
Related deferred tax liability on disposal and incremental depreciation during the period		(1,546)	(13,818)
		(4,416)	42,543
		276,093	280,509
Surplus on revaluation of non banking assets			
Less: Related deferred tax liability on:			
Revaluation as at 1 January		98,178	83,288
Revaluation of non-banking assets during the period		-	28,708
Disposal and incremental depreciation during the period		(1,546)	(13,818)
		(1,546)	14,890
Related deferred tax liability		96,632	98,178
		<u>179,461</u>	<u>182,331</u>

	Note	2018	2017 (Restated)
		Rupees in '000	
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	53,215,390	42,819,961
Commitments	21.2	323,117,101	207,250,558
Other contingent liabilities	21.3	24,476,694	22,600,564
		<u>400,809,185</u>	<u>272,671,083</u>
21.1 Guarantees			
Financial Guarantees		3,931,150	2,103,383
Performance Guarantees		32,514,435	31,177,313
Other guarantees		16,769,805	9,539,265
		<u>53,215,390</u>	<u>42,819,961</u>
21.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		89,700,969	79,477,866
Commitments in respect of:			
Forward exchange contracts	21.2.1	230,915,612	127,287,676
Operating leases	21.2.2	99,427	99,956
Forward lendings	21.2.3	2,267,933	359,779
Acquisition of fixed assets		133,160	25,281
		<u>323,117,101</u>	<u>207,250,558</u>
21.2.1 Commitments in respect of forward exchange contracts			
Purchase		136,568,523	78,728,094
Sale		94,347,089	48,559,582
		<u>230,915,612</u>	<u>127,287,676</u>
21.2.2 Commitments in respect of operating leases			
Not later than one year		<u>99,427</u>	<u>99,956</u>

21.2.3 Commitments in respect of forward lendings

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

	Note	2018	2017
		Rupees in '000	
Commitments in respect of syndicate financing		1,887,433	207,279
Commitments in respect of financing transactions		380,500	152,500
		<u>2,267,933</u>	<u>359,779</u>

21.3 Other contingent liabilities

Claims against group not acknowledged as debt		24,370,638	22,494,508
Foreign Exchange repatriation case	21.3.1	106,056	106,056
		<u>24,476,694</u>	<u>22,600,564</u>

21.3.1 Foreign Exchange repatriation case

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

	Note	2018	2017
		Rupees in '000	
23. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		13,833,386	10,063,619
Investments		27,234,531	23,201,555
Lending with financial institutions		1,984,944	920,034
Balance with other banks		7,965	16,091
		<u>43,060,826</u>	<u>34,201,299</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		20,673,551	16,149,036
Borrowings		4,447,670	2,582,293
Foreign currency swap cost		1,285,297	1,218,173
		<u>26,406,518</u>	<u>19,949,502</u>
25. FEE & COMMISSION INCOME			
Branch banking customer fees		1,203,987	1,070,619
Credit related fees		45,156	48,636
Card related fees		268,827	227,197
Commission on trade		1,514,987	1,369,454
Commission on guarantees		357,456	310,505
Commission on remittances including home remittances		189,179	194,175
Commission on bancassurance		85,424	92,336
Others		181,700	175,842
		<u>3,846,716</u>	<u>3,488,764</u>
26. GAIN ON SECURITIES			
Realised			
Federal government securities		17,664	140,160
Shares		(13,202)	194,051
Mutual funds		80,343	88,675
		<u>84,805</u>	<u>422,886</u>
27. OTHER INCOME			
Rent on properties		18,893	23,350
Gain on sale of fixed assets - net		8,707	13,795
Gain on bargain purchase		-	131,367
Recovery of charges from customers	27.1	212,882	161,711
Incidental and service charges		84,475	70,063
Gain on sale of ijarah assets - net		526	56
Gain / (loss) on sale of non-banking assets - net		202,282	(51,073)
Gain on sale of non-current assets held-for-sale		35,042	-
Staff notice period and other recoveries		3,822	2,368
		<u>566,629</u>	<u>351,637</u>

27.1 Includes courier, telephone and swift charges etc. recovered from customers.

	Note	2018	2017
Rupees in '000			
28. OPERATING EXPENSES			
Total compensation expense	28.1	5,538,799	5,121,129
Property expense			
Rent & taxes		1,148,968	1,050,627
Insurance		4,176	4,245
Utilities cost		345,694	321,735
Security		433,348	392,922
Repair & maintenance		392,353	314,011
Depreciation		353,271	344,802
		<u>2,677,810</u>	<u>2,428,342</u>
Information technology expenses			
Software maintenance		42,572	47,805
Hardware maintenance		158,809	109,189
Depreciation		107,934	86,422
Amortisation		128,672	103,188
Network charges		158,521	135,009
		<u>596,508</u>	<u>481,613</u>
Other operating expenses			
Directors' fees and allowances		14,700	10,327
Fees and allowances to Shariah Board		8,565	8,081
Legal & professional charges		155,874	151,058
Outsourced services costs	34.1	243,652	219,883
Travelling & conveyance		203,592	174,705
Operating lease rental		–	11,249
NIFT clearing charges		74,609	74,389
Depreciation		362,622	325,014
Depreciation - non-banking assets		12,044	22,461
Training & development		32,710	10,751
Postage & courier charges		81,117	68,546
Communication		94,130	82,699
Subscription		210,465	96,120
Brokerage & commission		106,099	119,068
Stationery & printing		193,957	167,670
Marketing, advertisement & publicity		158,777	184,777
Management fee		387,223	264,549
Insurance		306,860	172,100
Donations	28.2	101,544	82,260
Auditors Remuneration	28.3	18,685	17,374
Others		217,346	240,644
		<u>2,984,571</u>	<u>2,503,725</u>
		<u>11,797,688</u>	<u>10,534,809</u>
28.1 Total compensation expense			
Managerial Remuneration - Fixed		4,282,079	3,973,520
Cash Bonus / Awards etc.		583,194	541,315
Charge for defined benefit plan		149,894	138,427
Contribution to defined contribution plan		181,218	169,180
Charge for compensated absences		76,527	60,505
Rent & house maintenance		26,488	22,306
Conveyance		220,374	199,273
EOBI		19,025	16,603
		<u>5,538,799</u>	<u>5,121,129</u>

2018 2017
 Rupees in '000

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

DONEE

Habib University Foundation	20,056	12,000
The Citizens Foundation	15,600	14,400
Patients' Aid Foundation	10,100	10,030
Supreme Court & Prime Minister of Pakistan Diamer Basha & Mohmand Dam Fund	10,000	-
The Indus Hospital	8,200	1,450
Sindh Institute of Urology and Transplantation	2,500	2,500
World Memon Organization	2,500	-
Mohamedali Habib Welfare Trust	2,000	2,000
Al-Sayyeda Benevolent Trust	1,960	1,960
Habib Medical Trust	1,960	960
Masooomeen Hospital Trust	1,750	1,000
Institute of Business Administration	1,157	-
Fatimiyah Education Network	1,000	1,000
The Layton Rehmatulla Benevolent Trust	1,000	700
The Medical Aid Foundation	1,000	-
The Patients Behbud Society for AKUH	1,000	-
Habib Poor Fund	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
Zehra Homes	840	640
Abbas-e-Alamdar Hostel	800	960
MBJ Health Association	750	-
Bantva Memon Khidmat Committee (Bantva Memon Hospital)	750	-
Kutiyana Memon Association (Kutiyana Memon Hospital)	750	-
Vocational Welfare Society for Mentally Retarded (Markaz-e-Umeed)	750	-
Eduljee Dinshaw Road Project	700	-
Marie Adelaide Leprosy Centre	650	350
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
Panah Trust	500	500
Habib Public School	500	350
Habib Girls School	500	400
Network of Organizations Working with People with Disabilities, Pakistan	500	-
Rotary Club of Karachi Continental Trust	500	-
Women Empowerment Group (Pink Ribbon)	500	-
Habib Metropolitan Employees Endowment Fund	-	15,000
Alleviate Addiction Suffering Trust	-	1,000
Abdul Sattar Edhi Foundation	-	1,000
The Aga Khan Hospital and Medical College Foundation	-	1,000
The Society for the Rehabilitation of Special Children	-	800
Poor Patients Aid Society (Civil Hospital)	-	500
National Academy of Performing Arts	-	500
School of Leadership Foundation	-	500
Shaukat Khanum Memorial Trust	-	500

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2018 and 2017, except for donations paid to :

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

28.3 Auditors' remuneration	Note	2018	2017
		Rupees in '000	
Audit fee		4,296	3,910
Review of half yearly financial statements		1,500	971
Certifications and agreed upon procedures engagements		10,704	11,104
Out-of-pocket expenses		2,185	1,389
		<u>18,685</u>	<u>17,374</u>
29. OTHER CHARGES			
Penalties imposed by the SBP		<u>31,105</u>	<u>3,229</u>
30. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments - net	9.3.1	85,579	343,096
Provision / (reversal) of provision against loan & advances - net	10.5	431,811	(268,970)
Reversal of provision against other assets	14.2.1	(41,252)	(149,365)
Recovery of written off bad debts		(93,711)	(37,788)
		<u>382,427</u>	<u>(113,027)</u>
31. TAXATION			
Current		3,402,839	2,781,296
Prior year		-	413,022
Deferred	13	521,155	452,068
		<u>3,923,994</u>	<u>3,646,386</u>

31.1 Income tax assessments of the Group have been finalised up to the tax year 2018 (corresponding to the accounting year ended 31 December 2017). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the Group.

	2018	2017
	Rupees in '000	
31.2 Relationship between tax expense and accounting profit		
Profit before tax	<u>10,344,899</u>	<u>9,511,305</u>
Tax at the applicable tax rate	<u>3,535,866</u>	<u>3,229,783</u>
Super tax at applicable rate of 4% (holding company)	<u>402,975</u>	-
Prior years taxation - super tax	-	413,022
Others	<u>(14,847)</u>	<u>3,581</u>
Tax charge for the year	<u>3,923,994</u>	<u>3,646,386</u>

The Finance Act 2018 has revised the applicability of super tax brought into effect through Finance Act 2015 for the rehabilitation of temporarily displaced persons on the taxable income of respective years. Accordingly, the holding company has recognised super tax at the applicable rate of 4% on taxable income for the year.

	Note	2018	2017
		Rupees in '000	
32. BASIC AND DILUTED EARNINGS PER SHARE			
Profit attributable to equity shareholders of the holding company		<u>6,179,777</u>	<u>5,670,724</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>5.90</u>	<u>5.41</u>
		Rupees in '000	

33. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	6	<u>48,177,307</u>	42,282,249
Balances with other banks	7	<u>1,916,548</u>	1,202,048
Overdrawn nostro accounts	16	<u>(3,183,003)</u>	(1,788,779)
Overdrawn local bank accounts	16	<u>(5,693)</u>	(22,490)
		<u>46,905,159</u>	<u>41,673,028</u>

34. STAFF STRENGTH

		Number	
Permanent		<u>4,080</u>	3,896
Temporary / on contractual basis		<u>181</u>	264
Bank's own staff strength at end of the year		<u>4,261</u>	<u>4,160</u>

34.1 In addition to the above, 677 (2017: 689) employees of outsourcing services companies were assigned to the group.

35. DEFINED BENEFIT PLAN

35.1 General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

	2018	2017
	Number	
35.2 Number of employees under the scheme		
Gratuity fund	<u>4,014</u>	<u>3,816</u>

35.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2018 using "projected unit credit actuarial cost method". The main assumptions used for the actuarial valuation were as follows:

		2018	2017
Discount rate - percent per annum		13.75	9.25
Expected rate of return on plan assets - percent per annum		13.75	9.25
Long term rate of salary increase - percent per annum		13.25	8.75
Mortality rates (for death in service)		Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005
	Note	2018	2017
		Rupees in '000	

35.4 Reconciliation of payable to defined benefit plans

Fair value of plan assets	35.6	1,240,964	1,125,860
Present value of defined benefit obligation	35.5	<u>(1,443,368)</u>	<u>(1,326,139)</u>
Payable		<u>(202,404)</u>	<u>(200,279)</u>

35.5 Movement in present value of defined benefit obligation

Obligations at the beginning of the year		1,326,139	1,196,096
Transfer of opening through acquisition		–	23,457
Current service cost		131,353	120,423
Interest cost		118,051	108,667
Benefits due but not paid (payables)		(270)	(9,343)
Benefits paid by the Group		(102,512)	(72,399)
Re-measurement (gain) / loss		<u>(29,393)</u>	<u>(40,762)</u>
Obligations at the end of the year		<u>1,443,368</u>	<u>1,326,139</u>

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year		1,125,860	998,280
Transfer of opening through acquisition		–	21,628
Interest income on plan assets		99,510	90,663
Contribution by the Group - net		148,937	139,178
Benefits paid		(102,512)	(72,399)
Benefits due but not paid		(270)	(9,343)
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.8.2	<u>(30,561)</u>	<u>(42,147)</u>
Fair value at the end of the year		<u>1,240,964</u>	<u>1,125,860</u>

35.7 Movement in payable to defined benefit plans

Opening balance		200,279	197,816
Transfer of opening through acquisition		–	1,829
Charge / (reversal) for the year		149,894	138,427
Contribution by the Bank - net		(148,937)	(139,178)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	<u>1,168</u>	<u>1,385</u>
Closing balance		<u>202,404</u>	<u>200,279</u>

	Note	2018	2017
		Rupees in '000	
35.8 Charge for defined benefit plans			
35.8.1 Cost recognised in profit and loss			
Current service cost		131,353	120,423
Net interest on defined benefit asset		18,541	18,004
		<u>149,894</u>	<u>138,427</u>
35.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
– Financial assumptions		19,129	–
– Experience adjustment		(48,522)	(40,762)
		<u>(29,393)</u>	<u>(40,762)</u>
Return on plan assets over interest income		30,561	42,147
Total re-measurements recognised in OCI		<u>1,168</u>	<u>1,385</u>
35.9 Components of plan assets			
Cash and cash equivalents	35.9.1	1,000,187	877,353
Federal Government securities			
Special Saving Certificates		240,777	–
Pakistan Investment Bonds		–	225,265
Certificate of Investment		–	23,242
		<u>1,240,964</u>	<u>1,125,860</u>

35.9.1 The amount represents balance which is deposited with the branches of the Group.

35.10 Sensitivity analysis

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

	2018
Rupees in '000	
Increase in discount rate by 1 %	135,822
Decrease in discount rate by 1 %	158,614
Increase in expected future increment in salary by 1%	158,938
Decrease in expected future increment in salary by 1%	138,453
Increase in expected withdrawal rate by 10%	317
Decrease in expected withdrawal rate by 10%	331
Increase in expected mortality rate by 1%	287
Decrease in expected mortality rate by 1%	263

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

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

173,927

35.12 Expected charge for the next financial year

173,927

35.13 Maturity profile

The weighted average duration of the obligation is 10 years

35.14 Funding Policy

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

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

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The duration of the liabilities is 10 Years. Based on the weighted average duration of this plan and guidance from Pakistan Society of Actuaries ("PSOA"), the discount rate used for the calculations is 13.75% per annum.
Inflation risk	The risk that the final salary at the time of cessation of service is greater than assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Mortality rate	The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
Withdrawal rate	The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

36. DEFINED CONTRIBUTION PLAN

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 out of provident fund have been made in accordance with the provision of section 218 of the Companies Act 2017.

Number of members participating in the fund at the end of the year 30 June 2018 as per un-audited accounts are 3,803 (2017: 3,291).

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

37.1 Total Compensation Expense

	President & Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Fees	-	-	4,750	3,400	-	-
Managerial remuneration	110,854	79,132	-	-	869,431	937,311
Charge for defined benefit plan	4,243	2,650	-	-	29,595	30,879
Contribution to defined contribution plan	4,906	3,300	-	-	34,599	36,594
Utilities	1,060	-	1,963	970	-	-
Others	-	1,600	7,987	5,957	-	-
	<u>121,063</u>	<u>86,682</u>	<u>14,700</u>	<u>10,327</u>	<u>933,625</u>	<u>1,004,784</u>
Number of persons	<u>4</u>	<u>3</u>	<u>6</u>	<u>6</u>	<u>180</u>	<u>207</u>

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

37.3 In addition to the above, all the Executives, including Chief Executive of the holding company are also eligible for bonus as per their terms of employment. The amount paid to the Chief Executive and Executives in this respect amounted to Rs. 41,250 thousand (2017: Rs. 9,500 thousand) and Rs. 99,810 thousand (2017: Rs. 100,480 thousand) respectively.

38. FAIR VALUE MEASUREMENTS

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

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

38.1 Fair value of financial assets

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or 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).

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	Carrying / Notional value	2018			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	298,948,531	-	298,948,531	-	298,948,531
Sukuk certificates and bonds	1,492,667	-	1,492,667	-	1,492,667
Ordinary shares of listed companies	687,775	687,775	-	-	687,775
Mutual funds - open end	14,900	-	14,900	-	14,900
- close end	435,855	435,855	-	-	435,855
Listed term finance certificates	3,357,258	-	3,357,258	-	3,357,258
Unlisted term finance certificates	59,913	-	59,913	-	59,913
Financial assets not measured at fair value					
- Cash and balances with treasury banks	48,177,307	-	-	-	-
- Balances with other banks	1,916,548	-	-	-	-
- Lendings to financial institutions	11,984,795	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,259,349	-	-	-	-
Certificates of investments	-	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	27,920	-	-	-	-
- Advances	236,112,844	-	-	-	-
- Other assets	27,511,818	-	-	-	-
	<u>666,987,480</u>	<u>1,123,630</u>	<u>303,873,269</u>	<u>-</u>	<u>304,996,899</u>
Off-balance sheet financial instruments					
- measured at fair value					
- Forward purchase of foreign exchange contracts	<u>140,141,186</u>	<u>-</u>	<u>140,141,186</u>	<u>-</u>	<u>140,141,186</u>
- Forward sale of foreign exchange contracts	<u>97,365,720</u>	<u>-</u>	<u>97,365,720</u>	<u>-</u>	<u>97,365,720</u>

On balance sheet financial instruments	2017				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	Rupees in '000				
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	351,553,118	–	351,553,118	–	351,553,118
Sukuk certificates and bonds	893,517	–	893,517	–	893,517
Ordinary shares of listed companies	741,041	741,041	–	–	741,041
Mutual funds - open end	985,299	–	985,299	–	985,299
– close end	417,195	417,195	–	–	417,195
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	1,202,048	–	–	–	–
- 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	27,167,255	–	–	–	–
	<u>658,622,875</u>	<u>1,158,236</u>	<u>356,218,917</u>	<u>–</u>	<u>357,377,153</u>
Off-balance sheet financial instruments					
- measured at fair value					
- Forward purchase of foreign exchange contracts	<u>81,575,492</u>	<u>–</u>	<u>81,575,492</u>	<u>–</u>	<u>81,575,492</u>
- Forward sale of foreign exchange contracts	<u>50,180,677</u>	<u>–</u>	<u>50,180,677</u>	<u>–</u>	<u>50,180,677</u>

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

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

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2018			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	24,498,226	(10,817,435)	2,973,517	16,654,308
Inter segment revenue - net	(16,335,425)	12,812,094	3,523,331	-
Non mark-up / return / interest income	1,686,413	16	4,413,329	6,099,758
Total Income	9,849,214	1,994,675	10,910,177	22,754,066
Segment direct expenses	(251,487)	(239,148)	(3,440,465)	(3,931,100)
Inter segment expense allocation	(4,488,948)	(322,450)	(3,284,242)	(8,095,640)
Total expenses	(4,740,435)	(561,598)	(6,724,707)	(12,026,740)
Provisions	(85,579)	1,219	(298,067)	(382,427)
Profit before tax	5,023,200	1,434,296	3,887,403	10,344,899
Balance Sheet				
Cash & Bank balances	1,209,795	24,672,447	24,211,613	50,093,855
Investments	341,284,168	-	-	341,284,168
Lendings to financial institutions	11,984,795	-	-	11,984,795
Advances - performing	-	3,167,811	231,825,816	234,993,627
Advances - non-performing	-	3,432	17,676,475	17,679,907
Provision against advances	-	(8,538)	(16,552,152)	(16,560,690)
Net inter segment lending	-	254,934,343	48,738,775	303,673,118
Others	12,852,393	52,983	26,458,340	39,363,716
Total Assets	367,331,151	282,822,478	332,358,867	982,512,496
Borrowings	19,457,589	-	33,551,185	53,008,774
Subordinated debt	-	-	-	-
Deposits & other accounts	-	279,208,331	263,631,126	542,839,457
Net inter segment borrowing	303,673,118	-	-	303,673,118
Others	3,748,094	3,614,147	35,176,556	42,538,797
Total liabilities	326,878,801	282,822,478	332,358,867	942,060,146
Equity	40,452,350	-	-	40,452,350
Total Equity & liabilities	367,331,151	282,822,478	332,358,867	982,512,496
Contingencies & Commitments	230,915,612	-	169,893,573	400,809,185

	2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / profit	21,001,530	(6,498,113)	(251,620)	14,251,797
Inter segment revenue - net	(14,265,390)	7,469,072	6,796,318	-
Non mark-up / return / interest income	2,025,063	16	3,840,385	5,865,464
Total Income	8,761,203	970,975	10,385,083	20,117,261
Segment direct expenses	(261,556)	(103,582)	(6,313,397)	(6,678,535)
Inter segment expense allocation	(2,655,416)	(124,010)	(1,261,022)	(4,040,448)
Total expenses	(2,916,972)	(227,592)	(7,574,419)	(10,718,983)
Provisions	(342,732)	(1,816)	457,575	113,027
Profit before tax	5,501,499	741,567	3,268,239	9,511,305
Balance Sheet				
Cash & Bank balances	999,356	16,684,796	25,800,145	43,484,297
Investments	395,266,073	-	-	395,266,073
Lendings to financial institutions	10,914,805	-	-	10,914,805
Advances - performing	-	3,106,958	176,590,061	179,697,019
Advances - non-performing	-	4,554	18,515,295	18,519,849
Provision against advances	-	(4,106)	(16,422,317)	(16,426,423)
Net inter segment lending	-	187,249,269	144,154,935	331,404,204
Others	7,972,360	2,711	27,806,724	35,781,795
Total Assets	415,152,594	207,044,182	376,444,843	998,641,619
Borrowings	37,853,150	-	29,129,379	66,982,529
Subordinated debt	-	-	-	-
Deposits & other accounts	-	204,167,944	303,257,337	507,425,281
Net inter segment borrowing	331,404,204	-	-	331,404,204
Others	2,032,591	2,876,238	44,058,127	48,966,956
Total liabilities	371,289,945	207,044,182	376,444,843	954,778,970
Equity	43,862,649	-	-	43,862,649
Total Equity and liabilities	415,152,594	207,044,182	376,444,843	998,641,619
Contingencies and Commitments	127,287,676	-	145,383,407	272,671,083

40. TRANSACTIONS WITH RELATED PARTIES

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

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.

	2018					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	112,023	44,688	-	-	-	156,711
Advances						
Opening balance	2,204	1,704,636	172,585	-	-	1,879,425
Addition during the year	-	74,713,838	47,080	-	-	74,760,918
Repaid during the year	(1,314)	(73,597,954)	(104,158)	-	-	(73,703,426)
Closing balance	890	2,820,520	115,507	-	-	2,936,917
Other Assets						
Mark-up / return / interest accrued	-	17,113	-	-	-	17,113
Divident receivable	-	-	-	-	-	-
Prepayment / advance deposits / other receivable	-	6,293	-	-	-	6,293
Receivable / (payable) against purchase / (sale) of securities	9,174	-	-	-	-	9,174
	9,174	23,406	-	-	-	32,580
Borrowings						
Opening balance	-	-	-	-	-	-
Borrowings during the year	8,823	-	-	-	-	8,823
Settled during the year	-	-	-	-	-	-
Closing balance	8,823	-	-	-	-	8,823
Deposits						
Opening balance	731,705	21,061,604	168,539	675,958	2,404,120	25,041,926
Received during the year	8,548,305	1,648,037,662	600,685	2,393,366	6,166,560	1,665,746,578
Withdrawn during the year	(8,883,954)	(1,652,900,261)	(605,350)	(2,338,149)	(4,881,056)	(1,669,608,770)
Closing balance	396,056	16,199,005	163,874	731,175	3,689,624	21,179,734
Other Liabilities						
Mark-up / return / interest payable	-	351,586	1,295	3,205	633,330	989,416
Management fee payable for technical and consultancy services *	115,344	-	-	-	-	115,344
Insurance & other payables	-	6,391	-	-	202,404	208,795
	115,344	357,977	1,295	3,205	835,734	1,313,555
Contingencies & commitments						
Transaction-related contingent liabilities	-	7,531,999	-	-	-	7,531,999
Trade-related contingent liabilities	-	1,999,428	-	-	-	1,999,428
Commitment against operating leases	-	1,681	-	-	-	1,681
	-	9,533,108	-	-	-	9,533,108

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

	2017					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Balances with other banks						
In current accounts	172,044	53,133	-	-	-	225,177
Advances						
Opening balance	-	3,184,499	144,644	-	-	3,329,143
Addition during the year	2,204	52,778,815	81,721	-	-	52,862,740
Repaid during the year	-	(54,258,678)	(53,780)	-	-	(54,312,458)
Closing balance	2,204	1,704,636	172,585	-	-	1,879,425
Other Assets						
Mark-up / return / interest accrued	-	5,960	-	-	-	5,960
Dividend receivable	-	-	-	-	-	-
Prepayments / advance deposits / other receivable	-	8,388	-	-	-	8,388
Receivable / (payable) against purchase / (sale) of securities	8,421	-	-	(322)	-	8,099
	8,421	14,348	-	(322)	-	22,447
Deposits						
Opening balance	503,799	19,998,916	129,686	538,535	1,666,278	22,837,214
Received during the year	15,941,979	1,578,985,598	689,483	3,844,414	2,159,508	1,601,620,982
Withdrawn during the year	(15,714,073)	(1,577,922,910)	(650,630)	(3,706,991)	(1,421,666)	(1,599,416,270)
Closing balance	731,705	21,061,604	168,539	675,958	2,404,120	25,041,926
Other Liabilities						
Mark-up / return / interest payable	-	281,820	3,808	2,162	543,364	831,154
Management fee payable for technical and consultancy services *	225,673	-	-	-	-	225,673
Insurance & other payables	-	2,929	-	-	200,279	203,208
	225,673	284,749	3,808	2,162	743,643	1,260,035
Contingencies & commitments						
Transaction related contingent liabilities	-	6,604,326	-	-	-	6,604,326
Trade related contingent liabilities	-	2,444,319	-	-	-	2,444,319
	-	9,048,645	-	-	-	9,048,645

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

Transactions during the year

	2018					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Income						
Mark-up / return / interest earned	282	78,176	7,339	-	-	85,797
Fee and commission income	4,087	153,775	-	27	-	157,889
Dividend income	-	-	-	-	-	-
Rent income	5,616	-	-	-	-	5,616
Expense						
Mark-up / return / interest expensed	-	1,070,658	5,987	37,252	347,222	1,461,119
Commission / brokerage / bank charges paid	1,256	1,406	-	-	-	2,662
Salaries and allowances	-	-	412,518	-	-	412,518
Directors' fees	-	-	-	14,700	-	14,700
Charge to defined benefit plan	-	-	-	-	149,894	149,894
Contribution to defined contribution plan	-	-	-	-	181,218	181,218
Operating lease rentals / rent expenses	-	13,067	-	-	-	13,067
Insurance premium expense	-	17,077	-	-	-	17,077
Maintenance, electricity, stationery & entertainment expenses	-	69,489	-	-	-	69,489
Management fee expense for technical and consultancy services*	382,772	-	-	-	-	382,772
Donation	-	23,976	-	-	-	23,976
Dividend paid	-	130,339	-	-	-	130,339
Professional / other charges	-	9,457	-	-	-	9,457

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

Transactions during the year

	2017					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Income						
Mark-up / return / interest earned	289	83,820	7,415	-	-	91,524
Fee and commission income	11,524	190,721	-	231	-	202,476
Rent income	5,616	-	-	-	-	5,616
Expense						
Mark-up / return / interest expensed	-	1,150,746	9,624	21,002	206,915	1,388,287
Commission / brokerage / bank charges paid	1,303	1,049	-	-	-	2,352
Salaries and allowances	-	-	393,087	-	-	393,087
Directors' fees	-	-	-	10,327	-	10,327
Charge to defined benefit plan	-	-	-	-	138,427	138,427
Contribution to defined contribution plan	-	-	-	-	167,390	167,390
Operating lease rentals / rent expenses	-	12,072	-	-	-	12,072
Insurance premium expense	-	77,441	-	-	-	77,441
Maintenance, electricity, stationery & entertainment expenses	-	57,940	-	-	-	57,940
Management fee expense for technical and consultancy services*	261,171	-	-	-	-	261,171
Donation	-	30,920	-	-	-	30,920
Dividend paid	-	104,271	-	-	-	104,271
Professional / other charges	-	257	-	-	-	257

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

	2018	2017
	Rupees in '000	
41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>10,478,315</u>	<u>10,478,315</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>34,907,701</u>	<u>40,254,830</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>34,907,701</u>	<u>40,254,830</u>
Eligible Tier 2 Capital	<u>915,322</u>	<u>926,133</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>35,823,023</u>	<u>41,180,963</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>235,418,319</u>	<u>199,626,956</u>
Market Risk	<u>1,571,342</u>	<u>3,219,107</u>
Operational Risk	<u>36,732,186</u>	<u>34,335,603</u>
Total	<u>273,721,847</u>	<u>237,181,666</u>
Common Equity Tier 1 capital adequacy ratio	<u>12.75%</u>	<u>16.97%</u>
Tier 1 capital adequacy ratio	<u>12.75%</u>	<u>16.97%</u>
Total capital adequacy ratio	<u>13.09%</u>	<u>17.36%</u>
Minimum capital requirements prescribed by SBP		
Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.275%

The Holding company uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

Leverage Ratio (LR):

Eligible Tier 1 Capital	<u>34,907,701</u>	<u>40,254,830</u>
Total Exposures	<u>830,913,057</u>	<u>800,369,680</u>
Leverage Ratio	<u>4.20%</u>	<u>5.03%</u>

41.1 The full disclosures on the capital adequacy and leverage ratio as per SBP instructions issued from time to time are placed on the Bank's website. The link to the full disclosures is available at <http://www.habibmetro.com/financials/#basel-statements>

42. RISK MANAGEMENT

Risk management aspects are embedded in the holding company's strategy, organization structure and processes. The holding company has adopted a cohesive risk management structure for credit, 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 holding company. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the holding company's systems and organization.

42.1 Credit Risk

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

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 235,418,319 thousand (2017: Rs. 199,626,956 thousand) as depicted in note 41.

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

Centralized Credit and Trade processing centres staffed with experienced resources 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 holding company continually assesses and monitors credit exposures. The holding company follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on the management's judgement with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

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

The holding company uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the holding company 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 SBP guidelines as is given below:

Types of exposures and ECAI's used

Exposures	2018				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	-	-	-
SME's	✓	✓	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

Credit Exposures subject to Standardised Approach

Exposures	Rating category	2018			2017		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	24,117,478	455,860	23,661,618	14,103,057	1,054,176	13,048,881
	2	44,166,852	1,781,841	42,385,011	11,404,154	135,481	11,268,673
	3,4	7,009,370	-	7,009,370	1,484,109	-	1,484,109
Claims on banks with original maturity of 3 months or less		16,600,943	3,138,596	13,462,347	9,882,982	260,168	9,622,814
Retail		22,350,956	4,732,720	17,618,236	19,012,569	3,951,956	15,060,613
Public sector entities	1	4,892,198	261,074	4,631,124	9,598,961	59,425	9,539,536
	2,3	3,535,030	-	3,535,030	3,357,187	-	3,357,187
Others		430,907,485	13,273,000	417,634,485	483,101,975	11,468,000	471,633,975
Unrated		177,416,343	30,633,581	146,782,762	157,740,362	23,326,692	134,413,670

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

The holding company applies the SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the holding company'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 holding company's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

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

42.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public / Government	-	3,567,915	-	-	-	-
Private	11,984,795	7,346,890	-	-	-	-
	<u>11,984,795</u>	<u>10,914,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

42.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Chemical and pharmaceuticals	9,500	38,300	9,500	38,300	9,500	38,300
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Financial	3,973,206	5,458,992	-	7,702	-	7,702
Power (electricity), gas, water, sanitary	376,721	517,386	-	-	-	-
Textile	35,745	9,500	35,745	9,500	35,745	9,500
Transport, storage and communication	131,958	301,482	72,045	82,558	72,045	82,558
Others	<u>335,707,878</u>	<u>386,906,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>340,256,146</u>	<u>393,253,606</u>	<u>138,428</u>	<u>159,198</u>	<u>138,428</u>	<u>159,198</u>

Credit risk by public / private sector	Gross investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public / Government	335,207,880	387,913,908	-	-	-	-
Private	5,048,266	5,339,698	138,428	159,198	138,428	159,198
	<u>340,256,146</u>	<u>393,253,606</u>	<u>138,428</u>	<u>159,198</u>	<u>138,428</u>	<u>159,198</u>

2018 2017
Rupees in '000

42.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, forestry, hunting and fishing	152,415	78,051
Automobile and transportation equipment	11,819,948	10,016,027
Cement	5,131,148	3,616,909
Chemicals and pharmaceuticals	11,747,866	10,242,159
Construction	1,668,382	878,645
Electronics and electrical appliances	7,505,452	4,223,587
Exports / imports	5,651,416	3,977,390
Financial	213,065,580	113,118,944
Footwear and leather garments	314,864	693,455
Individuals	647,176	192,509
Insurance	790	-
Mining and quarrying	6,501	9,160,570
Power (electricity), gas, water, sanitary	19,356,820	9,726,042
Services	2,677,139	9,286,424
Sugar	2,993,560	908,579
Textile	65,057,143	54,215,761
Transport, storage and communication	2,594,571	2,830,992
Wholesale and retail trade	14,619,974	14,267,474
Others	35,798,440	25,237,565
	<u>400,809,185</u>	<u>272,671,083</u>

Credit risk by public / private sector

Public / Government	68,986,829	36,305,861
Private	331,822,356	236,365,222
	<u>400,809,185</u>	<u>272,671,083</u>

42.1.5 Concentration of Advances

The holding company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 97,831,714 thousand (2017: 86,249,260 thousand) are as following:

Funded	58,714,302	49,446,828
Non funded	<u>39,116,872</u>	<u>36,802,432</u>
Total exposure	<u>97,831,174</u>	<u>86,249,260</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 120,069,000 thousand (2017: 108,893,483 thousand).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date. The above exposure does not have any non performing portfolio.

42.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2018						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	96,145,996	91,063,639	4,678,501	-	-	403,856	-
Sindh	152,422,622	5,050,381	140,175,142	383,205	6,813,894	-	-
KPK including FATA	489,290	-	-	489,290	-	-	-
Balochistan	14,097	-	-	-	14,097	-	-
Islamabad	3,308,391	15,473	-	-	-	3,292,918	-
AJK including Gilgit-Baltistan	325,010	-	-	-	-	-	325,010
Total	252,705,406	96,129,493	144,853,643	872,495	6,827,991	3,696,774	325,010

Province / Region	2017						
	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	66,918,790	64,338,044	2,265,688	-	-	315,058	-
Sindh	128,049,708	4,520,318	117,538,253	386,834	5,604,303	-	-
KPK including FATA	452,797	-	-	452,797	-	-	-
Balochistan	13,375	-	-	-	13,375	-	-
Islamabad	2,599,716	14,773	-	-	-	2,584,943	-
AJK including Gilgit-Baltistan	182,482	-	-	-	-	-	182,482
Total	198,216,868	68,873,135	119,803,941	839,631	5,617,678	2,900,001	182,482

42.2 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 holding company's strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the holding company, assesses the impact of interest rate change on holding company'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 holding company asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the holding company 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.

42.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	48,177,307	–	48,177,307	42,282,249	–	42,282,249
Balances with other banks	1,916,548	–	1,916,548	1,202,048	–	1,202,048
Lendings to financial institutions	11,984,795	–	11,984,795	10,914,805	–	10,914,805
Investments	341,284,168	–	341,284,168	395,266,073	–	395,266,073
Advances	236,112,844	–	236,112,844	181,790,445	–	181,790,445
Fixed assets	3,947,862	–	3,947,862	3,152,455	–	3,152,455
Intangible assets	163,645	–	163,645	265,952	–	265,952
Deferred tax assets	5,821,468	–	5,821,468	2,835,420	–	2,835,420
Other assets	29,430,741	–	29,430,741	29,527,968	–	29,527,968
	<u>678,839,378</u>	<u>–</u>	<u>678,839,378</u>	<u>667,237,415</u>	<u>–</u>	<u>667,237,415</u>

42.2.2 Foreign Exchange Risk

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

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

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance Sheet Items	Net Foreign Currency Exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance Sheet Items	Net Foreign Currency Exposure
	Rupees in '000							
United States Dollar	45,177,404	(83,580,308)	39,013,190	610,286	44,463,953	(74,102,310)	30,028,086	389,729
Euro	2,932,784	(2,176,460)	(771,956)	(15,632)	2,392,602	(2,180,402)	(221,678)	(9,478)
Great Britain Pound	596,369	(5,436,274)	4,844,252	4,347	535,394	(4,267,095)	3,725,676	(6,025)
Asian Currency Unit	1,352,010	(1,632,650)	–	(280,640)	447,339	(743,499)	–	(296,160)
Japanese Yen	32,035	(575)	(20,170)	11,290	14,885	(48,123)	39,722	6,484
Arab Emirates Dirham	23,481	(8,869)	(7,561)	7,051	62,042	(18)	(51,102)	10,922
Canadian Dollar	10,848	–	–	10,848	–	(4,299)	8,410	4,111
Australian Dollar	4,062	–	–	4,062	4,675	–	–	4,675
Saudi Riyal	1,337	–	–	1,337	3,344	–	–	3,344
Other Currencies	34,978	(25,504)	11,135	20,609	34,869	(12,517)	–	22,352
	<u>50,165,308</u>	<u>(92,860,640)</u>	<u>43,068,890</u>	<u>373,558</u>	<u>47,959,103</u>	<u>(81,358,263)</u>	<u>33,529,114</u>	<u>129,954</u>

	2018		2017	
	Banking Book	Trading Book	Banking Book	Trading Book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	3,736	-	1,300	-
- Other comprehensive income	-	-	-	-

42.2.3 Equity Position Risk

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

	2018		2017	
	Banking Book	Trading Book	Banking Book	Trading Book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	(8,729)	-	(8,822)	-
- Other comprehensive income	(32,599)	-	(34,145)	-

42.2.4 Yield / Interest Rate Risk in the holding company Book (IRRBB)-Basel II Specific

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account				
- Other comprehensive income	(3,653,194)	-	-	(5,402,283)

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

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	Over 10 years	Non-interest bearing financial instruments
Cash and balances with treasury banks	48,177,307	12,370,079	-	-	-	-	-	-	-	-	35,807,228
Balances with other banks	1,916,548	311,287	-	-	700,000	-	-	-	-	-	905,261
Lending to financial institutions	11,984,795	6,684,795	5,300,000	-	-	-	-	-	-	-	-
Investments	341,284,168	45,421,829	146,294,367	16,597,027	7,680,474	24,860,208	44,887,917	36,662,638	16,603,695	2,276,013	
Advances	236,112,844	37,983,763	175,150,275	11,928,905	2,043,379	1,195,445	1,077,531	1,847,238	3,529,486	1,356,822	
Other assets	27,511,818	-	-	-	-	-	-	-	-	-	27,511,818
	666,987,480	102,771,753	326,744,642	28,525,932	10,423,853	26,055,653	45,965,448	38,509,876	20,133,181	1,356,822	66,500,320

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	1.35%
Balances with other banks	2.84% to 9.75%
Lending to financial institutions	9.25% to 10.75%
Investments	5.59% to 12.00%
Advances	1% to 20.55%
Other assets	

Liabilities

Bills payable	
Borrowings	2% to 10.35%
Deposits and other accounts	0.25% to 16.67%
Other liabilities	

On-balance sheet gap

12,173,407	-	-	-	-	-	-	-	-	-	-	12,173,407
53,008,774	8,072,387	28,118,016	6,166,610	732,317	1,018,273	813,925	1,545,692	1,545,692	3,119,858	233,000	3,188,696
542,839,457	185,815,328	50,747,988	120,940,597	22,151,392	3,343,132	2,369,174	3,070,148	3,070,148	-	-	154,401,698
28,858,964	-	-	-	-	-	-	-	-	-	-	28,858,964
636,880,602	193,887,715	78,886,004	127,107,207	22,883,709	4,361,405	3,183,099	4,615,840	3,119,858	233,000	198,622,765	66,500,320
30,106,878	(91,115,962)	247,878,638	(98,581,275)	(12,459,856)	21,694,248	42,782,349	33,894,036	17,013,323	1,123,822	(132,122,445)	

Off-balance sheet financial instruments

Forward foreign exchange contracts	230,915,612
Commitments against forward lendings	2,267,933
Commitments in respect of letters of credit	89,700,969
Commitments in respect of operating leases	99,427
Commitments against acquisition of fixed assets	133,160

Off-balance sheet gap

323,117,101	-	-	-	-	-	-	-	-	-	-	323,117,101
353,223,979	(91,115,962)	247,878,638	(98,581,275)	(12,459,856)	21,694,248	42,782,349	33,894,036	17,013,323	1,123,822	190,994,656	
353,223,979	(91,115,962)	156,762,676	58,181,401	45,721,545	67,415,793	110,198,142	144,092,178	161,105,501	162,229,323	190,994,656	

42.3 Operational Risk

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

The holding company 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 holding company over the past three years. Figures of capital charge of operation risk for the year is Rs. 2,938,575 thousand (2017: Rs. 2,746,848 thousand).

42.4 Liquidity Risk

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

Governance of Liquidity risk management

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 Group's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board 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 group's liquidity model is based on "self-reliance" with an extensive branch network to diversify the holding company's deposit base. Further, the Group can also generate liquidity from Interholding company 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 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 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 Group which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Group has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress 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.

2017

Total	Rupees in '000												
	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years
Assets													
Cash and balances with treasury banks	42,282,249	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,202,048	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	5,697,986	1,500,000	148,904	-	-	3,567,915	-	-	-	-	-	-
Investments	395,266,073	2,939,139	263,600	20,511,112	162,579,832	10,771,619	13,247,163	9,886,716	3,987,197	38,221,455	22,395,812	90,709,843	18,044,431
Advances	181,790,445	1,397,115	4,177,854	15,013,782	46,309,340	70,086,825	12,193,786	875,912	349,628	2,525,186	3,111,420	3,922,670	3,930,487
Fixed assets	3,152,455	27,245	31,786	77,194	98,440	98,440	295,320	295,321	295,322	814,443	97,746	183,138	833,517
Intangible assets	265,952	2,153	2,512	6,100	11,124	11,124	33,372	33,371	33,371	90,845	21	-	41,600
Deferred tax assets	2,835,420	248,620	290,057	704,423	438,469	438,469	403,774	72,576	72,577	(3,005)	52,087	(22,426)	98,363
Other assets	29,527,968	2,882,564	3,362,988	8,167,258	2,251,980	2,251,980	3,572,280	2,518,779	2,518,781	633,274	362,157	363,584	161,919
	667,237,415	13,194,822	9,628,797	44,628,773	211,689,185	83,658,457	33,313,610	13,682,675	7,256,876	42,282,198	26,019,243	95,156,809	23,110,317
Liabilities													
Bills payable	19,643,603	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	66,982,529	26,292,210	625,889	1,671,575	13,345,222	4,907,529	8,117,461	266,670	174,903	749,429	757,956	1,005,225	2,189,795
Deposits and other accounts	507,425,281	14,688,625	26,528,899	20,622,416	26,669,820	62,829,725	49,835,024	17,933,300	11,691,979	1,659,105	3,366,492	2,965,533	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	29,323,353	1,892,365	2,181,994	11,620,161	1,150,646	3,281,803	3,292,928	697,629	2,543,174	541,719	550,986	1,036,906	417,999
	623,374,766	42,873,200	29,336,782	33,914,152	41,165,688	71,019,057	61,245,413	18,897,599	14,410,056	2,950,253	4,675,434	5,007,664	2,607,794
Net assets	43,862,649	(29,678,378)	(19,707,985)	10,714,621	170,523,497	12,639,400	(27,931,803)	(5,214,924)	(7,153,180)	39,331,945	21,343,809	90,149,145	20,502,523
Share capital	10,478,315												
Reserves	15,124,031												
Surplus on revaluation of assets	960,661												
Unappropriated profit	14,159,430												
Non-controlling interest	3,140,212												
	43,862,649												

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	Over 10 years
Assets									
Cash and balances with treasury banks	42,282,249	-	-	-	-	-	-	-	-
Balances with other banks	1,202,048	-	-	-	-	-	-	-	-
Lending to financial institutions	7,346,890	-	3,567,915	-	-	-	-	-	-
Investments	395,266,073	173,351,451	13,247,163	13,873,913	38,221,455	22,395,812	90,709,843	18,044,431	2,102,943
Advances	181,790,445	116,396,165	12,193,786	1,225,540	2,525,186	3,111,420	3,922,670	1,827,544	447,042
Fixed assets	3,152,455	196,880	295,320	590,643	814,443	97,746	183,138	386,475	41,600
Intangible assets	265,952	22,248	33,372	66,742	90,845	21	-	-	8,201
Deferred tax assets	2,835,420	876,938	403,774	145,153	(3,005)	52,087	(22,426)	90,162	8,201
Other assets	29,527,968	14,893,234	3,572,280	5,037,560	633,274	362,157	363,584	15,140	146,779
	667,237,415	295,347,642	33,313,610	20,939,551	42,282,198	26,019,243	95,156,809	20,363,752	2,746,565
Liabilities									
Bills payable	19,643,603	-	-	-	-	-	-	-	-
Borrowings	66,982,529	18,252,751	8,117,461	441,573	749,429	757,956	1,005,225	1,218,582	971,213
Deposits and other accounts	507,425,281	89,900,481	49,522,489	29,536,880	1,659,105	3,366,492	2,965,534	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	29,323,353	4,432,449	3,292,928	3,240,803	541,719	550,986	1,036,906	417,997	-
	623,374,766	401,395,807	60,932,878	33,219,256	2,950,253	4,675,434	5,007,665	1,636,579	971,213
Net assets	43,862,649	(270,327,762)	(27,619,268)	(12,279,705)	39,331,945	21,343,809	90,149,144	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	960,661								
Non-controlling interest	3,140,212								
	43,862,649								

43. GENERAL

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

43.2 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 21 February 2019 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2017: 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.

43.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 21 February 2019 by the Board of Directors of the holding company.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASSAN
Director

MOHAMEDALI R. HABIB
Chairman

**ANNEXURE "I" AS REFERRED TO IN NOTE 10.7 OF THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE
PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2018**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up waived	Other financial relief provided	Total	
				Principal	Interest / mark-up	Others					Total
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1	A.T. Fabrics P-127-B, Digranwan Road, Sammundri Road, Faisalabad.	Muhammad Arif Suria 33100-2727239-1 Muhammad Aslam Perdesi 42101-6511114-9 Muhammad Tariq Perdesi 42201-7143335-5 Anis Perdesi 42201-9855361-1	Abdullah Suria Haji Ismail Perdesi Haji Ismail Perdesi Haji Ismail Perdesi	135,929	127,548	-	263,477	108,457	126,630	-	235,087
2	Ventex Industries No. 6, Block 7/8, Lal Muhammad Chaudhry Road, K.M.C.H.S, Karachi.	Muhammad Irfan Suria 42201-0646865-9 Usman Arif Suria 33100-1842079-7	Abdullah Suria Muhammad Arif Suria	316	58,326	-	58,642	-	58,326	-	58,326
3	Aman Trading Links (Pvt) Limited SA-22, 1st Floor, Shahnaz Arcade, Shaheed-e-Millat Road, Karachi.	Muhammad Noman Sagal 42201-0487763-5 Aamir Sagal 42201-0608958-9	Muhammad Mushtaq Sagal Muhammad Mushtaq Sagal	9,529	1,051	3,049	13,629	-	-	2,629	2,629
4	Shabbir & Master Sanitary Ware Room No. 709, 7th Floor, Trade Tower, Abdullah Haroon Road, Karachi.	Hina Qureshi 42301-8266671-4	Salman Qureshi	309	1,321	-	1,630	-	978	-	978
5	AFN Enterprises 63/II, Lane-15, Khayaban-e-Badban, Phase-VII, DHA, Karachi.	Athar Farooq Nizami 42301-7098186-7	Muzafar Farooq Nizami	308,917	12,805	-	321,722	-	10,173	-	10,173

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
6	Datari International Mezzanine Floor, Suleman Arcade, 11 B.M.C.H.S., Jamal Uddin Afghani Road, Karachi.	Muhammad Amin 42101-4806991-3	Abdul Ghaffar	69,827	12,178	-	82,005	-	10,630	-	10,630
7	Magna Steel 19, Banglore Town, Block 7/8, KCHS, Karachi	Muhammad Tariq Iqbal Mughal 35201-9057040-1 Abdul Ghani Dada 42401-0336246-7	Bahir Ahmed Mughal Haji Abdul Ghaffar Dada	34,500	4,834	-	39,334	-	4,360	20,288	24,648
8	Shahi Textiles L-25C/22, Federal B. Area, Karachi.	Muhammad Muzzamil Hussain 42201-0254722-1 Syed Ali Ahmed 42101-1493421-7 Naseem Ahmed 42000-0409535-9	Abdul Majeed Syed Aziz Ahmed Syed Aziz Ahmed	331,200	91,824	-	423,024	181,200	91,824	-	273,024
9	Asher Emmanuel House No.143/5, Mouza Humak, Tehsil & District Islamabad.	Asher Emmanuel 37405-0599878-1	Emmanuel N. Din	1,704	175	-	1,879	-	147	-	147
10	Be Be Jan Pakistan Limited Chak 204/RB, Faisalabad.	Ayesha Saqib 33100-5236356-6 Mariam Saqib 33100-7133377-2 Usman Ehsan Elahi 33100-8910218-1	Saqib Elahi Saqib Elahi Saqib Elahi	59,449	28,174	-	87,623	-	27,815	-	27,815

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up waived	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
11	Dar Expo House No.14/485, Heji Pura, Daska Road, Sialkot.	Ejaz Ahmed Dar 34603-2109715-5 Basharat Ejaz Dar 34603-2053790-0 Zuman Ejaz Dar 34603-2110358-7 Fahad Dar 34603-2109714-7 Aswad Dar 34603-2109705-3	Inayat Ullah Ejaz Ahmed Dar Ejaz Ahmed Dar Ejaz Ahmed Dar Ejaz Ahmed Dar	5,994	1,942	-	7,936	-	1,575	-	1,575
12	Modern Auto Paint House No.21/16, Ahatta Sohna Mahal, Abid Majeed Road, Lahore.	Tariq Javed 35201-7312346-3	Muhammad Ameen	3,007	67	586	3,660	-	67	586	653
13	Ruby Textile Mills Limited 35-Industrial Area, Gulberg-III, Lahore.	Noor Elahi 35202-2751024-3 Parveen Elahi 35202-2601430-6 Naheed Javed 35202-2462576-0	Haji Muhammad Hussain Noor Elahi Javed Usman	157,884	10,450	63,386	231,720	7,887	10,450	63,386	81,723
14	Subhan Knitwear House No.26-B, Nishat Colony, Lahore.	Syed Hassan Masood Zaidi 35201-4229618-9	Syed Hassan Zaidi	121,698	24,742	-	146,440	-	21,822	-	21,822
				1,240,263	375,437	67,021	1,682,721	297,544	364,797	86,889	749,230

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 31 (2017: 29) Islamic banking branches and 216 (2017: 212) Islamic banking windows at the end of the year.

	Note	2018 Rupees in '000	2017 Rupees in '000
ASSETS			
Cash and balances with treasury banks		3,340,608	2,540,250
Balances with other banks		-	-
Due from financial institutions	1	1,000,000	7,567,915
Investments	2	21,312,705	28,340,952
Islamic financing and related assets - net	3	17,715,168	13,872,126
Fixed assets		82,121	107,070
Intangible assets		-	-
Due from Head Office	4	1,056,134	594,016
Other assets		<u>1,605,849</u>	<u>1,319,599</u>
		<u>46,112,585</u>	<u>54,341,928</u>
LIABILITIES			
Bills payable		657,934	658,486
Due to financial institutions		1,864,574	1,850,668
Deposits and other accounts	5	38,684,214	48,306,291
Due to Head Office		-	-
Subordinated debt		-	-
Other liabilities	6	1,473,908	1,077,778
		<u>42,680,630</u>	<u>51,893,223</u>
NET ASSETS		<u>3,431,955</u>	<u>2,448,705</u>
REPRESENTED BY			
Islamic Banking Fund		3,003,472	2,002,760
Reserves		-	-
(Deficit) / surplus on revaluation of assets		(17,981)	162,887
Unappropriated profit	7	<u>446,464</u>	<u>283,058</u>
		<u>3,431,955</u>	<u>2,448,705</u>
CONTINGENCIES AND COMMITMENTS	8		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2018 is as follows:

	Note	2018	2017 (Restated)
		Rupees in '000	
Profit / return earned	9	2,690,429	2,543,055
Profit / return expensed	10	(1,777,470)	(1,865,993)
Net Profit / return		912,959	677,062
Other income			
Fee and commission income		131,603	90,112
Dividend income		–	–
Foreign exchange income		33,780	20,830
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		(156)	17,594
Other income		17,513	12,573
Total other income		182,740	141,109
Total income		1,095,699	818,171
Other expenses			
Operating expenses		615,528	518,109
Workers' welfare fund		–	–
Other charges		2,087	2,803
Total other expenses		617,615	520,912
Profit / (loss) before provisions		478,084	297,259
Provisions and write offs - net		(31,620)	(14,201)
Profit / (loss) before taxation		446,464	283,058

1. Due from Financial institutions

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Musharakah	1,000,000	–	1,000,000	4,000,000	–	4,000,000
Bai muajjal receivable from State Bank of Pakistan	–	–	–	3,567,915	–	3,567,915
	1,000,000	–	1,000,000	7,567,915	–	7,567,915

2. Investments by segments:

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Federal government securities								
- Ijarah sukuk	11,313,145	-	(26,794)	11,286,351	25,445,379	-	152,056	25,597,435
- Bai mujjal	3,608,688	-	-	3,608,688	-	-	-	-
	<u>14,921,833</u>	<u>-</u>	<u>(26,794)</u>	<u>14,895,039</u>	<u>25,445,379</u>	<u>-</u>	<u>152,056</u>	<u>25,597,435</u>
Non-government debt securities								
- Listed	5,537,142	-	3,805	5,540,947	2,226,190	-	(60)	2,226,130
- Unlisted	871,711	-	5,008	876,719	506,496	-	10,891	517,387
	<u>6,408,853</u>	<u>-</u>	<u>8,813</u>	<u>6,417,666</u>	<u>2,732,686</u>	<u>-</u>	<u>10,831</u>	<u>2,743,517</u>
Total Investments	<u>21,330,686</u>	<u>-</u>	<u>(17,981)</u>	<u>21,312,705</u>	<u>28,178,065</u>	<u>-</u>	<u>162,887</u>	<u>28,340,952</u>

Note 2018 2017
Rupees in '000

3. Islamic financing and related assets - net

Ijarah	3.1	398,097	411,111
Murabaha	3.2	5,906,879	4,222,517
Working capital musharaka		2,533,380	1,401,000
Diminishing musharaka		3,532,275	4,640,036
Istisna		1,029,204	408,907
Export refinance murabaha		497,902	628,017
Export refinance istisna		923,713	650,000
Al-Bai financing		316,194	13,104
Advances against:			
Ijarah		123,988	114,290
Murabaha	3.2	349,302	300,727
Diminishing musharaka		596,470	324,624
Istisna		1,064,759	364,896
Export refinance murabaha		127,507	6,880
Export refinance istisna		326,288	600,000
Inventory related to			
Al-Bai goods		240,116	172,892
Istisna goods		167,589	-
Gross Islamic financing and related assets		<u>18,133,663</u>	<u>14,259,001</u>
Provision against non-performing Islamic financings		<u>(418,495)</u>	<u>(386,875)</u>
Islamic financing and related assets - net of provision		<u>17,715,168</u>	<u>13,872,126</u>

3.1 Ijarah

	2018						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2018
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year/ (deletions)	As at Dec 31, 2018	
	Rupees in '000						
Plant & machinery	366,538	29,297 (11,800)	384,035	97,574	78,140 (11,369)	164,345	219,690
Vehicles	183,274	121,565 (37,933)	266,906	41,127	73,395 (26,023)	88,499	178,407
Total	549,812	101,129	650,941	138,701	114,143	252,844	398,097
	2017						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2017
	As at Jan 01, 2017	Additions / (deletions)	As at Dec 31, 2017	As at Jan 01, 2017	Charge for the year/ (deletions)	As at Dec 31, 2017	
	Rupees in '000						
Plant & machinery	272,590	132,383 (38,435)	366,538	68,545	63,325 (34,296)	97,574	268,964
Vehicles	94,702	125,459 (36,887)	183,274	47,242	26,201 (32,316)	41,127	142,147
Total	367,292	182,520	549,812	115,787	22,914	138,701	411,111

3.1.1 Future Ijarah payments receivable

	2018				2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
	Rupees in '000							
Ijarah rental receivables	<u>208,308</u>	<u>290,883</u>	<u>698</u>	<u>499,889</u>	23,101	497,270	2,620	522,990

3.2 Murabaha

	Note	2018	2017
		Rupees in '000	
Murabaha financing	3.2.1	5,906,879	4,222,517
Advances against murabaha		<u>349,302</u>	<u>300,727</u>
		<u>6,256,181</u>	<u>4,523,244</u>
3.2.1 Murabaha receivable - gross	3.2.2	6,104,861	4,348,615
Less: Deferred murabaha income	3.2.4	(111,346)	(72,516)
Profit receivable shown in other assets		<u>(86,636)</u>	<u>(53,582)</u>
Murabaha financings		<u>5,906,879</u>	<u>4,222,517</u>

	Note	2018	2017
		Rupees in '000	
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		4,348,615	4,257,444
Sales during the year		13,402,157	11,386,507
Adjusted during the year		(11,645,911)	(11,295,336)
Closing balance		<u>6,104,861</u>	<u>4,348,615</u>
3.2.3 Murabaha sale price		13,402,157	11,386,507
Murabaha purchase price		(13,020,273)	(11,141,504)
		<u>381,884</u>	<u>245,003</u>
3.2.4 Deferred murabaha income			
Opening balance		72,516	125,682
Arising during the year		381,884	245,003
Less: Recognised during the year		(343,054)	(298,169)
Closing balance		<u>111,346</u>	<u>72,516</u>

4. Due from Head Office

Inter-branch transactions are made on Qard basis.

5. Deposits

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					

Customers

Current deposits	7,495,475	868,171	8,363,646	7,815,816	512,198	8,328,014
Saving deposits	17,668,850	618,605	18,287,455	13,103,187	494,755	13,597,942
Term deposits	10,608,516	226,122	10,834,638	16,917,715	205,846	17,123,561
	<u>35,772,841</u>	<u>1,712,898</u>	<u>37,485,739</u>	<u>37,836,719</u>	<u>1,212,798</u>	<u>39,049,517</u>

Financial Institutions

Current deposits	2,054	–	2,054	152,223	–	152,223
Saving deposits	756,421	–	756,421	1,349,551	–	1,349,551
Term deposits	440,000	–	440,000	7,755,000	–	7,755,000
	<u>1,198,475</u>	<u>–</u>	<u>1,198,475</u>	<u>9,256,774</u>	<u>–</u>	<u>9,256,774</u>
	<u>36,971,316</u>	<u>1,712,898</u>	<u>38,684,214</u>	<u>47,093,493</u>	<u>1,212,798</u>	<u>48,306,291</u>

	2018	2017
	Rupees in '000	
5.1 Composition of deposits		
– Individuals	20,518,813	15,355,777
– Government / Public Sector Entities	354,537	660,074
– Banking Companies	1,510	5,701,765
– Non-Banking Financial Institutions	1,263,776	3,555,009
– Private Sector	16,545,578	23,033,666
	<u>38,684,214</u>	<u>48,306,291</u>

5.2 Particulars of deposits and other accounts		
– In local currency	36,971,316	47,093,493
– In foreign currencies	1,712,898	1,212,798
	<u>38,684,214</u>	<u>48,306,291</u>

5.3 This includes eligible deposits of Rs. 23,571,221 thousand which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

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

Charity fund

Opening balance	479	327
Additions during the period		
Received from customers on account of delayed payment	241	152
Other non-shariah compliant income	50	–
	291	152
Payments / utilization during the period		
Education	(120)	–
Health	(359)	–
	(479)	–
Closing balance	<u>291</u>	<u>479</u>

Details of charity where amounts exceeds Rs 100,000 is as follows:

The Citizen Foundation	120	–
Afzaal Memorial Thalassemia Foundation	120	–
Anjuman Behbood-e-Samat-e-Atfal	120	–
Shaukat Khanum Memorial Trust	119	–
	<u>479</u>	<u>–</u>

	2018	2017
	Rupees in '000	
7. Unappropriated profit		
Opening balance	283,058	191,936
Add: Islamic banking profit for the period	446,464	283,058
Less: Transferred to head office	<u>(283,058)</u>	<u>(191,936)</u>
Closing balance	<u>446,464</u>	<u>283,058</u>
8. Contingencies and commitments		
Guarantees	1,893,613	721,369
Commitments	<u>3,362,786</u>	<u>3,787,388</u>
	<u>5,256,399</u>	<u>4,508,757</u>
9. Profit / return earned of financing, investments and placement		
Profit earned on:		
Financing	1,132,798	790,769
Investments	1,377,339	1,482,777
Due from financial institutions	<u>180,292</u>	<u>269,509</u>
	<u>2,690,429</u>	<u>2,543,055</u>
10. Profit on deposits and other dues expensed		
Deposits and other accounts	1,742,222	1,839,296
Due to financial institutions	<u>35,248</u>	<u>26,697</u>
	<u>1,777,470</u>	<u>1,865,993</u>

11. Pool management

Following pools are maintained by the Bank's Islamic Banking Division (IBD)

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

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 modaraba 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
- Modaraba placement of HabibMetro (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.

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.

Avenues / sectors of economy / business where modaraba 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

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

a) Profit allocation

	From 1 January 2018 to 31 December 2018	
	Local Currency	Foreign Currency
- Rabbul maal	77.61%	10%
- Mudarib	22.39%	90%

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment cost shall be borne by IBD as mudarib.

c) Provisions

Specific provision amounting to Rs. 31,620 thousand (2017: Rs. 14,201 thousand) has been made during the year 2018.

Mudarib share

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Rabbul maal	1,776,235	69.15	996,613	41.74
Mudarib	792,338	30.85	1,390,950	58.26
Distributable income	<u>2,568,573</u>	<u>100.00</u>	<u>2,387,562</u>	<u>100.00</u>

Amount and percentage of mudarib share transferred to depositors through Hiba (if any)

	2018	2017
	Rupees in '000	
Mudarib share	792,338	1,390,950
Hiba	49,235	382,825
Hiba percentage of mudarib share	6.21%	27.52%

Profit rate earned vs. profit rate distributed to the depositors during the year

	2018	2017
	%	
Profit rate earned	6.78	5.74
Profit rate distributed to depositors	4.23	4.26

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

- اسلامک بینکنگ ونڈوز (IBWS) کے کاؤنٹرز پر تربیت یافتہ عملے کا تقرر تاکہ اسلامک بینکنگ کی کنویئنشنل برانچوں میں صافین کو موزوں خدمات فراہم کی جاسکیں۔
- شرعی اصولوں کے مطابق قرضہ جات کی سہولت کو اسلامی بینکاری کے عملے کے لئے متعارف کرایا جائے۔
- مالیاتی سرگرمیوں میں اضافے کے باعث موثر کارکردگی کے لئے اسلامک CAD کے کردار اور وسائل میں توسیع اور اضافے کی تجویز دی جاتی ہے۔

ہماری دعا ہے کہ اللہ تعالیٰ ہماری کوششوں کو قبول فرمائے اور ہمیں اسلامی فنائس 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

رکن شریعہ بورڈ

کراچی: 21 فروری 2019

شریعی بورڈ رپورٹ

برائے 31 دسمبر 2018

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 آپریٹرز اس طریقے پر انجام دیے جائیں کہ تمام مراحل پر شریعی 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 شریعی بورڈ ممبر (آر ایس بی ایم) کی جانب سے رجوع کئے گئے مختلف پروڈکٹس، تصورات، ٹرانزیکشنز، طریقہ کار اور شریعت کے اصولوں کا جائزہ لینے کیلئے 17 اجلاس منعقد کئے۔ 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 شریعی بورڈ 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 ریویژنٹ شریعی بورڈ ممبر، شریعی کمپلائنس ڈپارٹمنٹ اور انٹرنل شریعی آڈٹ ڈپارٹمنٹ کی معیادی رپورٹوں کا بھی جائزہ لیا، سال 2018 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 چلانے 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 و 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 گزشتہ سال نافذ کئے گئے خود کار پول مینجمنٹ سسٹم کو ریویژنٹ شریعی بورڈ ممبر کی موثر شراکت اور رہنمائی کی مدد سے مزید بہتر بنایا۔
- ۶- انتظامیہ نے اپنے روایتی اور اسلامی برانچوں کے عمل 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 عمل 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۔
- ۹- گزشتہ سال دی گئی تجویز کے مطابق مینجمنٹ نے سال کے دوران درج ذیل اقدامات کئے:

- اسلامک بینکنگ کی ٹرانزیکشن کے لئے مرکزی CAD کا قیام
- رسک مینجمنٹ ڈپارٹمنٹ میں مستعد عملے کی تعیناتی
- اسلامک بینکنگ ڈویژن کے ملازمین کے لئے بھی ہیلتھ انشورنس کی سہولت کی بذریعہ تکافل فراہمی

ہر پروسس اور فنکشن میں موجود کنٹرول کے وہ تمام پہلو جو پالیسیوں اور طریقہ کار کے تابع ہیں، بینک کے آپریٹنگ نظام میں موجود ہیں، اور 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۔ منجمنٹ 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 میٹرو 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۔

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 ایک خطرات پر مبنی اور برانچوں 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 تدارک 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

مالی سال 2019 کے لئے حقیقی جی ڈی پی کی شرح نمو کے بارے میں امکان ہے کہ یہ کم ہو کر لگ بھگ 4 فیصد رہے گی جو سالانہ ہدف 6.2 فیصد اور گزشتہ سال حاصل کردہ 5.8 فیصد سے کافی کم ہے۔ مزید برآں بیرونی کرنٹ اکاؤنٹ خسارہ بھی اپنا دباؤ برقرار رکھے گا۔

آنے والے عرصے میں حبیب میٹرو شیئر ہولڈرز کے مفادات کا تحفظ کرنے پر کاربند ہے جبکہ ایک جدید ترین ٹیکنالوجیکل پلیٹ فارم کے تحت تیار کی گئی مالیاتی پروڈکٹس کے ایک مختلف معیار کے ذریعے اپنے صارفین کو بہترین اور شاندار خدمات کا اضافہ کرتا ہے گا۔ بینک کا ہدف نامیاتی ترقی اور نئے کلائنٹس، 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

محمد علی آر۔ حبیب
چیئرمین

محسن اے۔ ناتھانی
صدر و چیف ایگزیکٹو آفیسر

کراچی: 21 فروری 2019

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 کا کمپلائنس کے نظریے سے جائزہ اور ریگولیٹری حکام کے ساتھ تعلقات کا قائم 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 سرکلرز شامل ہیں، کے قیام اور اسے برقرار رکھنے میں بھی سرگرم ہے مزید برآں اسٹیٹ بینک آف پاکستان کے انسپکشن کے عمل کو آسان بنانے کیلئے اسٹیٹ بینک آف پاکستان اور اس کی آن سائٹ انسپکشن ٹیم کے ساتھ سہولت کاری اور رابطہ کاری میں اس یونٹ کا اہم کردار رہا ہے۔

انتہائی چیلنجنگ 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 پر عزم ہے۔ بینک کا جدید ترین ٹرانزیکشن مانیٹرنگ سسٹم (ٹی ایم ایس) منی لائڈرنگ کی ان سرگرمیوں کی مانیٹرنگ میں مدد دیتا ہے جن کا تعلق بینک چینلز، پروڈکٹس اور خدمات کے ذریعے منی لائڈرنگ سے ہوسکتا 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۔ علاوہ ازیں بینک ایک مضبوط کسٹمر ڈیوٹی پیکنس (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 اینڈ بینک، اس امر کو یقینی بنانے کیلئے کہ کوئی بھی کاروبار ممنوعہ ممالک 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 کے تناظر میں پروڈکٹس اور پالیسیوں کا جائزہ لیتا ہے۔

آپ کا بینک بطور ایک فارن فنانشل انسٹیٹیوشن (ایف ایف آئی) شراکت کا حامل ہے اور فارن اکاؤنٹس ٹیکس کمپلائنس ایکٹ (FATCA) کی، اس امر کا یقین کرنے کیلئے کہ ممکنہ کلائنٹس امریکی ٹیکس رپورٹنگ ذمہ دار یوں کا حامل ہے یا نہیں، ان سے اضافی معلومات اور دستاویزات کے حصول کے ذریعے پوری طرح یقین حاصل کرتا ہے۔ FATCA ایک امریکی قانون ہے جس کا مقصد امریکی شہریوں اور کمپنیوں کی جانب سے ٹیکس کی عدم ادائیگی کی روک تھام ہے اور جو یکم جولائی 2014 سے نافذ ہو چکا ہے FATCA قانون کی تعمیل کو یقینی بنانے کے لئے کمپلائنس ڈویژن، روابط، تربیت، ڈیولپمنٹ اور FATCA کی ضروریات کی نگرانی جیسی سہولیات فراہم کرتا ہے۔

کامن رپورٹنگ اسٹینڈرڈز (CRS) ایک عالمی معیار ہے جو اقتصادی تعاون و ترقی کی تنظیم (اوا سی ڈی) کو نسل سے منظور شدہ ہے اور حکومت پاکستان ملکی قوانین کے توسط سے انکم ٹیکس آرڈیننس مجریہ 2001 کے SRO 166(1)/2017 کی روشنی میں اس کی تشریح کرتی ہے۔ بینک CRS قوانین پر عمل پیرا ہے اور اس مقصد کیلئے بینک کے کھاتوں کی جانچ پڑتال کی جاتی ہے تاکہ ان کی ٹیکس ریزیدنسی کے بارے میں فیڈرل بورڈ آف ریونیو کو مزید رپورٹ دی جائے۔

مشترکہ ٹرانزیکشن رپورٹ (STRs) اور کرنسی ٹرانزیکشن رپورٹ (CTRs) کی فنانشل مانیٹرنگ یونٹ (FMU) کو بروقت اطلاع دینے کے عمل کو گواہ ایم ایل (go AML) اپیلی کیشن کے ذریعے خود کار بنایا ہے۔

کمپلائنس یونٹ ریگولیٹری امور (بشمول فالو اپ) کی شناخت، نگرانی اور تعمیل کو ایریا کمپلائنس آفیسرز (ACOs) کی جانب سے آن سائٹ جائزے کے ذریعے یقینی بناتا ہے جو برانچ اسٹاف کو تربیت بھی فراہم کرتا ہے۔ مزید برآں ایریا کمپلائنس آفیسرز (ACOs) برانچ کی سطح پر قوانین پر عملدرآمد کے معیار کو بڑھا کر بینک میں کمپلائنس کلچر میں اضافے کیلئے موثر کردار ادا کرتے ہیں۔

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

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 کے مراحل واضح ہیں اور بینک میں نافذ تمام پراسس بورڈ سے منظور شدہ پالیسیوں اور طریقہ کار کے تابع ہیں۔ موجودہ پالیسیوں اور طریقہ کار کا مستقل بنیادوں پر جائزہ لیا جاتا ہے اور حسب ضرورت وقتاً فوقتاً ان میں بہتری لائی جاتی ہے۔ بورڈ نے مجموعی رسک مینجمنٹ فریم ورک کی نظر ثانی کیلئے ذیلی کمیٹیاں تشکیل دی ہیں جو موزوں گورننس کو یقینی بنانے کیلئے باقاعدگی سے ملتی ہیں۔

رسک مینجمنٹ

رسک 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 رسک کیلئے منظم اپروچ اور مستحکم انٹرنل کنٹرول کے ایک مربوط و منظم رسک 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 ادارے میں فرائض کی تقسیم موجود ہے۔ کنٹرول سسٹم کی جانچ پڑتال کیلئے انٹرنل 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 رسک کنٹرول کرنے کیلئے جامع اندرونی رپورٹس اور MIS کی اضافی سہولیات موجود ہیں رسک مینجمنٹ ڈویژن خطرات کے تمام پہلوؤں سے نمٹنے کے پیشہ ورانہ مہارت کے حامل افراد پر مشتمل 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

حبیب 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 فناننگ کو توسیع دے رہا ہے۔ بینک کے کریڈٹ پورٹ فولیو کا ایک بڑا حصہ KIBOR کو بطور ایک حوالہ استعمال کرتے ہوئے فولنگ 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، مناسب سکیورٹی اور جاری بنیادوں پر ایکسپوزرز کی مانیٹرنگ کو یقینی بنانے کیلئے تشکیل دیا گیا ہے اس میں مرکزی ٹریڈ پروسیجرنگ اور کریڈٹ کے انتظام کے ذریعے مزید اضافہ ہوتا ہے۔

مارکیٹ/لیکویڈیٹی رسک

ایسیٹ اینڈ لیبلیٹی 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 آپریننگ کی رہنما ہدایات پر خصوصی توجہ دیتی ہے۔ مزید برآں 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، لیکویڈیٹی پر آس، 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 عملدرآمد کو یقینی بناتا ہے۔

آپریشنل رسک

آپریشنل 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 آپریشنل رسک مینجمنٹ یونٹ موجود ہے جو رسک اور کنٹرول سیلف اسسمنٹ کی انجام دہی کرتا ہے جس کا پروسز انورز (پہلی دفاعی لائن) اور اس کے بعد آپریشنل رسک اینڈ کنٹرول کمیٹی اور بورڈ جائزہ لیتے ہیں۔ اس جائزہ کے مطابق اصلاحی اقدامات اختیار کئے جاتے ہیں۔ رسک مینجمنٹ جس میں آپریشنل رسک اور انٹرنل 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 کنٹینیوٹی پلان، ایک انفارمیشن سکیورٹی یونٹ اور مضبوط اور آزاد انٹرنل آڈٹ سیٹ اپ کا حامل ہے۔

پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2018 کو پیٹرن آف شیئر ہولڈنگ رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز

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

کوڈ آف کارپوریٹ گورننس کی ہدایات کے مطابق، بورڈ کی آڈٹ کمیٹی نے کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے بینک کے آڈیٹرز کی حیثیت سے تقرر کی سفارش کی ہے۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک

- ۱- بینک کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز 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 ماسوائے وہ تبدیلیاں جن کا ذکر مالیاتی حسابات کے نوٹ نمبر 4.1.1 میں درج 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 زوگردانی کو مناسب طور پر ظاہر کیا گیا ہے۔
- ۵- انٹرنل کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر 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 زوگردانی نہیں کی گئی ہے۔
- ۸- بینک کا کلیدی آپریشننگ اور مالیاتی ڈیٹا برائے گزشتہ 6 سال درج ذیل ہے:

روپے بلین میں

2013	2014	2015	2016	2017	2018	
27,984	34,750	36,828	39,670	40,498	37,002	شیئر ہولڈرز کی ایکویٹی (دوبارہ درج کردہ)
10,478	10,478	10,478	10,478	10,478	10,478	اداشدہ سرمایہ
322,275	409,894	502,433	538,007	660,666	673,396	مجموعی اثاثہ جات (دوبارہ درج کردہ)
247,348	319,597	402,671	429,932	508,104	543,578	ڈپازٹس (دوبارہ درج کردہ)
129,834	134,751	132,647	142,962	174,319	226,690	ایڈوانسز
142,444	221,761	292,779	314,619	396,637	346,666	سرمایہ کاریاں
5,112	7,312	12,539	10,334	9,129	10,074	منافع قبل از ٹیکس
3,526	4,927	7,656	6,119	5,509	6,161	منافع بعد از ٹیکس
3.37	4.7	7.31	5.84	5.26	5.88	آمدنی فی حصص (روپے)
20	25	20	30	30	20	نقد منافع منقسمہ (فیصد) - حتمی
-	-	20	-	-	-	- عبوری
3,559	3,914	4,277	4,597	4,719	4,841	عملی تعداد
214	240	276	307	320	352	برانچوں/ذیلی برانچوں کی تعداد

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

- پراویڈنٹ فنڈ 2,875.528 ملین روپے بمطابق 30 جون 2018

- گریجویٹ فنڈ 1,214.825 ملین روپے بمطابق 31 دسمبر 2018

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

کارپوریٹ گورننس

بورڈ کے اجلاس

سال 2018 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 ریسورس وری میوزیشن	رسک و کمپلائنس	انفارمیشن ٹیکنالوجی
جناب محمد علی آر۔ حبیب	4/4	-	3/3	-	-	-
جناب علی ایس۔ حبیب	3/4	3/4	-	-	-	-
جناب انجم زید۔ اقبال	4/4	4/4	3/3	-	3/3	2/2
جناب فراسٹ علی	4/4	-	-	4/4	3/3	2/2
جناب محمد بشیر	4/4	-	-	-	-	-
جناب محمد امجد۔ حبیب	3/4	-	3/3	-	-	-
جناب سہیل حسن	4/4	4/4	-	-	-	-
جناب طارق اکرام	4/4	-	-	4/4	-	-
جناب سراج الدین عزیز*	2/2	-	1/1	3/3	1/1	-
جناب محسن اے۔ ناتھانی*	2/2	-	2/2	1/1	2/2	2/2
منعقدہ اجلاس	4	4	3	4	3	2

* جناب محسن اے۔ ناتھانی نے مورخہ 23 اپریل 2018 سے جناب سراج الدین عزیز کی جگہ پر صدر ای ای او کے فرائض سنبھال لیے ہیں۔

نان۔ ایگزیکٹو ڈائریکٹرز کا مشاہرہ

نان۔ ایگزیکٹو ڈائریکٹرز، ماسوائے سربراہ کمپنی کے زیر ملازمت، کو ذی اجلاس شرکت کی بنیاد پر ایک طے شدہ معاوضہ ادا کیا جا رہا ہے۔ ایسے ڈائریکٹرز اجلاس میں شرکت کے ضمن میں ہونے والے دیگر خصوصی اصراف کی زرتلانی کا استحقاق بھی رکھتے ہیں۔ اس بارے میں معلومات مالیاتی حسابات کے نوٹ 37 میں فراہم کر دی گئی ہیں۔

بورڈ اور بورڈ کمیٹیوں کی تشکیل

بورڈ اور بورڈ کمیٹیوں کی موجودہ تشکیل کولسڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کے ساتھ اسٹیٹمنٹ آف کمپلائنس میں واضح کر دیا گیا ہے۔

بورڈ کی کارکردگی کا جائزہ

بورڈ کی کارکردگی کا جائزہ 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 تیکنیک کی بنیاد پر اسکور 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 کی گنجائش والے شعبہ جات کی شناخت کیلئے پیش کیا جاتا ہے۔

صارفین تک اضافی رسائی

حبیب میٹرو نے 2018 میں مزید 32 نئی برانچوں کا اضافہ کر کے اپنی رسائی کو وسعت دی۔ 18 نئے شہروں کے اضافے کے ساتھ بینک نے پاکستان بھر میں 112 شہروں میں 352 برانچوں کے ساتھ اپنے دائرہ کار کو وسیع کیا۔ اب قومی سطح پر بینک ملک کے شمالی حصے میں 192 برانچوں اور جنوبی حصے میں 160 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 پولیٹن فنانشل سروسز باسہولت اور قابل اعتماد ایکویٹی بروکرینج اور کسٹڈی خدمات فراہم کرتی ہے۔ مزید برآں حبیب میٹرو پولیٹن مضاربہ مینجمنٹ بذریعہ فرسٹ حبیب مضاربہ اور حبیب میٹرو مضاربہ مستحکم، اسلامی مالیاتی حل فراہم کرتا ہے۔

متبادل ڈیلیوری کے چینلز

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 3 آف سائٹ ATMs کی تنصیب کی اور اس طرح ملک بھر میں ATMs کی مجموعی تعداد 370 تک پہنچ چکی ہے۔ بینک کے ویزا ڈیبٹ کارڈز اور ایس ایم ایس اور ویب بینکنگ سبسکریپشن نے بھی اس مدت کے دوران قابل ذکر اضافہ ظاہر کیا۔

افراد کی وسائل

حبیب میٹرو فیملی کی مجموعی تعداد سال کے دوران 4,719 سے بڑھ کر 4,841 ہو گئی۔ بینک وسیع تر انداز میں اندرون 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 محتاط اور ذمے 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۔ یرضا کارانہ عطیات 100.7 ملین روپے مالیت کے تھے۔

دی سٹیژن فاؤنڈیشن 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 2018 کے دوران حکومت پاکستان کو 3 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 9.8 بلین روپے کی اضافی رقم بلا واسطہ ٹیکس اور وہولڈنگ انکم ٹیکس کی کٹوتیوں کی مدد میں قومی خزانے کے لئے جمع کی۔

صارفین کی شکایات

صارف کے اطمینان کو بینک کی کامیابی کا ایک اہم عنصر تصور کیا جاتا ہے۔ صارف کی شکایت کا منصفانہ اور موثر حل نکالنے کیلئے بینک نے مسلسل شکایات کے ازالے کے طریقہ کار کو شکایات نمٹانے کے نظام کی خودکاری، شکایت کی ہر وقت نگرانی اور مسلسل موصولہ شکایات پر درست اقدامات کے ذریعے مسلسل بہتر کر رہا ہے۔

مختلف ذرائع سے موصولہ صارف کی شکایات کو نمٹاتے وقت بینک صارف کے مسائل کے منصفانہ اور باہمی حل کیلئے عملی اور منطقی طریقہ کار رکھتا ہے۔ سال 2018 کے دوران 18,697 شکایات موصول ہوئیں اور شکایات کے ازالے کے موثر نظام کے باعث ان کے حل کا اوسط دوران تقریباً 7 دن تھا۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

میرے لئے یہ امر باعث مسرت ہے کہ آپ کے سامنے 31 دسمبر 2018 کو ختم ہونے والے مالی سال کیلئے حبیب میٹرو پولیٹن بینک (حبیب میٹرو) کے سالانہ حسابات پیش کر رہا ہوں۔

اقتصادی اور بینکاری کا جائزہ

سال 2019 کا آغاز پاکستان کے میکرو اکنامک اُفق پر موجود چیلنجز کے ساتھ ہوا۔ کمی کے باوجود کرنٹ اکاؤنٹ خسارہ بلند تر ہی رہا اور مالیاتی خسارہ اور افراط زر کے دباؤ بھی برقرار رہے تھے۔ اوسطاً سرکردہ سی پی آئی افراط زر مالی سال 2019 کی پہلی ششماہی کیلئے 6.0 فیصد پر دیکھی گئی جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران 3.8 فیصد رہی تھی۔ جبکہ گزشتہ دو ماہ کے دوران افراط زر کے دباؤ میں اعتماد پسندی دیکھی گئی اور مالی سال 2019 کے لئے افراط زر کی متوقع شرح 6.5 تا 7.5 فیصد رہنے کی توقع ہے۔

درآمدات میں سست روی برقرار رہنے اور برآمدات میں معمولی اضافے سمیت بشمول زرتریل میں صحت مندانہ اضافے کے ساتھ 2018 کی دوسری ششماہی کے دوران کرنٹ اکاؤنٹ خسارہ میں 4.4 فیصد سال بہ سال کمی کی ریکارڈ کی گئی، جو کہ 8 بلین امریکی ڈالر ہے۔ تیل کے علاوہ درآمدات میں 4.4 فیصد کمی ہوئی جس میں گزشتہ سال کی اسی مدت کے دوران 19.1 فیصد اضافہ ہوا تھا۔

غیر ملکی براہ راست سرمایہ کاری اور سرکاری انفلوئزر کرنٹ اکاؤنٹ خسارے کو پورا کرنے کیلئے ناکافی رہے اور اس خلاء کو ملک کے اپنے وسائل کے ذریعے پورا کیا گیا۔ اس کے نتیجے میں اسٹیٹ بینک آف پاکستان کے خالص لیکویڈ زرمبادلہ کے ذخائر دسمبر 2018 کے آخر تک گر کر 7.2 بلین امریکی ڈالر رہ گئے۔ جنوری 2019 کے آخر تک یہ ذخائر 8.2 بلین امریکی ڈالر تک بڑھے اور ملک کے زرمبادلہ کے ذخائر بیرونی فنڈز کی آمد (یو اے ای اور سعودی عرب سے بالترتیب 3 بلین اور ایک بلین امریکی ڈالر) کے بعد 14.8 بلین امریکی ڈالر تک پہنچ گئے۔

بینکاری کے شعبے کے ڈپازٹس میں بھی سست روی کا رجحان دیکھا گیا اور محض 8 فیصد کا معمولی اضافہ ہوا جو دسمبر 2018 کے اختتام پر 13.35 ٹریلین روپے ہو گئے۔ ایڈوانسز 20 فیصد سے بڑھ کر 7.89 ٹریلین روپے تک جا پہنچے، جبکہ سرمایہ کاریوں میں 11 فیصد سے زائد کمی آئی اور ان کا حجم 7.58 ٹریلین روپے ریکارڈ کیا گیا۔ ستمبر 2018 کے اختتام پر سیکٹرز کے غیر فعال ایڈوانسز (NPLs) کا حجم 637 بلین روپے (دسمبر 2017: 522 بلین روپے) تک جا پہنچا اور انفلیکشن تناسب کی شرح 8.5 فیصد (دسمبر 2017: 9.2 فیصد) رہی۔

اسٹیٹ بینک آف پاکستان نے 2018 کے دوران پالیسی ریٹ کو 5.75 فیصد سے بڑھا کر 10 فیصد کر دیا اور جنوری 2019 میں اسے مزید 25 bps بڑھا کر 10.25 فیصد پر لایا گیا جو یکم فروری 2019 سے لاگو ہو چکا ہے۔

سال کے دوران بینک کی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے بینک کا بعد از ٹیکس منافع سال 2018 کے اختتام پر 11.8 فیصد اضافے کے ساتھ 6.161 بلین روپے ہو گیا۔ ای پی ایس کی شرح 5.88 روپے رہی جو گزشتہ سال 5.26 روپے تھی اور شیئر ہولڈرز کی ایکویٹی پر منافع کی شرح 15 فیصد رہی۔

زیر جائزہ سال کے دوران بینک کے ڈپازٹس اور ایڈوانسز بڑھ کر بالترتیب 544 بلین روپے اور 243 بلین روپے ہو گئے جبکہ سرمایہ کاری کا حجم 347 بلین روپے ریکارڈ کیا گیا۔ نیٹ ایکویٹی 13.12 فیصد کیپٹل ایکویٹی کی شرح کے ساتھ 37 بلین روپے رہی۔

گمٹائش

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۔

گریڈ ریٹنگ

اللہ تعالیٰ کے کرم سے پاکستان گریڈ ریٹنگ ایجنسی لمیٹڈ کی جانب سے مسلسل 18 ویں سال بینک کی گریڈ ریٹنگ طویل مدت کے لئے AA+ (ڈبل اے پلس) اور قلیل مدت کے لئے A1+ (اے ون پلس) برقرار رکھی گئی۔ یہ ریٹنگ گریڈ کے بہت ہی اعلیٰ معیار، گریڈ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی بہت مستحکم صلاحیت ظاہر کرتی ہیں۔

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
website: <http://www.habibmetro.com/atm-branch-locator/>

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)

Bukhari Commercial Branch

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

Itihad 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)

New Falcon Complex (AFOHS)

NHS Complex Karsaz Branch

Nishtar Road Branch

North Karachi Industrial Area Branch

North Napier Road Branch
 North Nazimabad Branch
 Nursery Branch
 Paper Market Branch
 Paposh Nagar Branch
 Philips Chowrangi Branch
 PIB Colony 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)
 Shahbaz Priority Branch
 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
 Qasimabad Branch

OTHER SOUTHERN REGION CITIES

Daharki Branch
 Dhoro Naro Branch
 Hub Chowki Branch
 Jacobabad Branch
 Gwadar Branch
 Kandhkot Branch
 Khairpur Branch
 Larkana Branch
 M.A. Jinnah Road Quetta
 Mirpurkhas Branch
 Nawabshah Branch
 Quetta Branch
 Qazi Ahmed Branch
 Shikarpur Branch
 Sukkur Branch
 Tandoadam Branch
 Tando Muhammad Khan Branch
 Umerkot Branch
 Usta Muhammad 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
 Bahria Town Branch Lahore
 Bank Square Market Model Town
 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
 Jail Road 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
Shahrugn-e-Alam Branch

SIALKOT

Do-BurjiMalhiyan Branch
Ganjianwali Khurd Branch
Gohadpur Branch
Khadim Ali Road
Ladhar Branch
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-6 Markaz Branch
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-8 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
Muzafarabad 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
Sikandrabad Branch Naggar

OTHER NORTHERN REGION CITIES

Abbottabad Branch
Arifwala Branch
Bahawalpur Branch
Bannu Branch
Besham Branch
Bhalwal Branch
Burewala Branch
Chakwal Branch
Chak #111 SB Branch
Chenab Nagar - Rabwah
Chiniot Branch
Chitral Branch
D. G. Khan Branch
D. I. Khan Branch
Dharanwala Branch
FaqirWali Branch
Fazilpur Branch
Gojra Branch
Gujranwala Branch
Gujrat Branch
Hafizabad Branch
Haripur Branch
Haroonabad Branch
Hasilpur Branch
Jauharabad Branch
Jhang Branch
Jhelum Branch
Kamoke Branch
Kasur Branch
Kharian City Branch
Khushab Branch
Kohat Branch
Kot Abdul Malik Branch
Lala Musa Branch
Mailsi Branch
Muslim Bazar Branch
MandiBahauddin Branch

Mansehra Branch
Mianwali Branch
MianChannu Branch
Mardan Branch
Marrot Branch
MouzaKachi Jamal Branch
Muhafiz Town Branch
Nankana Sahib Branch
Okara Branch
Oghi Branch
Pezu Branch
Rahim Yar Khan Branch
Ring Road Branch
Hayatabad
Sadiqabad Branch
Sahiwal Branch
Salar Wahan 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
Khayaban-e-Jami
Korangi Branch
Rashid Minhas Road Branch
Shahrah-e-Faisal Branch
Shaheed-e-Millat Branch
SITE Branch

North Karachi Branch
North Nazimabad

LAHORE

BadamiBagh Branch
Cirular Road Branch
Gulberg Branch
Azam Cloth Market Branch

OTHER CITIES

Batkhela Branch
Dir Upper
Gujranwala Branch
Hyderabad Branch
Islamabad Branch
Multan Branch
Mingora Branch
Nowshera Branch
Peshawar Branch
Rawalpindi Branch
Saleh Khana Branch
Sialkot
Sundar Industrial Estate
Raiwind
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 _____ CDC participant ID - A/C No. _____

of _____

or failing him _____ Folio No. _____

of _____

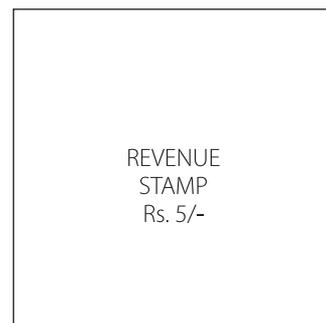
another member of the Bank to vote for my / our behalf at the 27th Annual General Meeting of the Bank to be held on March 28, 2019 and at any adjournment thereof.

As Witness my / our hand this _____ day of March 2019.

Witness

1. Signature _____
Name _____
Address _____
CNIC # _____

2. Signature _____
Name _____
Address _____
CNIC # _____



Signature of Member(s)

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

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

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

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

پراکسی فارم

میں/ہم _____

ساکن _____

بحیثیت ممبر حبیب میٹرو پولیٹن بینک لمیٹڈ اور ہولڈنگ _____ عام شیئرز جن کے فوئیو نمبر اور سی ڈی سی پارٹیسپیٹ آئی ڈی۔ اکاؤنٹ نمبر _____ رکھتا ہوں/رکھتی ہوں/رکھتے ہیں۔

بذریعہ ہذا _____ سی ڈی سی پارٹیسپیٹ آئی ڈی۔ اکاؤنٹ نمبر _____

ساکن _____

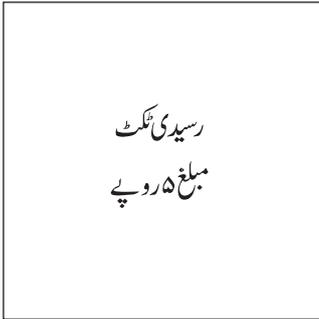
اور اگر ان کے لئے ممکن نہ ہو تو _____ فوئیو نمبر _____

ساکن _____

جو کہ بینک کے ممبر ہیں کو بینک کے ۲۷ واں سالانہ اجلاس عام جو مورخہ ۲۸ مارچ ۲۰۱۹ء 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 ۲۰۱۹ء۔

گواہان



ممبر (ممبران) کے دستخط

۱۔ دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

۲۔ دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

ایک ممبر جو کہ ایک اجلاس عام میں شرکت کا حق رکھتا ہے یہ حق بھی رکھتا ہے کہ اس کی جگہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے وہ کسی فرد کو نامزد کر سکتا/سکتی ہے۔ پراکسی بینک کا ممبر ہونا چاہئے۔ کوئی شخص بطور پراکسی (کارپوریشن منسٹی) شرکت نہیں کر سکتا/سکتی تا آنکہ وہ بذات خود اجلاس میں موجود ہونے اور ووٹ دینے کا حق نہ رکھتا/رکھتی ہو۔

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

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

پراکسی بینک کے رجسٹرڈ دفتر میں اجلاس شروع ہونے سے ۲۸ گھنٹے قبل جمع کرا دینی چاہئے۔



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