

HABIBMETRO

HALF YEARLY ACCOUNTS

2018



[Subsidiary of Habib Bank AG Zurich]



هَذَا فَضْلُكَ

OUR VISION

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

DIRECTORS

Ali S. Habib

Anjum Z. Iqbal

Firasat Ali

Mohomed Bashir

Muhammad H. Habib

Sohail Hasan

Tariq Ikram

BOARD COMMITTEES

AUDIT

Ali S. Habib

Anjum Z. Iqbal

Sohail Hasan

CREDIT

Mohamedali R. Habib

Muhammad H. Habib

Mohsin A. Nathani

HUMAN RESOURCE & REMUNERATION

Mohamedali R. Habib

Firasat Ali

Tariq Ikram

COMPANY SECRETARY

Ather Ali Khan

REGISTERED OFFICE

Ground Floor, Spencer's Building,
I. I. Chundrigar Road,
Karachi – 74200, Pakistan.

INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

SHARE REGISTRAR

Central Depository Company of
Pakistan Limited
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi - 74400.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the unaudited accounts for the half year ended June 30, 2018.

Pakistan exhibited consistent growth in FY18, with the economy attaining a thirteen-year-high growth rate of 5.8 percent. Economic production remained strong despite water shortage faced by the agriculture sector and the ongoing monetary tightening experienced by the manufacturing sector. However, for FY19 GDP growth is forecasted to be around 5.5 percent as opposed to the targeted 6.2 percent. Fiscal deficit emerged as a key economic challenge, marking at 6.8 percent for FY18. Current account deficit increased to USD 16 billion due to a sharp increase in imports driven by increase in production, coupled with increasing oil prices which offset the strong recovery in exports.

The average CPI inflation marked well below the 6.0 percent target while average headline inflation stood at 3.9 percent for FY18. However, the average headline inflation for FY19 is expected to cross the 6.0 percent annual target due to higher fiscal deficit, food inflation, oil prices and inflationary expectations.

During the period under review, the SBP increased the policy rate twice, from 5.75 percent to 6.50 percent. This has been subsequently increased by another 100 bps to 7.50 percent in July 2018.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's advances and deposits grew to Rs. 191,264 million and Rs. 523,838 million respectively as at June 30, 2018 while investments stood at Rs. 386,348 million.

The Bank posted a profit after tax of Rs. 2,947 million for the half year ended June 30, 2018 which translates into earnings per share of Rs 2.81. The Bank's net equity stands at Rs. 39.345 billion with a comfortable level of capital adequacy at 15.4 percent.

The Bank continues to enjoy AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the seventeenth consecutive year. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

With a network of 320 branches in 94 cities across Pakistan including 29 Islamic banking branches and 215 Islamic banking windows, HabibMetro provides comprehensive banking services and products. These include specialized trade finance products, besides an array of products and technologically advanced services like secured SMS and Web Banking services, globally accepted Visa Card and nationwide ATM network to its customers across the country.

Finally, I would like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Also, I would like to thank the staff of HabibMetro for their continued dedication and hard work.

On behalf of the Board

MOHSIN A. NATHANI

President & Chief Executive Officer

Karachi: 17 August 2018

ڈائریکٹرز رپو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018 کی ششماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

پاکستان نے مالی سال 2018 میں گزشتہ 13 سال کی بلند ترین سطح 5.8 فیصد شرح نمو حاصل کی ہے جو کہ بہتر شرح نمو کے تسلسل کو ظاہر کرتی ہے۔ زرعی شعبے میں پانی کی قلت اور میٹیکسنگ کے شعبے میں سخت مالیاتی صورتحال کے باوجود اقتصادی پیداوار مستحکم رہی تاہم مذکورہ مشکلات کے باعث مالی سال 2019 میں جی ڈی پی کی شرح طے کردہ 6.2 فیصد کے برعکس تقریباً 5.5 فیصد رہنے کی توقع ہے۔ مالیاتی خسارہ ایک کلیدی اقتصادی چیلنج کے طور پر سامنے آیا ہے جو مالی سال 2018 میں 6.8 فیصد رہا۔ برآمدات میں مستحکم اضافے کے باوجود بڑھتی ہوئی پیداوار کے باعث درآمدات بڑھنے اور تیل کے عالمی نرخوں میں اضافے کے باعث کرنٹ اکاؤنٹ خسارہ 16 بلین امریکی ڈالر تک پہنچ گیا۔

اوسطاً سی آئی اے افراط زر طے کردہ 6.0 فیصد کے ہدف سے کافی کم رہا جبکہ اوسطاً ہیڈلائن افراط زر مالی سال 2018 کیلئے 3.9 فیصد رہا۔ تاہم مالی سال 2019 کے لئے بڑھتے ہوئے مالیاتی خسارہ، غذائی اشیاء کی قیمتوں، تیل کے نرخ اور افراط زر میں متوقع اضافے کے باعث اوسط ہیڈلائن افراط زر 6.0 فیصد کے سالانہ ہدف سے بڑھنے کی توقع ہے۔

زیر جائزہ مدت کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ دوبار بڑھا کر 5.75 فیصد سے 6.50 فیصد کر دیا، بعد ازاں یہ جولائی 2018 میں مزید 100 بی پی ایس بڑھا کر 7.50 فیصد کر دیا گیا۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ بینک کے ایڈوانسز اور ڈپازٹس 30 جون 2018 کے مطابق بڑھ کر بالترتیب 191,264 ملین روپے اور 523,838 ملین روپے ہو گئے جبکہ سرمایہ کاری 386,348 ملین روپے ہو گئی۔

30 جون 2018 کو ختم ہونے والی ششماہی میں بینک کا منافع بعد از ٹیکس 2,947 ملین روپے رہا جو کہ فی حصص آمدنی کی مناسبت سے 2.81 روپے بنتا ہے۔ بینک کی خالص ایکویٹی 39.345 بلین روپے رہی جس کے ساتھ کیپٹل ایڈیلیٹی 15.4 فیصد کی اطمینان بخش سطح پر رہی۔

بینک مستقل طور پر مسلسل سترہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (اے ون پلس) برائے قلیل مدتی ریٹنگ حاصل کر رہا ہے جو اعلیٰ کریڈٹ کے معیار، کریڈٹ رسک کی کمی اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

پاکستان بھر میں 94 شہروں میں 320 شاخوں بشمول 29 اسلامک بینکنگ کی شاخوں اور 215 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کرتا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس اور بہت سے دوسرے پروڈکٹس اور ایڈوائس ٹیکنالوجی سے مزین خدمات جیسے محفوظ SMS اور ویب بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے سٹورز کیلئے ATM نیٹ ورک شامل ہیں۔

آخر میں اس موقع پر میں صدق دل سے وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تعاون اور ہدایات کیلئے شکر گزار ہوں۔ میں اپنے محترم اور قابل قدر کسٹمرز کا بھی ان کے اعتماد اور معاونت پر شکریہ ادا کرتا ہوں۔ میں حبیب میٹرو بینک کے اسٹاف کا بھی مشکور ہوں جنہوں نے مستقل طور پر محنت اور جانفشانی سے کام کیا۔

منجانب بورڈ

محسن اے۔ ناتھانی
صدر و چیف ایگزیکٹو آفیسر

کراچی: 17 اگست 2018

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INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the quarter ended 30 June 2018 and 30 June 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

Karachi: 17 August 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		48,485,398	42,281,977
Balances with other banks	6	1,778,857	1,133,261
Lendings to financial institutions	7	9,785,050	10,914,805
Investments	8	386,347,894	396,636,990
Advances	9	191,264,333	174,319,286
Operating fixed assets	10	3,228,211	3,355,862
Deferred tax assets	11	3,751,459	2,835,318
Other assets		13,749,809	13,076,280
		658,391,011	644,553,779
LIABILITIES			
Bills payable		10,543,562	9,383,752
Borrowings	12	73,966,468	64,379,366
Deposits and other accounts	13	523,838,442	518,363,802
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		11,590,188	11,928,604
		619,938,660	604,055,524
NET ASSETS			
		38,452,351	40,498,255
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		15,625,122	15,035,676
Unappropriated profit		13,241,797	14,042,566
		39,345,234	39,556,557
(Deficit) / surplus on revaluation of assets - net of tax	14	(892,883)	941,698
		38,452,351	40,498,255
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2018

	Note	30 June 2018		30 June 2017	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned		9,933,452	19,781,804	8,078,708	15,971,423
Mark-up / return / interest expensed		(5,850,727)	(11,997,902)	(4,580,833)	(9,076,558)
Net mark-up / interest income		4,082,725	7,783,902	3,497,875	6,894,865
Provision against non-performing loans and advances - net	9.3	250,005	493,750	397,510	645,437
Provision for diminution in the value of investments - net	8.1	23,404	24,481	81,143	81,143
Bad debts written-off directly		—	—	—	—
		(273,409)	(518,231)	(478,653)	(726,580)
Net mark-up / interest income after provisions		3,809,316	7,265,671	3,019,222	6,168,285
Non mark-up / interest income					
Fee, commission and brokerage income		939,464	1,863,258	832,011	1,675,833
Dividend income		37,363	43,168	321,826	348,151
Income from dealing in foreign currencies - net		468,598	739,575	192,354	378,963
Gain on sale / redemption of securities - net		68,974	87,123	534,671	712,312
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—	—	—
Other income		81,695	442,428	59,922	129,536
Total non mark-up / interest income		1,596,094	3,175,552	1,940,784	3,244,795
		5,405,410	10,441,223	4,960,006	9,413,080
Non mark-up / interest expenses					
Administrative expenses		2,889,635	5,622,785	2,707,905	5,120,092
Other provisions / write offs / (reversals)		61,730	(39,520)	103,000	103,000
Other charges		62,644	110,802	50,895	98,983
Total non mark-up / interest expenses		(3,014,009)	(5,694,067)	(2,861,800)	(5,322,075)
		2,391,401	4,747,156	2,098,206	4,091,005
Extraordinary / unusual items		—	—	—	—
Profit before taxation		2,391,401	4,747,156	2,098,206	4,091,005
Taxation - Current		974,873	1,720,102	880,019	1,638,082
- Prior years		—	—	413,000	413,000
- Deferred		42,866	79,822	(147,546)	(201,125)
		(1,017,739)	(1,799,924)	(1,145,473)	(1,849,957)
Profit after taxation		1,373,662	2,947,232	952,733	2,241,048
Basic and diluted earnings per share (Rupees)	16	1.31	2.81	0.91	2.14

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2018

	30 June 2018		30 June 2017	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	1,373,662	2,947,232	952,733	2,241,048
Other comprehensive income				
Items that are not to be reclassified to profit and loss account in subsequent periods:				
Actuarial (loss) / gain on defined benefit plan	(42,817)	(25,362)	9	(19,156)
Related deferred tax reversal / (charge)	14,986	8,877	(3)	6,705
	(27,831)	(16,485)	6	(12,451)
Comprehensive income transferred to equity	1,345,831	2,930,747	952,739	2,228,597
Items that may be reclassified to profit and loss account in subsequent periods:				
Deficit on revaluation of available for sale securities	(895,142)	(2,820,243)	(421,071)	(384,538)
Related deferred tax reversal	313,300	987,086	147,375	134,588
	(581,842)	(1,833,157)	(273,696)	(249,950)
Total comprehensive income for the period	763,989	1,097,590	679,043	1,978,647

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2018

	30 June 2018	30 June 2017
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,747,156	4,091,005
Less: Dividend income	(43,168)	(348,151)
	4,703,988	3,742,854
Adjustments for:		
Depreciation and amortization on operating fixed assets	461,587	399,706
Depreciation on non-banking assets	6,377	12,148
Provision against non-performing loans and advances – net	493,750	645,437
Provision against other assets	(41,250)	103,000
(Reversal) / provision for diminution in the value of investments – net	(170,470)	81,143
Net gain on sale of fixed assets	(907)	(7,080)
Net gain on sale of non banking assets	(202,282)	–
Net gain on sale of non current assets held for sale	(35,042)	–
Provision against defined benefit plan	73,839	69,486
	585,602	1,303,840
	5,289,590	5,046,694
(Increase) / decrease in operating assets		
Lendings to financial institutions	1,129,755	5,676,640
Advances	(17,438,797)	(26,241,868)
Other assets (excluding dividend & taxation)	(1,054,909)	(1,876,493)
	(17,363,951)	(22,441,721)
Increase / (decrease) in operating liabilities		
Bills payable	1,159,810	4,778,294
Borrowings	9,807,938	9,923,048
Deposits and other accounts	5,474,640	24,269,589
Other liabilities (excluding dividend payable)	(467,264)	217,205
	15,975,124	39,188,136
	3,900,763	21,793,109
Income tax paid	(1,976,359)	(2,380,313)
Net cash flows from operating activities	1,924,404	19,412,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	9,208,752	(6,524,021)
Net investments in held-to-maturity securities	(1,569,429)	(8,737,954)
Dividend income received	103,002	346,471
Investments in intangibles and operating fixed assets	(343,780)	(372,916)
Proceeds from sale of operating fixed assets	10,751	7,956
Proceeds from sale of non-banking assets	600,000	–
Proceeds from sale of non current assets held for sale	250,000	–
	8,259,296	(15,280,464)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,113,847)	(3,104,914)
Net cash from financing activities	(3,113,847)	(3,104,914)
Increase in cash and cash equivalents	7,069,853	1,027,418
Cash and cash equivalents at beginning of the period	41,263,249	36,931,718
Cash and cash equivalents at end of the period	48,333,102	37,959,136

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Reserves					Unappropriated profit	Total
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2017	10,478,315	2,550,985	9,642,529	240,361	1,500,000	12,753,139	37,165,329
Changes in equity for the period ended 30 June 2017							
Total comprehensive income - profit for the period	—	—	—	—	—	2,241,048	2,241,048
Other comprehensive income - net of tax	—	—	—	—	—	(12,451)	(12,451)
Transfer from surplus on revaluation of non-banking assets - net of tax	—	—	—	—	—	882	882
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)
Transfer to statutory reserve	—	—	448,210	—	—	(448,210)	—
Balance as at 30 June 2017	10,478,315	2,550,985	10,090,739	240,361	1,500,000	11,390,914	36,251,314
Changes in equity for the period ended 31 December 2017							
Total comprehensive income - profit for the period	—	—	—	—	—	3,267,958	3,267,958
Other comprehensive income - net of tax	—	—	—	—	—	12,505	12,505
Transfer from surplus on revaluation of non-banking assets - net of tax	—	—	—	—	—	24,780	24,780
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	—	—	653,591	—	—	(653,591)	—
Balance as at 31 December 2017	10,478,315	2,550,985	10,744,330	240,361	1,500,000	14,042,566	39,556,557
Changes in equity for the period ended 30 June 2018							
Total comprehensive income - profit for the period	—	—	—	—	—	2,947,232	2,947,232
Other comprehensive income - net of tax	—	—	—	—	—	(16,485)	(16,485)
Transfer from surplus on revaluation of non-banking assets - net of tax	—	—	—	—	—	1,424	1,424
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)
Transfer to statutory reserve	—	—	589,446	—	—	(589,446)	—
Balance as at 30 June 2018	10,478,315	2,550,985	11,333,776	240,361	1,500,000	13,241,797	39,345,234

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE HALF YEAR ENDED 30 JUNE 2018

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 289 (31 December 2017: 286) branches, including 29 (31 December 2017: 29) Islamic banking branches and 31 (31 December 2017: 34) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at Spencer's Building, II Chundrigar Road, Karachi.

2. BASIS OF PRESENTATION AND MEASUREMENT

- 2.1** These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are being separately issued.
- 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 deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated 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 21 to these unconsolidated condensed interim financial statements.
- 2.4** These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except non-banking assets acquired in satisfaction of claims have been carried at revalued amount and certain investments and derivative financial instruments are carried at fair value.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. These comprise of the International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP)

as notified under the Companies Act, 2017, provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017 and the directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirement 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 IAS 34 or IFAS, the requirement of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of 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 SECP issued vide SRO 411(I)/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 unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Moreover, segment information is being disclosed in accordance with the SBP's prescribed format as per BSD circular No. 4 dated 17 February 2006 which prevails over the requirement specified in IFRS 8.

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

4. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of annual unconsolidated financial statements of the Bank for the year ended 31 December 2017.

4.2 The basis for accounting estimates and judgements adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2017.

5. FINANCIAL RISK MANAGEMENT

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

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		376,491	41,399
Deposit accounts	6.1	160,346	89,702
		536,837	131,101
Outside Pakistan			
Current accounts		1,242,020	1,002,160
		1,778,857	1,133,261

6.1 These carry mark-up rate of 4.50% (31 December 2017: 3.75%) 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	1,485,050	346,890
Bai - Muajjal receivable from State Bank of Pakistan	7.3	—	3,567,915
Islamic Placements	7.4	2,000,000	4,000,000
Letter of Placements	7.5	3,300,000	—
		9,785,050	10,914,805

7.1 These carry mark-up rate of 7.00% (31 December 2017: 6.45%) per annum with maturity upto 5 September 2018 (31 December 2017: 5 January 2018).

7.2 These carry mark-up rates ranging from 6.70% to 7.00% (31 December 2017: 5.95% to 6.20%) per annum with maturity upto 17 July 2018 (31 December 2017: 18 March 2018).

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

7.4 These carry mark-up rates ranging from 6.60% to 6.75% (31 December 2017: 5.70% to 5.85%) per annum with maturity upto 26 July 2018 (31 December 2017: 12 January 2018).

7.5 This carries mark-up rate of 7.00% (31 December 2017: Nil) per annum with maturity upto 14 September 2018 (31 December 2017: Nil).

8. INVESTMENTS

		30 June 2018 (Un-Audited)			31 December 2017 (Audited)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000							
Available-for-sale securities							
Market treasury bills		183,543,864	10,532,716	194,076,580	200,324,945	5,713,348	206,038,293
Pakistan investment bonds	8.2	87,951,118	33,452,724	121,403,842	93,614,556	24,235,650	117,850,206
Ordinary shares of listed companies		548,245	–	548,245	501,310	–	501,310
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		3,182,499	–	3,182,499	2,787,900	–	2,787,900
Unlisted term finance certificates		89,610	–	89,610	114,430	–	114,430
Sukuk certificates and bonds		26,119,837	–	26,119,837	26,375,865	–	26,375,865
Open end mutual funds		209,273	–	209,273	1,170,634	–	1,170,634
Close end mutual funds		419,685	–	419,685	419,685	–	419,685
		302,171,122	43,985,440	346,156,562	325,416,316	29,948,998	355,365,314
Held-to-maturity securities							
Pakistan investment bonds	8.2	36,380,219	–	36,380,219	36,360,790	–	36,360,790
Certificates of investments	8.3	5,000,000	–	5,000,000	3,450,000	–	3,450,000
		41,380,219	–	41,380,219	39,810,790	–	39,810,790
Subsidiaries							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited		350,000	–	350,000	350,000	–	350,000
Habib Metro Modaraba		180,000	–	180,000	180,000	–	180,000
		830,000	–	830,000	830,000	–	830,000
Investments at cost		344,381,341	43,985,440	388,366,781	366,057,106	29,948,998	396,006,104
Provision for diminution in the value of investments	8.1	(366,902)	–	(366,902)	(537,372)	–	(537,372)
Investments – net of provisions		344,014,439	43,985,440	387,999,879	365,519,734	29,948,998	395,468,732
(Deficit) / surplus on revaluation of available-for-sale securities – net	14.2	(622,636)	(1,029,349)	(1,651,985)	2,544,608	(1,376,350)	1,168,258
Investments after revaluation of available-for-sale securities		343,391,803	42,956,091	386,347,894	368,064,342	28,572,648	396,636,990

	Note	30 June 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		25,251	343,096
Reversal for the period / year		(770)	—
Net charge		24,481	343,096
Investment written off during the period / year		(6,931)	—
Reversal on disposal of investment during the period / year		(188,020)	(107,945)
Closing balance		366,902	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: 19 July 2022). 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.		
8.3	This includes certificates of investment amounting to Rs. 3,500,000 thousand (31 December 2017: Rs. 1,950,000 thousand) issued by First Habib Modaraba, a modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited, wholly owned subsidiary of the Bank.		
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		153,900,639	139,641,812
Islamic financing and related assets (gross)	21.6	18,479,274	14,259,001
Net investments in finance lease			
In Pakistan		317,657	411,305
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		12,930,007	12,042,855
Payable outside Pakistan		22,448,468	24,390,736
		35,378,475	36,433,591
Advances - gross		208,076,045	190,745,709
Provision against non-performing advances			
— specific		(15,884,830)	(16,168,582)
— general		(926,882)	(257,841)
	9.3	(16,811,712)	(16,426,423)
Advances - net of provisions		191,264,333	174,319,286

- 9.1 Advances include Rs. 18,063,667 thousand (31 December 2017: Rs. 18,519,849 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2018 (Un-Audited)			31 December 2017 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	124,945	17,513	17,513	118,214	15,870	15,870
Doubtful	168,130	27,276	27,276	4,996	–	–
Loss	17,770,592	15,840,041	15,840,041	18,396,639	16,152,712	16,152,712
	18,063,667	15,884,830	15,884,830	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 collaterals held as security of Rs. 2,001,063 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 30 June 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,300,691 thousand (31 December 2017: Rs. 1,469,071 thousand).

9.3 Particulars of provisions against non-performing advances:

	30 June 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	432,976	669,041	1,102,017	1,052,345	123,731	1,176,076
Reversals for the period / year	(608,267)	–	(608,267)	(1,445,046)	–	(1,445,046)
Net charge / (reversal) for the period / year	(175,291)	669,041	493,750	(392,701)	123,731	(268,970)
Amount written off	(108,461)	–	(108,461)	(235,656)	–	(235,656)
Closing balance	15,884,830	926,882	16,811,712	16,168,582	257,841	16,426,423

- 9.4 General provision includes provision of Rs. 5,195 thousand (31 December 2017: Rs. 5,203 thousand) made against consumer portfolio and Rs 51 thousand (31 December 2017: Rs. 36 thousand) made against Small Enterprise (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

10. OPERATING FIXED ASSETS

Additions and disposals made during the period in operating fixed assets amounted to Rs. 343,780 thousand (30 June 2017: Rs. 372,916 thousand) and Rs. 9,844 thousand (30 June 2017: Rs. 876 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 the 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. 3,142,390 thousand (31 December 2017: Rs. 3,248,393 thousand).

30 June 2018 (Un-Audited)	31 December 2017 (Audited)
———— Rupees in '000 ————	

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

– under export refinance scheme	24,065,249	23,796,577
– under long term financing facility – locally manufactured plant and machinery	5,330,792	5,332,802
	29,396,041	29,129,379
Repurchase agreement borrowings (Repo)	42,639,274	28,463,727
Due against bills re-discounting	–	3,634,271
	72,035,315	61,227,377

Unsecured

Call borrowings

Overdrawn nostro accounts

Overdrawn local bank accounts

–	1,000,000
1,362,652	1,788,779
568,501	363,210
1,931,153	3,151,989
73,966,468	64,379,366

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		218,951,169	222,302,110
Saving deposits		128,499,036	121,208,383
Current deposits (non-remunerative)		140,308,756	132,984,274
Others		9,199,124	17,446,706
		496,958,085	493,941,473
Financial Institutions			
Remunerative deposits		24,718,914	21,854,875
Non-remunerative deposits		2,161,443	2,567,454
		26,880,357	24,422,329
		523,838,442	518,363,802
14. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	14.1	180,907	182,331
Available-for-sale securities	14.2	(1,073,790)	759,367
		(892,883)	941,698
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 charged during the period / year - net of deferred tax		(1,424)	(25,662)
Related deferred tax liability on incremental depreciation charged during the period / year		(767)	(13,818)
		(2,191)	42,543
Surplus on revaluation of non-banking assets		278,318	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
Incremental depreciation charged during the period / year		(767)	(13,818)
		(767)	14,890
Related deferred tax liability		97,411	98,178
Surplus on revaluation of non-banking assets		180,907	182,331

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
14.2 Available-for-sale securities:			
Federal government securities			
Market treasury bills		(29,408)	(5,215)
Pakistan investment bonds		(1,728,614)	967,602
GOP ijarah sukuk		(36,317)	152,056
Fully paid-up ordinary shares and mutual funds			
Listed shares and mutual funds		136,811	46,933
Term finance certificates, sukuk certificates and bonds			
Listed term finance certificates		(4,523)	(3,949)
Sukuk certificates and bonds		10,066	10,831
		(1,651,985)	1,168,258
Related deferred tax asset / (liability) - net		578,195	(408,891)
		(1,073,790)	759,367
15. CONTINGENCIES AND COMMITMENTS			
15.1 Direct credit substitutes			
Bank guarantees of indebtedness in favouring:			
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		39,845,866	27,732,564
ii) Banking companies and other financial institutions		2,610,114	1,367,885
iii) Others		10,065,031	13,719,512
		52,521,011	42,819,961
15.3 Trade-related contingent liabilities			
Letters of credit		83,213,683	79,477,866
Acceptances		16,021,004	16,144,323
15.4 Commitments in respect of forward exchange contracts			
Purchase		87,869,487	78,728,094
Sale		51,025,871	48,559,582

	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
15.5 Commitments in respect of operating leases		
Not later than one year	21,119	33,266
Later than one year and not later than five years	3,015	15,130
	<u>24,134</u>	<u>48,396</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>40,451</u>	<u>25,281</u>
15.7 Claims against bank not acknowledged as debt	<u>25,903,479</u>	<u>22,494,508</u>

15.8 Commitments in respect of forward lendings

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

15.9 Commitments in respect of syndicate financing	<u>—</u>	<u>207,279</u>
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15.10 Taxation

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

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 Bank. The Bank 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 Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

16. BASIC AND DILUTED EARNINGS PER SHARE

	30 June 2018 (Un-Audited)		30 June 2017	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation	<u>1,373,662</u>	<u>2,947,232</u>	<u>952,733</u>	<u>2,241,048</u>
	Number in '000			
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees			
Basic and diluted earnings per share	<u>1.31</u>	<u>2.81</u>	<u>0.91</u>	<u>2.14</u>

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

30 June 2018 (Un-Audited)					
	Carrying 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	339,092,080	-	339,092,080	-	339,092,080
Sukuk certificates and bonds	675,502	-	675,502	-	675,502
Ordinary shares of listed companies	491,667	491,667	-	-	491,667
Mutual funds	686,616	686,616	-	-	686,616
Listed term finance certificates	3,095,418	3,095,418	-	-	3,095,418
Unlisted term finance certificates	68,472	-	68,472	-	68,472
Financial assets not measured at fair value	305,155,379	-	-	-	-
	649,265,134	4,273,701	339,836,054	-	344,109,755
Financial liabilities not measured at fair value	(618,231,223)	-	-	-	-
	31,033,911	4,273,701	339,836,054	-	344,109,755

On balance sheet financial instruments

On balance sheet financial instruments		31 December 2017 (Audited)			
	Carrying 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	350,448,321	-	350,448,321	-	350,448,321
Sukuk certificates and bonds	893,517	-	893,517	-	893,517
Ordinary shares of listed companies	436,755	436,755	-	-	436,755
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	280,036,260	-	-	-	-
	636,004,330	4,540,642	351,427,428	-	355,968,070
Financial liabilities not measured at fair value					
	(602,509,709)	-	-	-	-
	33,494,621	4,540,642	351,427,428	-	355,968,070

Off- balance sheet financial instruments

	30 June 2018 (Un-Audited)		31 December 2017 (Audited)	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	87,869,487	91,073,136	78,728,094	81,575,492
Forward sale of foreign exchange contracts	51,025,871	52,579,583	48,559,582	50,180,677

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

Reconciliation of net assets to financial instruments

Net financial assets	31,033,911	33,494,621
Non financial assets / (liabilities)		
- Operating fixed assets	3,228,211	3,355,862
- Deferred tax asset	3,751,459	2,835,318
- Other assets	2,146,207	2,358,269
- Other liabilities	(1,707,437)	(1,545,815)
Net assets as per statement of financial position	38,452,351	40,498,255

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

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

	30 June 2018			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	13,960,713	2,116,101	16,671,822	32,748,636
Total expenses *	(14,610,820)	(1,584,815)	(11,805,845)	(28,001,480)
Net income	(650,107)	531,286	4,865,977	4,747,156
Segment assets	406,180,984	9,534,485	242,675,542	658,391,011
Segment liabilities	44,570,427	79,623,166	495,745,067	619,938,660
	30 June 2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	11,671,197	1,749,207	13,987,566	27,407,970
Total expenses *	(9,994,066)	(1,065,252)	(12,257,647)	(23,316,965)
Net income	1,677,131	683,955	1,729,919	4,091,005
Segment assets	343,659,271	1,980,957	219,432,757	565,072,985
Segment liabilities	25,127,683	59,628,712	441,810,987	526,567,382

*Includes Rs. 9,791,280 thousands (30 June 2017: Rs. 8,191,752 thousands) of inter-segment revenues and expenses.

19. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiaries, 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.

30 June 2018 (Un-Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the period	731,705	1,081,972	21,076,305	168,539	675,958	2,379,959	26,114,438
Received during the period	4,727,677	60,447,160	880,282,560	248,725	1,639,041	1,378,975	948,724,138
Repaid during the period	(5,097,096)	(60,676,584)	(884,174,606)	(253,867)	(1,502,377)	(1,076,829)	(952,781,359)
At end of the period	362,286	852,548	17,184,259	163,397	812,622	2,682,105	22,057,217
Advances							
At beginning of the period	-	-	1,702,532	172,585	-	-	1,875,117
Disbursed during the period	-	-	39,137,901	5,565	-	-	39,143,466
Recovered during the period	-	-	(38,718,026)	(30,933)	-	-	(38,748,959)
At end of the period	-	-	2,122,407	147,217	-	-	2,269,624
Certificate of investment	-	3,500,000	-	-	-	-	3,500,000
Bank balances held by the Bank	101,778	-	57,774	-	-	-	159,552
Overdrawn balances held by the Bank	-	-	13,265	-	-	-	13,265
Mark-up / return / interest receivable	-	33,931	9,053	-	-	-	42,984
Mark-up / return / interest payable	-	3,368	304,451	3,402	2,808	554,192	868,221
Management fee payable for technical and consultancy services*	92,548	-	-	-	-	-	92,548
Prepayments / Advance deposits	-	-	9,575	-	-	-	9,575
Insurance premium and other payable	-	-	3,128	-	-	-	3,128
Transaction-related contingent liabilities	-	-	7,398,663	-	-	-	7,398,663
Trade-related contingent liabilities	-	-	2,662,970	-	-	-	2,662,970
Commitments in respect of operating leases	-	24,134	-	-	-	-	24,134

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

31 December 2017 (Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the year	503,799	444,329	19,992,444	129,686	538,535	1,666,278	23,275,071
Received during the year	15,941,979	90,144,382	1,576,800,196	689,483	3,844,414	2,089,157	1,689,509,611
Repaid during the year	(15,714,073)	(89,506,739)	(1,575,716,335)	(650,630)	(3,706,991)	(1,375,476)	(1,686,670,244)
At end of the year	731,705	1,081,972	21,076,305	168,539	675,958	2,379,959	26,114,438
Advances							
At beginning of the year	–	10,937	3,184,499	144,644	–	–	3,340,080
Disbursed during the year	–	–	52,776,711	81,721	–	–	52,858,432
Recovered during the year	–	(10,937)	(54,258,678)	(53,780)	–	–	(54,323,395)
At end of the year	–	–	1,702,532	172,585	–	–	1,875,117
Certificate of investment	–	1,950,000	–	–	–	–	1,950,000
Bank balances held by the Bank	172,044	–	53,133	–	–	–	225,177
Overdrawn bank balances held by the Bank	–	–	9,459	–	–	–	9,459
Mark-up / return / interest receivable	–	15,415	5,960	–	–	–	21,375
Mark-up / return / interest payable	–	3,879	282,402	3,808	2,162	542,823	835,074
Management fee payable for technical and consultancy services*	225,673	–	–	–	–	–	225,673
Prepayments / Advance deposits	–	–	8,388	–	–	–	8,388
Dividend receivable	–	60,000	–	–	–	–	60,000
Insurance premium and other payable	–	–	2,929	–	–	–	2,929
Transaction-related contingent liabilities	–	–	6,604,326	–	–	–	6,604,326
Trade-related contingent liabilities	–	–	2,444,319	–	–	–	2,444,319
Commitment against operating leases	–	48,396	–	–	–	–	48,396

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

Transactions during the period	For the period ended 30 June 2018 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	<u>-</u>	<u>69,231</u>	<u>26,544</u>	<u>3,653</u>	<u>-</u>	<u>-</u>	<u>99,428</u>
Mark-up / return / interest expensed	<u>-</u>	<u>12,846</u>	<u>520,636</u>	<u>3,780</u>	<u>15,667</u>	<u>122,526</u>	<u>675,455</u>
Commission / brokerage / bank charges recovered	<u>3,562</u>	<u>157</u>	<u>81,013</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>84,746</u>
Commission / brokerage / bank charges paid	<u>632</u>	<u>-</u>	<u>599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,231</u>
Rent income	<u>2,808</u>	<u>2,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,763</u>
Salaries and allowances	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,539</u>	<u>-</u>	<u>-</u>	<u>156,539</u>
Directors' fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Charge to defined benefit plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,839</u>	<u>73,839</u>
Contribution to defined contribution plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,756</u>	<u>89,756</u>
Operating lease rental / rent expenses	<u>-</u>	<u>15,582</u>	<u>6,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,115</u>
Insurance premium expenses	<u>-</u>	<u>-</u>	<u>5,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,738</u>
Maintenance, electricity, stationery & entertainment expenses	<u>-</u>	<u>-</u>	<u>36,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,278</u>
Management fee expense for technical and consultancy services*	<u>174,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,791</u>
Donation	<u>-</u>	<u>-</u>	<u>12,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,698</u>

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

	For the period ended 30 June 2017 (Un-Audited)						
Transactions during the period	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	56,116	32,583	3,179	–	–	91,878
Mark-up / return / interest expensed	–	3,769	551,103	2,863	13,053	80,393	651,181
Commission / brokerage / bank charges recovered	3,136	63	102,646	–	160	–	106,005
Commission / brokerage / bank charges paid	516	61	533	–	–	–	1,110
Rent income	2,808	600	–	–	–	–	3,408
Salaries and allowances	–	–	–	186,923	–	–	186,923
Directors' fees	–	–	–	–	1,600	–	1,600
Contribution to defined benefit plan	–	–	–	–	–	69,486	69,486
Contribution to defined contribution plan	–	–	–	–	–	83,979	83,979
Operating lease rentals / rent expenses	–	11,383	6,096	–	–	–	17,479
Insurance premium expenses	–	–	37,251	–	–	–	37,251
Maintenance, electricity, stationery & entertainment expenses	–	–	31,236	–	–	–	31,236
Management fee expense for technical and consultancy services*	132,770	–	–	–	–	–	132,770
Donation	–	–	38,920	–	–	–	38,920

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

20. LIQUIDITY RISK

The Bank's average liquidity coverage ratio for the quarters ended 31 March 2018 and 30 June 2018 are 279% and 274% respectively. As at 30 June 2018, the Bank's average liquidity coverage ratio is 276% (31 December 2017: 312%) and net stable funding ratio is 234% (31 December 2017: 255%).

21. KEY ISLAMIC BANKING OPERATIONS

21.1 The Bank 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 30 June 2018 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,732,089	2,540,250
Balances with other banks		—	—
Due from financial institutions		2,000,000	7,567,915
Investments		21,700,937	28,340,952
Islamic financing and related assets	21.6	18,083,249	13,872,126
Operating fixed assets		94,816	107,070
Deferred tax assets		—	—
Other assets		5,098,400	1,378,555
		49,709,491	53,806,868
LIABILITIES			
Bills payable		597,548	658,486
Due to financial institutions		1,792,093	1,850,668
Deposits and other accounts			
- Current accounts		7,823,137	8,057,204
- Saving accounts		17,242,928	13,597,942
- Term deposits		13,099,474	17,123,561
- Others		494,472	270,810
- Deposits from financial institutions - remunerative		5,943,467	9,104,551
- Deposits from financial institutions - non remunerative		17,627	152,223
		44,621,105	48,306,291
Due to head office		—	—
Other liabilities		490,371	542,718
		47,501,117	51,358,163
NET ASSETS		2,208,374	2,448,705
REPRESENTED BY			
Islamic banking fund		2,003,037	2,002,760
Reserves		—	—
Unappropriated profit		201,849	283,058
		2,204,886	2,285,818
Surplus on revaluation of assets		3,488	162,887
		2,208,374	2,448,705

21.2 PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30 JUNE 2018 (UN-AUDITED)

	30 June 2018 (Un-Audited)	31 June 2017 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,269,522	1,150,606
Profit / return on deposit and other dues expensed	(855,760)	(853,715)
Net spread earned	413,762	296,891
Provision against non performing financing - net	9,150	8,716
Provision for diminution in the value of investments	—	—
Provision for consumer financing Ijarah	—	—
Bad debts written off directly	—	—
	(9,150)	(8,716)
Net spread after provisions	404,612	288,175

Other income

Fee, commission and brokerage income	68,018	43,254
Dividend income	—	—
Income from dealing in foreign currencies - net	13,311	10,416
(Loss) / gain on sale / redemption of securities - net	(22)	13,567
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	8,238	5,855
Total other income	89,545	73,092
	494,157	361,267

Other expenses

Administrative expenses	292,201	242,096
Other provisions / write offs	—	—
Other charges	107	2,803
Total other expenses	(292,308)	(244,899)
	201,849	116,368
Extra ordinary / unusual items	—	—
Profit before taxation	201,849	116,638

21.3 Remuneration to Shariah Advisor / Board

4,158 4,185

21.4 Charity Fund

	30 June 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	77	152
Other non-shariah compliant income	50	—
	127	152
Payments / utilization during the period / year		
Education	(120)	—
Health	(359)	—
	(479)	—
Closing balance	127	479

	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
21.5 Financings / investments / receivables		
Murabaha financing		
Murabaha receivable - gross	6,130,219	4,348,615
Less: Deferred murabaha income	(147,568)	(126,098)
Advance against murabaha	415,844	300,727
	<u>6,398,495</u>	<u>4,523,244</u>
Provision against murabaha financing	(374,498)	(362,163)
	<u>6,023,997</u>	<u>4,161,081</u>
Ijarah		
Asset held for ijarah	645,747	549,812
Less: Accumulated depreciation	(194,183)	(138,701)
Advance against ijarah	16,804	114,290
	<u>468,368</u>	<u>525,401</u>
Provision against ijarah financing	(21,527)	(22,821)
	<u>446,841</u>	<u>502,580</u>
Diminishing musharakah		
Diminishing musharakah - gross	5,150,484	5,405,867
Less: Unrealised income on diminishing musharakah	(704,283)	(765,831)
Advance against diminishing musharakah	496,686	324,624
	<u>4,942,887</u>	<u>4,964,660</u>
Provision against diminishing musharakah	—	(1,891)
	<u>4,942,887</u>	<u>4,962,769</u>
Export refinance murabaha		
Export refinance murabaha receivable - gross	506,967	636,827
Less: Deferred export refinance murabaha income	(7,035)	(8,810)
Advance against murabaha IERF	69,557	6,880
	<u>569,489</u>	<u>634,897</u>
Istisna financing		
Istisna financing - gross	678,157	562,381
Less: Deferred istisna income	(183,540)	(153,474)
Advance against istisna	464,954	364,896
	<u>959,571</u>	<u>773,803</u>
Advance against export refinance istisna		
Export refinance istisna receivable - gross	764,706	764,706
Less: Deferred export refinance istisna income	(114,706)	(114,706)
Advance against istisna IERF	600,000	600,000
	<u>1,250,000</u>	<u>1,250,000</u>

	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
Al-Bai financing	600,779	13,104
Al-Bai goods	264,685	172,892
Istisna goods	25,000	—
Working capital musharaka	3,000,000	1,401,000

21.6 Islamic mode of financing

Financings / investments / receivables	16,125,744	12,374,692
Advances	2,063,845	1,711,417
Assets / inventories	289,685	172,892
Gross Islamic financing and related assets	18,479,274	14,259,001
Provision against financing and related assets	(396,025)	(386,875)
	18,083,249	13,872,126

22. GENERAL

22.1 The figures have been rounded off to the nearest thousand rupees, unless otherwise mentioned.

22.2 Figures of the profit and loss account for the quarters ended 30 June 2018 and 30 June 2017 have not been subjected to limited scope review by the auditors.

23. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 17 August 2018.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman