



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the first quarter
ended 31 March 2018
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		42,369,570	42,282,249
Balances with other banks	6	1,192,154	1,234,380
Lendings to financial institutions	7	20,696,042	10,914,805
Investments	8	344,402,538	395,266,073
Advances	9	192,781,330	181,790,445
Operating fixed assets	10	3,387,303	3,418,407
Deferred tax assets	11	3,464,847	2,835,420
Other assets		12,252,413	13,383,645
		620,546,197	651,125,424
LIABILITIES			
Bills payable		11,581,850	9,383,752
Borrowings	12	46,995,734	67,323,249
Deposits and other accounts	13	504,426,526	517,685,132
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		16,397,908	12,870,642
		579,402,018	607,262,775
NET ASSETS			
		41,144,179	43,862,649
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		15,438,745	15,124,031
Unappropriated profit		12,289,446	14,159,430
		38,206,506	39,761,776
Non-controlling interest		3,229,177	3,167,652
		41,435,683	42,929,428
(Deficit) / surplus on revaluation of assets - net of tax	14	(291,504)	933,221
		41,144,179	43,862,649
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

**CONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

FOR THE QUARTER ENDED 31 MARCH 2018

	Note	31 March 2018	31 March 2017
		Rupees in '000	
Mark-up / return / interest earned		9,934,240	7,893,835
Mark-up / return / interest expensed		(6,125,782)	(4,495,278)
Net mark-up / interest income		3,808,458	3,398,557
Provision against non-performing loans and advances	9.3	243,745	247,927
Provision for diminution in the value of investments	8.1	1,077	—
Bad debts written-off directly		—	—
		(244,822)	(247,927)
Net mark-up / interest income after provisions		3,563,636	3,150,630
Non mark-up / interest income			
Fee, commission and brokerage income		932,723	862,374
Dividend income		9,349	26,325
Income from dealing in foreign currencies		270,977	186,609
Gain on sale / redemption of securities - net		18,210	208,623
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—
Other income		366,799	70,733
Total non mark-up / interest income		1,598,058	1,354,664
		5,161,694	4,505,294
Non mark-up / interest expenses			
Administrative expenses		2,788,720	2,426,825
Other provisions / write offs		(101,250)	(328)
Other charges		49,619	48,246
Total non mark-up / interest expenses		(2,737,089)	(2,474,743)
		2,424,605	2,030,551
Extra ordinary / unusual items		—	—
Profit before taxation		2,424,605	2,030,551
Taxation - Current		748,661	760,358
- Prior years		—	—
- Deferred		38,249	(53,855)
		(786,910)	(706,503)
Profit after taxation		1,637,695	1,324,048
Profit attributable to:			
Equity share holders of the holding company		1,576,170	1,324,048
Non-controlling interest		61,525	—
		1,637,695	1,324,048
Basic and diluted earnings per share (Rupees)	16	1.50	1.26

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2018

	31 March 2018	31 March 2017
	Rupees in '000	
Profit after taxation for the period	1,637,695	1,324,048
Other comprehensive income		
Items not be reclassified to profit and loss account in subsequent periods:		
Actuarial gain / (loss) on defined benefit plan	17,455	(19,165)
Related deferred tax (charge) / reversal	(6,109)	6,708
	11,346	(12,457)
Comprehensive income transferred to equity	1,649,041	1,311,591
Items that may be reclassified to profit or loss in subsequent periods and not to be reflected in equity:		
(Deficit) / surplus on revaluation of investments	(1,897,811)	17,941
Related deferred tax reversal / (charge)	673,794	(9,781)
	(1,224,017)	8,160
Total comprehensive income	425,024	1,319,751

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**CONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**

FOR THE QUARTER ENDED 31 MARCH 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

**31 March
2018** 31 March
2017
Rupees in '000

2,424,605 2,030,551
(9,349) (26,325)
2,415,256 2,004,226

Adjustments for:

Depreciation and amortization on operating fixed assets
Depreciation on non-banking assets
Provision against non-performing loans and advances – net
Provision for diminution in the value of investments – net
Net gain on sale of fixed assets
Net gain on sale of non banking assets
Net gain on sale of non current assets held for sale

227,476 195,965
3,573 6,041
243,745 247,927
1,077 –
(339) (1,720)
(202,282) –
(35,042) –
238,208 448,213
2,653,464 2,452,439

(Increase) / decrease in operating assets

Lendings to financial institutions
Advances
Other assets (excluding current taxation and dividend receivable)

(9,781,237) 2,572,480
(11,234,630) (7,311,724)
334,935 763,682
(20,680,932) (3,975,562)

Increase / (decrease) in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities (excluding current taxation and dividend payable)

2,198,098 1,202,011
(21,076,216) 8,929,294
(13,258,606) (3,040,222)
401,917 (79,338)
(31,734,807) 7,011,745

Income tax paid

(49,762,275) 5,488,622
(564,066) (739,161)
(50,326,341) 4,749,461

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividend received
Investments in intangibles and operating fixed assets
Proceeds from sale of fixed assets
Proceeds from sale of non-banking assets
Proceeds from sale of non current assets held for sale

47,475,017 (471,477)
1,489,630 (4,196,470)
4,811 16,644
(200,879) (214,931)
4,846 2,384
600,000 –
250,000 –
49,623,425 (4,863,850)

Net cash flows from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid

(690) (248)
(690) (248)

Net cash flows from financing activities

Decrease in cash and cash equivalents

Cash and cash equivalents at beginning of the period

(703,606) (114,637)
41,364,640 36,931,854

Cash and cash equivalents at end of the period

40,661,034 36,817,217

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2018

			Reserves						
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappropriated profit	Sub total	Non-controlling interest	Total
	Rupees in '000								
Balance as at 1 January 2017	10,478,315	2,550,985	9,642,529	240,361	1,500,000	12,796,778	37,208,968	-	37,208,968
Changes in equity for the period ended 31 March 2017									
Total comprehensive income - profit for the period	-	-	-	-	-	1,324,048	1,324,048	-	1,324,048
Other comprehensive income - net of tax	-	-	-	-	-	(12,457)	(12,457)	-	(12,457)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	439	439	-	439
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)
Transfer to statutory reserve	-	-	257,663	-	-	(257,663)	-	-	-
Balance as at 31 March 2017	10,478,315	2,550,985	9,900,192	240,361	1,500,000	10,707,651	35,377,504	-	35,377,504
Non controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	-	3,156,225	3,156,225
Changes in equity for the period ended 31 December 2017									
Total comprehensive income - profit for the period	-	-	-	-	-	4,346,676	4,346,676	194,195	4,540,871
Other comprehensive income - net of tax	-	-	-	-	-	12,373	12,373	(1,328)	11,045
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	25,223	25,223	-	25,223
Transactions with owners, recorded directly in equity									
Profit distribution by First-Habib Modaraba (Rs. 1.00 per certificate) for the period ended June 30 2017	-	-	-	-	-	-	-	(181,440)	(181,440)
Transfer to statutory reserve	-	-	932,493	-	-	(932,493)	-	-	-
Balance as at 31 December 2017	10,478,315	2,550,985	10,832,685	240,361	1,500,000	14,159,430	39,761,776	3,167,652	42,929,428
Changes in equity for the period ended 31 March 2018									
Total comprehensive income - profit for the period	-	-	-	-	-	1,576,170	1,576,170	61,525	1,637,695
Other comprehensive income - net of tax	-	-	-	-	-	11,346	11,346	-	11,346
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	708	708	-	708
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)
Transfer to statutory reserve	-	-	314,714	-	-	(314,714)	-	-	-
Balance as at 31 March 2018	10,478,315	2,550,985	11,147,399	240,361	1,500,000	12,289,446	38,206,506	3,229,177	41,435,683

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 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 (Modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited).

Holding Company

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on Pakistan Stock Exchange. The holding company operates 286 (31 December 2017: 286) branches including 29 (31 December 2017: 29) Islamic banking branches and 34 (31 December 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, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

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

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

Habib Metropolitan Modaraba Management Company (Private) Limited (the subsidiary company) was incorporated in Pakistan on 1 June 2015 as a private limited company under the Companies Ordinance, 1984 and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at Spencer's Building, I.I. Chundrigar Road, Karachi.

First Habib Modaraba -10% holding

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

Habib Metro Modaraba - 70% holding

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

2. BASIS OF PRESENTATION

- 2.1** These consolidated condensed interim financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary companies have been consolidated on a line by line basis. Intra-group balances and transactions have been eliminated for the purpose of consolidation.
- 2.2** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3** Key financial figures of the Islamic Banking branches are disclosed in note 20 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements of the group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Act 2017, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO 411(I)/2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

- 3.3** The disclosures made in these consolidated condensed interim financial statements have been based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated 12 May 2004 and BPRD Circular Letter No. 5 dated 29 February 2016 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017.

4. ACCOUNTING POLICIES AND ESTIMATES

- 4.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2017.
- 4.2** The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2017.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2017.

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		<hr/> Rupees in '000 <hr/>	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		54,384	42,432
Deposit accounts	6.1	120,789	189,788
		175,173	232,220
Outside Pakistan			
Current accounts		1,016,981	1,002,160
		1,192,154	1,234,380

6.1 This carries mark-up rate of 4.00% (31 December 2017: 3.26% to 4.09%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7.1	3,000,000	3,000,000
Repurchase agreement lendings (Reverse repo)	7.2	12,128,127	346,890
Bai - Muajjal receivable from State Bank of Pakistan	7.3	3,567,915	3,567,915
Letter of placements	7.4	1,500,000	—
Islamic Placement - Musharika	7.5	500,000	4,000,000
		20,696,042	10,914,805

7.1 This carry mark-up rate of 6.60 % (31 December 2017: 6.45%) per annum with maturity upto 2 April 2018 (31 December 2017: 5 January 2018).

7.2 These carry mark-up rates ranging from 5.00 % to 6.10% (31 December 2017: 5.95% to 6.20%) per annum with maturity upto 2 April 2018 (31 December 2017: 18 March 2018).

7.3 These carry mark-up rates ranging from 5.55 % to 5.65% (31 December 2017: 5.55% to 5.65%) per annum with maturity upto 21 June 2018 (31 December 2017: 21 June 2018).

7.4 This carry mark-up rate of 6.50% (31 December 2017: Nil) per annum with maturity upto 2 April 2018 (31 December 2017: Nil).

7.5 These carry mark-up rates ranging from 5.85% (31 December 2017: 5.70% to 5.85%) per annum with maturity upto 5 April 2018 (31 December 2017: 12 January 2018).

8. INVESTMENTS

	Note	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
		Rupees in '000					
Available-for-sale securities							
Market treasury bills		137,355,507	6,472,230	143,827,737	200,422,634	5,713,348	206,135,982
Pakistan investment bonds		127,807,087	4,536,373	132,343,460	93,614,556	24,235,650	117,850,206
Ordinary shares of listed companies		841,781	–	841,781	810,134	–	810,134
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		2,582,538	–	2,582,538	2,787,900	–	2,787,900
Unlisted term finance certificates		505,871	–	505,871	114,430	–	114,430
Sukuk certificates and bonds		27,193,647	–	27,193,647	27,386,910	–	27,386,910
Open end mutual funds		1,486,144	–	1,486,144	1,170,634	–	1,170,634
Close end mutual funds		419,686	–	419,686	419,685	–	419,685
		298,299,252	11,008,603	309,307,855	326,833,874	29,948,998	356,782,872
Held-to-maturity securities							
Pakistan investment bonds		36,371,160	–	36,371,160	36,360,790	–	36,360,790
Certificates of investments		–	–	–	1,500,000	–	1,500,000
		36,371,160	–	36,371,160	37,860,790	–	37,860,790
Investments at cost		334,670,412	11,008,603	345,679,015	364,694,664	29,948,998	394,643,662
Less: Provision for diminution in the value of investments	8.1	(538,449)	–	(538,449)	(537,372)	–	(537,372)
Investments – net of provisions		334,131,963	11,008,603	345,140,566	364,157,292	29,948,998	394,106,290
(Deficit) / surplus on revaluation of available-for-sale investments – net	14	(990,366)	252,338	(738,028)	2,536,133	(1,376,350)	1,159,783
Investments after revaluation of available-for-sale investments		333,141,597	11,260,941	344,402,538	366,693,425	28,572,648	395,266,073

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		537,372	302,221
Charge for the period / year		1,077	343,096
Reversal for the period / year		—	—
Net charge for the period / year		1,077	343,096
Reversal of provision on disposal during the period / year		—	(107,945)
Closing balance		538,449	537,372

- 8.2** These carry mark-up rates ranging from 7.00% to 12.00% (31 December 2017: 7.00% to 12.00%) per annum and will mature up to 21 April 2026 (31 December 2017: 21 April 2026). These include Rs. 132,000 thousand (31 December 2017: Rs. 132,000 thousand) pledged with the State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

9. ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		149,637,126	139,641,812
Islamic financing and related assets (gross)	9.5	22,641,684	21,730,160
Net investments in finance lease			
In Pakistan		368,940	411,305
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		11,252,361	12,042,855
Payable outside Pakistan		25,442,926	24,390,736
		36,695,287	36,433,591
Advances - gross		209,343,037	198,216,868
Provision against non-performing advances			
— specific		(15,956,481)	(16,168,582)
— general		(605,226)	(257,841)
	9.3	(16,561,707)	(16,426,423)
Advances - net of provisions		192,781,330	181,790,445

- 9.1** Advances include Rs. 18,225,490 thousand (31 December 2017: Rs. 18,519,849 thousand) which have been placed under non-performing status as detailed below:

Category of classification	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
Rupees in '000						
Substandard	70,658	12,666	12,666	118,214	15,870	15,870
Doubtful	124,284	31,238	31,238	4,996	–	–
Loss	18,030,548	15,912,577	15,912,577	18,396,639	16,152,712	16,152,712
	18,225,490	15,956,481	15,956,481	18,519,849	16,168,582	16,168,582

- 9.2** As allowed by the SBP, the bank has availed benefit of Forced Sale Value (FSV) of collateral held as security of Rs. 2,153,874 thousand (31 December 2017: Rs. 2,260,109 thousand) while determining the provision requirement against non-performing advances. The additional profit arising from availing the FSV benefit - net of tax as at 31 March 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,400,018 thousand (31 December 2017: Rs. 1,469,071 thousand).

9.3 Particulars of provision against non-performing advances:

	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	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 period / year	173,682	347,385	521,067	1,052,345	123,731	1,176,076
Reversals for the period / year	(277,322)	–	(277,322)	(1,445,046)	–	(1,445,046)
Net charge / (reversal) for the period / year	(103,640)	347,385	243,745	(392,701)	123,731	(268,970)
Amount written off	(108,461)	–	(108,461)	(235,656)	–	(235,656)
Closing balance	15,956,481	605,226	16,561,707	16,168,582	257,841	16,426,423

- 9.4** General provision includes provision of Rs. 4,949 thousand (31 December 2017: Rs. 5,203 thousand) made against consumer portfolio and Rs. 18 thousand (31 December 2017: Rs. 36 thousand) against Small Enterprise (SEs) portfolio as required by the Prudential Regulations issued by the SBP.
- 9.5** It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 7,620,436 thousand and Rs. 6,319 thousand respectively and the Islamic banking operations of the holding company amounting to Rs. 15,014,929 thousand as disclosed in note 20.6 to the consolidated condensed interim financial statements.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 200,879 thousand (31 March 2017: Rs. 214,931 thousand) and Rs. 12,596 thousand (31 March 2017: Rs. 664 thousand) respectively.

11. DEFERRED TAX ASSETS

As per Seventh Schedule to the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,159,536 thousand (31 December 2017: Rs. 3,782,986 thousand).

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

– under export refinance scheme

– under long term financing facility – locally manufactured plant and machinery

Repurchase agreement borrowings (Repo)

Against bills re-discounting

Unsecured

Call borrowing

Certificate of investment

Overdrawn nostro accounts

Overdrawn local bank accounts

31 Marh 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000	

24,353,011	23,796,577
4,606,173	5,332,802
28,959,184	29,129,379
10,464,300	28,463,727
2,338,699	3,634,271
41,762,183	61,227,377

–	1,000,000
2,332,861	2,943,883
2,611,891	1,788,779
288,799	363,210
5,233,551	6,095,872
46,995,734	67,323,249

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		225,902,037	222,302,110
Saving deposits		134,167,922	120,998,273
Current accounts (non-remunerative)		127,580,752	132,884,616
Others		7,559,955	17,446,706
		495,210,666	493,631,705
Financial Institutions			
Remunerative deposits		7,270,218	21,431,271
Non-remunerative deposits		1,945,642	2,622,156
		9,215,860	24,053,427
		504,426,526	517,685,132
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	14.1	181,623	182,331
Available-for-sale securities	14.2	(473,127)	750,890
		(291,504)	933,221
14.1 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 period / year		-	82,023
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the period / year - net of deferred tax		(708)	(25,662)
Related deferred tax liability on disposal and incremental depreciation during the period / year		(381)	(13,818)
Surplus on revaluation of non banking assets		(1,089)	42,543
		279,420	280,509
Less: Related deferred tax liability on:			
Revaluation as at 1 January		98,178	83,288
Revaluation of non-banking assets during the period / year		-	28,708
Disposal and incremental depreciation during the period / year		(381)	(13,818)
		(381)	14,890
Related deferred tax liability		(97,797)	(98,178)
		181,623	182,331

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
14.2 Surplus on revaluation of assets - net of tax		
Available-for-sale securities:		
Federal government securities		
Market treasury bills	(14,510)	(5,208)
Pakistan investment bonds	(900,481)	967,602
GOP ijarah sukuk	(133,637)	148,112
Fully paid-up ordinary shares and mutual funds	296,441	42,395
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	3,298	(3,949)
Unlisted term finance certificates	—	—
Sukuk certificates and bonds	10,861	10,831
	(738,028)	1,159,783
Related deferred tax liability - net	264,901	(408,893)
	(473,127)	750,890
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	—	—
15.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	32,516,850	27,732,564
ii) Banking companies and other financial institutions	2,521,596	1,367,885
iii) Others	12,402,435	13,719,512
	47,440,881	42,819,961
15.3 Trade-related contingent liabilities		
Letters of credit	76,342,482	79,477,866
Acceptances	21,013,940	16,144,323
15.4 Commitments in respect of forward exchange contracts		
Purchase	86,621,285	78,728,094
Sale	50,820,748	48,559,582

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
15.5 Commitments for the acquisition of operating fixed assets	83,398	25,281
15.6 Claims against bank not acknowledged as debt	22,464,508	22,494,508

15.7 Commitments in respect of forward lendings

The holding company makes 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.

15.8 Commitments in respect of financing transactions	195,000	152,500
15.9 Commitments in respect of syndicate financing	207,279	207,279

15.10 Taxation

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

15.11 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the holding company. The holding company has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgment. The Honorable High Court has granted relief to the holding company by way of interim orders. Based on merits of the appeals the 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.

16. BASIC AND DILUTED EARNINGS PER SHARE

	31 March 2018 (Un-Audited)	31 December 2017
	Rupees in '000	
Profit attributable to equity shareholders of the holding company	1,576,170	1,324,048
	Number in '000	
Weighted average number of ordinary shares	1,047,831	1,047,831
	Rupees	
Basic and diluted earnings per share	1.50	1.26

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 March 2018 (Un-Audited)					
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	301,554,471	-	301,554,471	-	301,554,471
Sukuk certificates and bonds	724,806	-	724,806	-	724,806
Ordinary shares of listed companies	864,214	864,214	-	-	864,214
Mutual funds	1,879,448	1,879,448	-	-	1,879,448
Listed term finance certificates	2,503,278	2,503,278	-	-	2,503,278
Unlisted term finance certificates	477,031	-	477,031	-	477,031
Financial assets not measured at fair value	304,621,433	-	-	-	-
	612,624,681	5,246,940	302,756,308	-	308,003,248
Financial liabilities not measured at fair value					
	(574,688,296)	-	-	-	-
	37,936,385	5,246,940	302,756,308	-	308,003,248

31 December 2017 (Audited)					
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	350,542,073	-	350,542,073	-	350,542,073
Sukuk certificates and bonds	1,904,562	-	1,904,562	-	1,904,562
Ordinary shares of listed companies	741,041	741,041	-	-	741,041
Mutual funds	1,402,494	1,402,494	-	-	1,402,494
Listed term finance certificates	2,701,393	2,701,393	-	-	2,701,393
Unlisted term finance certificates	85,590	-	85,590	-	85,590
Financial assets not measured at fair value	285,705,613	-	-	-	-
	643,082,766	4,844,928	352,532,225	-	357,377,153
Financial liabilities not measured at fair value	(605,718,908)	-	-	-	-
	37,363,858	4,844,928	352,532,225	-	357,377,153

Off- balance sheet financial instruments

	31 March 2018 (Un-Audited)		31 December 2017 (Audited)	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	86,621,285	83,175,402	78,728,094	81,575,492
Forward sale of foreign exchange contracts	50,820,748	49,313,341	48,559,582	50,180,677
	31 March 2018 (Un-Audited)		31 December 2017 (Audited)	
	Rupees in '000			

Reconciliation of net assets to financial instruments

Net financial assets	37,936,385	37,363,858
Non financial assets / (liabilities)		
- Operating fixed assets	3,387,303	3,418,407
- Deferred tax asset	3,464,847	2,835,420
- Other assets	1,069,366	1,788,831
- Other liabilities	(4,713,722)	(1,543,867)
Net assets as per statement of financial position	41,144,179	<u>43,862,649</u>

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES (UN-AUDITED)

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

	31 March 2018			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	6,970,358	993,756	8,443,105	16,407,219
Total expenses *	(7,089,086)	(744,379)	(6,149,149)	(13,982,614)
Net income	(118,728)	249,377	2,293,956	2,424,605
Segment assets	371,950,983	8,593,067	240,002,147	620,546,197
Segment liabilities	15,689,669	73,917,224	489,795,125	579,402,018
	31 March 2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	5,577,967	857,444	8,175,232	14,610,643
Total expenses *	(5,924,935)	(703,923)	(5,951,234)	(12,580,092)
Net income	(346,968)	153,521	2,223,998	2,030,551
Segment assets	337,058,969	2,404,850	195,602,050	535,065,869
Segment liabilities	23,479,896	73,138,422	400,533,150	497,151,468

* Includes Rs. 4,874,921 thousand (31 March 2017: Rs. 5,362,144 thousand) of inter-segment revenues and expenses.

19. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its Ultimate Parent Company, companies with common directorship, key management personnel, directors and employee's retirement benefit plans.

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

	31 March 2018 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	731,705	21,052,145	168,539	675,958	2,404,119	25,032,466
Received during the period	2,422,696	408,832,983	145,764	116,490	609,753	412,127,686
Repaid during the period	(2,691,400)	(414,767,475)	(139,638)	(92,229)	(337,432)	(418,028,174)
At end of the period	463,001	15,117,653	174,665	700,219	2,676,440	19,131,978
Advances						
At beginning of the period	2,204	1,704,636	172,585	-	-	1,879,425
Disbursed during the period	-	19,648,779	2,209	-	-	19,650,988
Recovered during the period	-	(19,362,415)	(22,064)	-	-	(19,384,479)
At end of the period	2,204	1,991,000	152,730	-	-	2,145,934
Investment in certificate of investment	-	-	-	-	26,502	26,502
Bank balances held by the Group	133,479	86,494	-	-	-	219,973
Overdrawn balance held by the Group	-	5,827	-	-	-	5,827
Mark-up / return / interest receivable	-	4,043	-	-	-	4,043
Mark-up / return / interest payable	-	307,302	3,402	2,105	597,386	910,195
Management fee payable for technical and consultancy services*	332,163	-	-	-	-	332,163
Prepayments / Advance deposits	-	9,858	-	-	-	9,858
Insurance premium payable	-	6,589	-	-	-	6,589
Transaction-related contingent liabilities	-	6,259,592	-	-	-	6,259,592
Trade-related contingent liabilities	-	1,631,132	-	-	-	1,631,132
Receivable / (Payable) against purchase / (sale) of securities	(2,753)	-	(290)	-	-	(3,043)

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

31 December 2017 (Audited)

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

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

Transactions during the period	For the period ended 31 March 2018 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up / return / interest earned	905	9,090	1,709	-	-	11,704
Mark-up / return / interest expensed	-	288,333	2,640	7,176	59,713	357,862
Commission / brokerage / bank charges recovered	1,950	32,515	-	8	-	34,473
Commission / brokerage / bank charges paid	160	316	-	-	-	476
Rent income	1,404	-	-	-	-	1,404
Salaries and allowances	-	-	100,887	-	-	100,887
Directors' fees	-	-	-	1,550	-	1,550
Contribution to defined benefit plan	-	-	-	-	38,987	38,987
Contribution to defined contribution plan	-	-	-	-	46,908	46,908
Rent expenses	-	3,635	-	-	-	3,635
Insurance premium expenses	-	3,636	-	-	-	3,636
Maintenance, electricity, stationery & entertainment	-	25,073	-	-	-	25,073
Management fee expense for technical and consultancy services*	84,074	-	-	-	-	84,074
Donation	-	6,599	-	-	-	6,599

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

For the period ended 31 March 2017 (Un-Audited)

Transactions during the period	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up / return / interest earned	–	32,212	1,553	–	–	33,765
Mark-up / return / interest expensed	–	298,892	2,206	6,437	45,193	352,728
Commission / brokerage / bank charges recovered	3,352	48,176	1	48	–	51,577
Commission / brokerage / bank charges paid	107	268	–	–	–	375
Rent income	1,404	–	–	–	–	1,404
Salaries and allowances	–	–	97,303	–	–	97,303
Directors' fees	–	–	–	675	–	675
Contribution to defined benefit plan	–	–	–	–	34,055	34,055
Contribution to defined contribution plan	–	–	–	–	41,759	41,759
Rent expenses	–	5,960	–	–	–	5,960
Insurance premium expenses	–	18,566	–	–	–	18,566
Maintenance, electricity, stationery & entertainment	–	17,630	–	–	–	17,630
Management fee expense for technical and consultancy services*	60,985	–	–	–	–	60,985
Donation	–	1,960	–	–	–	1,960

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

20. KEY ISLAMIC BANKING OPERATIONS

The holding company is operating 29 (31 December 2017: 29) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 March 2018 are as follows:

20.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		2,301,283	2,540,250
Balances with other banks		—	—
Due from financial institutions		4,067,915	7,567,915
Investments		23,140,341	28,340,952
Islamic financing and related assets	20.6	14,614,494	13,872,126
Operating fixed assets		99,922	107,070
Deferred tax assets		—	—
Other assets		2,140,740	1,378,555
		46,364,695	53,806,868
LIABILITIES			
Bills payable		564,806	658,486
Due to financial institutions		1,969,810	1,850,668
Deposits and other accounts			
- Current accounts		7,880,556	8,057,204
- Saving accounts		15,878,518	13,597,942
- Term deposits		15,010,953	17,123,561
- Others		327,777	270,810
- Deposits from financial institutions - remunerative		2,221,504	9,104,551
- Deposits from financial institutions - non-remunerative		10,162	152,223
		41,329,470	48,306,291
Due to head office		—	—
Other liabilities		487,844	542,718
		44,351,930	51,358,163
NET ASSETS		2,012,765	2,448,705
REPRESENTED BY			
Islamic banking fund		2,002,887	2,002,760
Reserves		—	—
Unappropriated profit		88,191	283,058
		2,091,078	2,285,818
Surplus on revaluation of assets		(78,313)	162,887
		2,012,765	2,448,705

**20.2 PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 31 MARCH 2018 (UN-AUDITED)**

	31 March 2018 (Un-Audited)	31 March 2017 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	631,427	538,032
Profit / return on deposit and other dues expensed	(435,707)	(407,349)
Net spread earned	195,720	130,683
Provision against non performing financing	13,560	5,580
Provision for diminution in the value of investments	—	—
Provision for consumer financing Ijarah	—	—
Bad debts written off directly	—	—
	(13,560)	(5,580)
Net spread after provisions	182,160	125,103
Other income		
Fee, commission and brokerage income	35,256	21,642
Dividend income	—	—
Income from dealing in foreign currencies	6,315	5,083
(Loss) / gain on sale / redemption of securities	(5)	1,608
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	4,131	2,757
Total other income	45,697	31,090
	227,857	156,193
Other expenses		
Administrative expenses	139,588	117,602
Other provisions / write offs	—	—
Other charges	78	43
Total other expenses	139,666	117,645
	88,191	38,548
Extra ordinary / unusual items	—	—
Profit before taxation	88,191	38,548
20.3 Remuneration to Shariah Advisor / Board	2,049	2,092

20.4 Charity Fund

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
Opening balance	479	327
Additions during the period / year		
Received from customers on delayed payments	34	152
Payments / utilization during the period / year		
Education	(120)	—
Health	(359)	—
	(479)	—
Closing balance	34	479

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
20.5 Financings / investments / receivables		
Murabaha financing		
Murabaha receivable - gross	4,143,863	4,348,615
Less: Deferred murabaha income	(127,558)	(126,098)
Advance against murabaha	275,444	300,727
	4,291,749	4,523,244
Provision against murabaha financing	(376,390)	(362,163)
	3,915,359	4,161,081
Ijarah		
Asset held for ijarah	654,675	549,812
Less: Accumulated depreciation	(172,003)	(138,701)
Advance against ijarah	1,250	114,290
	483,922	525,401
Provision against ijarah financing	(21,959)	(22,821)
	461,963	502,580
Diminishing musharakah		
Diminishing musharakah - gross	5,111,909	5,405,867
Less: Unrealised income on diminishing musharakah	(723,669)	(765,831)
Advance against diminishing musharakah	477,193	324,624
	4,865,433	4,964,660
Provision against diminishing musharakah	(2,086)	(1,891)
	4,863,347	4,962,769
Export refinance murabaha		
Export refinance murabaha receivable - gross	695,588	636,827
Less: Deferred export refinance murabaha income	(9,597)	(8,810)
Advance against murabaha IERF	41,270	6,880
	727,261	634,897
Istisna financing		
Istisna financing - gross	665,384	562,381
Less: Deferred istisna income	(181,787)	(153,474)
Advance against istisna	511,276	364,896
	994,873	773,803
Advance against export refinance istisna		
Export refinance istisna receivable - gross	692,353	764,706
Less: Deferred istisna income	(103,853)	(114,706)
Advance against istisna IERF	661,500	600,000
	1,250,000	1,250,000

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
Al-Bai financing	843,402	13,104
Al-Bai goods	223,289	172,892
Istisna goods	10,000	—
Working capital musharaka	1,325,000	1,401,000

20.6 Islamic mode of financing

Financings / investments / receivables	12,813,707	12,374,692
Advances	1,967,933	1,711,417
Assets / inventories	233,289	172,892
Gross Islamic financing and related assets	15,014,929	14,259,001
Provision against financing	(400,435)	(386,875)
	14,614,494	13,872,126

21. GENERAL

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

22. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 20 April 2018.

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman