

HABIBMETRO

THIRD QUARTER ACCOUNTS

2018



HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

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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

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohsin A. Nathani

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 un-audited accounts for the nine months ended September 30, 2018.

Pakistan's economic landscape remains challenged by current account deficit, depleting foreign exchange reserves, volatility in domestic currency and circular debt. In the first three months of FY19, trade deficit touched USD 8.8 billion which is likely to come under pressure in the coming months due to expected increase in international oil prices. Meanwhile, foreign exchange reserves have declined to USD 14.9 billion due to external debt repayments, with the SBP's reserves comprising USD 8.3 billion. Remittances posted an encouraging a year-on-year increase of 13.1 percent to stand at USD 5.4 billion.

Average inflation marked at 5.6 percent in the first three months of FY19, with core inflation averaging at 7.8 percent. Inflationary pressures, which have been increasing since March 2018, are expected to rise further due to increase in utility tariffs, international oil prices and interest rates.

During the current year, the Pakistani Rupee depreciated by 20.7 percent. Meanwhile, the SBP has increased the policy rate by a cumulative 2.75 percent to 8.50 percent since December 2017.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's advances grew to Rs. 196 billion as at September 30, 2018 while deposits and investments stood at Rs. 509 billion and Rs. 383 billion respectively.

The Bank posted a profit after tax of Rs. 4.53 billion for the nine months ended September 30, 2018 which translates into earnings per share of Rs. 4.32. The Bank's net equity stands at Rs. 40.95 billion with a comfortable level of capital adequacy at 15.1 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 326 branches in 98 cities across Pakistan including 29 Islamic banking branches and 216 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 & Mobile 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. Lastly, 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: 24 October 2018

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹین بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2018 کی تیسری سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

پاکستان کے اقتصادی منظر نامے پر کرنٹ اکاؤنٹ خسارے، غیر ملکی زرمبادلہ کے ذخائر میں کمی، مقامی کرنسی میں اتار چڑھاؤ اور سرکلر ڈیپٹ کے باعث چنچل کا سامنا رہا۔ مالی سال 2019 کے پہلے تین ماہ میں تجارتی خسارہ 8.8 بلین ڈالر رہا جس میں تیل کے عالمی نرخوں میں متوقع اضافے کے باعث آنے والے ماہ کے دوران مزید دباؤ کا امکان ہے۔ اس دوران غیر ملکی قرضوں کی ادائیگی کی وجہ سے غیر ملکی زرمبادلہ کے ذخائر کم ہو کر 14.9 بلین ڈالر رہ گئے، جس میں اسٹیٹ بینک آف پاکستان کے ذخائر 8.3 بلین امریکی ڈالر پر مشتمل ہیں۔ ترسیلات کا حجم سال بہ سال 13.1 فیصد کے تسلی بخش اضافے کے ساتھ 5.4 بلین ڈالر ہو گیا۔

مالی سال 2019 کے پہلے تین ماہ میں اوسط افراط زر 5.6 فیصد مع بنیادی افراط زر اوسطاً 7.8 فیصد رہا۔ افراط زر کا دباؤ، جس میں مارچ 2018 سے اضافہ ہو رہا ہے، پالیٹی ٹیرف، تیل کے عالمی نرخوں اور شرح سود میں اضافے کے باعث مزید بڑھنے کا امکان ہے۔

رواں سال کے دوران پاکستانی روپے کی قدر میں 20.7 فیصد تک کمی آئی، جبکہ اسٹیٹ بینک آف پاکستان نے دسمبر 2017 سے پالیسی ریٹ میں مجموعی طور پر 2.75 فیصد تک کا اضافہ کر کے اسے 8.50 فیصد کر دیا۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ بینک کے ایڈوائزر 30 ستمبر 2018 کو 196 بلین روپے تک بڑھ گئے جبکہ ڈپازٹس اور سرمایہ کار باہاں بالترتیب 509 بلین روپے اور 383 بلین روپے پر موجود ہیں۔

30 ستمبر 2018 کو ختم ہونے والی تیسری سہ ماہی تک بینک کا بعد از ٹیکس منافع 4.53 بلین روپے رہا جو کہ فی حصص آمدنی کی مناسبت سے 4.32 روپے بنتا ہے۔ بینک کی خالص ایکویٹی 40.95 بلین روپے رہی جس کے ساتھ کپٹل ایڈیلیسی 15.1 فیصد کی اطمینان بخش سطح پر رہی۔

بینک 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 98 شہروں میں 326 شاخوں بشمول 29 اسلامک بینکنگ کی شاخوں اور 216 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بیکاری 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، ویب اور موبائل بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز 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 شکریہ ادا کرتا 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: 24 اکتوبر 2018

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		50,897,560	42,281,977
Balances with other banks	6	1,151,474	1,133,261
Lendings to financial institutions	7	10,596,542	10,914,805
Investments	8	383,449,519	396,636,990
Advances	9	195,885,909	174,319,286
Operating fixed assets	10	3,190,714	3,355,862
Deferred tax assets	11	4,391,165	2,835,318
Other assets		11,141,739	13,076,280
		<u>660,704,622</u>	<u>644,553,779</u>
LIABILITIES			
Bills payable		9,108,067	9,383,752
Borrowings	12	92,018,612	64,379,366
Deposits and other accounts	13	509,184,173	518,363,802
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		11,795,525	11,928,604
		<u>622,106,377</u>	<u>604,055,524</u>
NET ASSETS			
		<u>38,598,245</u>	<u>40,498,255</u>
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		15,941,789	15,035,676
Unappropriated profit		14,525,194	14,042,566
		<u>40,945,298</u>	<u>39,556,557</u>
(Deficit) / surplus on revaluation of assets - net of tax	14	(2,347,053)	941,698
		<u>38,598,245</u>	<u>40,498,255</u>
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

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Note	30 September 2018		30 September 2017	
		Quarter ended	Nine months ended	Quarter ended	Nine months ended
Rupees in '000					
Mark-up / return / interest earned		10,780,954	30,562,758	8,724,454	24,695,877
Mark-up / return / interest expensed		(6,812,767)	(18,810,669)	(5,232,630)	(14,309,188)
Net mark-up / interest income		3,968,187	11,752,089	3,491,824	10,386,689
Provision against non-performing loans and advances - net	9.3	(160,655)	333,095	(2,315)	643,122
Provision for diminution in the value of investments - net	8.1	30,532	55,013	3,606	84,749
Bad debts written-off directly		—	—	—	—
		130,123	(388,108)	(1,291)	(727,871)
Net mark-up / interest income after provisions		4,098,310	11,363,981	3,490,533	9,658,818
Non mark-up / interest income					
Fee, commission and brokerage income		894,217	2,757,475	850,760	2,526,593
Dividend income		17,341	60,509	47,583	395,734
Income from dealing in foreign currencies - net		387,092	1,126,667	421,100	800,063
Gain on sale / redemption of securities - net		10,376	97,499	(405,233)	307,079
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—	—	—
Other income		89,228	531,656	42,077	171,613
Total non mark-up / interest income		1,398,254	4,573,806	956,287	4,201,082
		5,496,564	15,937,787	4,446,820	13,859,900
Non mark-up / interest expenses					
Administrative expenses		2,856,054	8,478,839	2,696,556	7,816,648
Other provisions / write offs / (reversals)		—	(39,520)	50,000	153,000
Other charges		48,370	159,172	48,162	147,145
Total non mark-up / interest expenses		(2,904,424)	(8,598,491)	(2,794,718)	(8,116,793)
		2,592,140	7,339,296	1,652,102	5,743,107
Extraordinary / unusual items		—	—	—	—
Profit before taxation		2,592,140	7,339,296	1,652,102	5,743,107
Taxation – Current		874,504	2,594,606	482,930	2,121,012
– Prior years		—	—	—	413,000
– Deferred		134,301	214,123	154,571	(46,554)
		(1,008,805)	(2,808,729)	(637,501)	(2,487,458)
Profit after taxation		1,583,335	4,530,567	1,014,601	3,255,649
Basic and diluted earnings per share (Rupees)	16	1.51	4.32	0.97	3.11

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

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	30 September 2018		30 September 2017	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation for the period	1,583,335	4,530,567	1,014,601	3,255,649
Other comprehensive income				
Items that are not to be reclassified to profit and loss account in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	24,847	(515)	34,147	14,991
Related deferred tax (charge) / reversal	(8,696)	180	(11,951)	(5,247)
	16,151	(335)	22,196	9,744
Comprehensive income transferred to equity	1,599,486	4,530,232	1,036,797	3,265,393
Items that may be reclassified to profit and loss account in subsequent periods:				
Deficit on revaluation of available for sale securities	(2,236,294)	(5,056,537)	(1,462,019)	(1,846,557)
Related deferred tax reversal	782,703	1,769,789	511,707	646,295
	(1,453,591)	(3,286,748)	(950,312)	(1,200,262)
Total comprehensive income for the period	145,895	1,243,484	86,485	2,065,131

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

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	30 September 2018	30 September 2017
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,339,296	5,743,107
Less: Dividend income	(60,509)	(395,734)
	<u>7,278,787</u>	<u>5,347,373</u>
Adjustments for:		
Depreciation and amortization on operating fixed assets	700,304	614,950
Depreciation on non-banking assets	8,960	17,510
Provision against non-performing loans and advances – net	333,095	643,122
(Reversal) / provision against other assets	(41,250)	153,000
(Reversal) / provision for diminution in the value of investments – net	(149,945)	84,749
Net (gain) on sale of fixed assets	(2,897)	(9,473)
Net (gain) / loss on sale of non-banking assets	(202,282)	34,591
Net (gain) on sale of non-current assets-held for sale	(35,042)	–
Provision against defined benefit plan	113,058	105,742
	<u>724,001</u>	<u>1,644,191</u>
	<u>8,002,788</u>	<u>6,991,564</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	318,263	(14,655,853)
Advances	(21,899,718)	(25,020,330)
Other assets (excluding dividend & taxation)	941,075	(268,467)
	<u>(20,640,380)</u>	<u>(39,944,650)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(275,685)	491,838
Borrowings	25,597,322	60,120,872
Deposits and other accounts	(9,179,629)	43,857,371
Other liabilities (excluding dividend payable)	(262,979)	623,606
	<u>15,879,029</u>	<u>105,093,687</u>
	<u>3,241,437</u>	<u>72,140,601</u>
Income tax paid	<u>(2,237,229)</u>	<u>(3,046,585)</u>
Net cash flow from operating activities	<u>1,004,208</u>	<u>69,094,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	5,111,028	(54,204,290)
Net investments in held-to-maturity securities	3,169,851	(7,952,718)
Net investments in subsidiaries	–	(180,000)
Dividend income received	116,211	356,514
Investments in intangibles and operating fixed assets	(545,153)	(601,537)
Proceeds from sale of operating fixed assets	12,894	10,670
Proceeds from sale of non-banking assets	600,000	225,000
Proceeds from sale of non-current assets-held for sale	250,000	–
Net cash flow from investing activities	<u>8,714,831</u>	<u>(62,346,361)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,127,167)	(3,106,414)
Net cash flow from financing activities	<u>(3,127,167)</u>	<u>(3,106,414)</u>
Increase in cash and cash equivalents	6,591,872	3,641,241
Cash and cash equivalents at beginning of the period	41,263,249	36,931,718
Cash and cash equivalents at end of the period	<u>47,855,121</u>	<u>40,572,959</u>

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	SOHAIL HASAN Director	MOHOMED BASHIR Director	MOHAMEDALI R. HABIB Chairman
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**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2017							
Total comprehensive income - profit for the period	-	-	-	-	-	3,255,649	3,255,649
Other comprehensive income - net of tax	-	-	-	-	-	9,744	9,744
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	25,327	25,327
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	-	-	651,130	-	-	(651,130)	-
Balance as at 30 September 2017	10,478,315	2,550,985	10,293,659	240,361	1,500,000	12,249,235	37,312,555
Changes in equity for the period ended 31 December 2017							
Total comprehensive income - profit for the period	-	-	-	-	-	2,253,357	2,253,357
Other comprehensive income - net of tax	-	-	-	-	-	(9,690)	(9,690)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	335	335
Transfer to statutory reserve	-	-	450,671	-	-	(450,671)	-
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 September 2018							
Total comprehensive income - profit for the period	-	-	-	-	-	4,530,567	4,530,567
Other comprehensive income - net of tax	-	-	-	-	-	(335)	(335)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	2,003	2,003
Transactions with owners, recognised 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	-	-	906,113	-	-	(906,113)	-
Balance as at 30 September 2018	<u>10,478,315</u>	<u>2,550,985</u>	<u>11,650,443</u>	<u>240,361</u>	<u>1,500,000</u>	<u>14,525,194</u>	<u>40,945,298</u>

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

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 295 (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 mode, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by 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 September 2018 (Un-Audited)	31 December 2017 (Audited)
		———— Rupees in '000 ————	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		189,030	41,399
Deposit accounts	6.1	<u>213,357</u>	<u>89,702</u>
		402,387	131,101
Outside Pakistan			
Current accounts		<u>749,087</u>	<u>1,002,160</u>
		<u>1,151,474</u>	<u>1,133,261</u>

6.1 These carry mark-up rates of 5.50% (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	2,296,542	346,890
Bai - Muajjal receivable from State Bank of Pakistan	7.3	—	3,567,915
Islamic Placements	7.4	3,800,000	4,000,000
Letter of Placements	7.5	<u>1,500,000</u>	<u>—</u>
		<u>10,596,542</u>	<u>10,914,805</u>

7.1 These carry mark-up rate of 8.50% (31 December 2017: 6.45%) per annum with maturity upto 01 October 2018 (31 December 2017: 5 January 2018).

7.2 These carry mark-up rates ranging from 7.65% to 7.95% (31 December 2017: 5.95% to 6.20%) per annum with maturity upto 01 October 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 7.25% to 7.65% (31 December 2017: 5.70% to 5.85%) per annum with maturity upto 10 October 2018 (31 December 2017: 12 January 2018).

7.5 This carries mark-up rate of 7.90% (31 December 2017: Nil) per annum with maturity upto 1 October 2018 (31 December 2017: Nil).

8. INVESTMENTS

	Note	30 September 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		142,735,373	55,803,711	198,539,084	200,324,945	5,713,348	206,038,293
Pakistan investment bonds	8.2	117,091,114	3,028,629	120,119,743	93,614,556	24,235,650	117,850,206
Ordinary shares of listed companies		548,246	–	548,246	501,310	–	501,310
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		3,423,896	–	3,423,896	2,787,900	–	2,787,900
Unlisted term finance certificates		89,610	–	89,610	114,430	–	114,430
Sukuk certificates and bonds		26,560,091	–	26,560,091	26,375,865	–	26,375,865
Open end mutual funds		461,807	–	461,807	1,170,634	–	1,170,634
Close end mutual funds		404,818	–	404,818	419,685	–	419,685
		291,421,946	58,832,340	350,254,286	325,416,316	29,948,998	355,365,314
Held-to-maturity securities							
Pakistan investment bonds	8.2	32,640,939	–	32,640,939	36,360,790	–	36,360,790
Certificates of investments	8.3	4,000,000	–	4,000,000	3,450,000	–	3,450,000
		36,640,939	–	36,640,939	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		328,892,885	58,832,340	387,725,225	366,057,106	29,948,998	396,006,104
Provision for diminution in the value of investments	8.1	(387,427)	–	(387,427)	(537,372)	–	(537,372)
Investments – net of provisions		328,505,458	58,832,340	387,337,798	365,519,734	29,948,998	395,468,732
(Deficit) / surplus on revaluation of available-for-sale securities – net	14.2	(3,772,448)	(115,831)	(3,888,279)	2,544,608	(1,376,350)	1,168,258
Investments after revaluation of available-for-sale securities		324,733,010	58,716,509	383,449,519	368,064,342	28,572,648	396,636,990

	Note	30 September 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		66,093	343,096
Reversal for the period / year		(11,080)	—
Net charge		55,013	343,096
Investment written off during the period / year		(6,932)	—
Reversal on disposal of investment during the period / year		(198,026)	(107,945)
Closing balance		387,427	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. 4,000,000 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		163,384,115	139,641,812
Islamic financing and related assets (gross)	21.6	18,388,759	14,259,001
Net investments in finance lease			
In Pakistan		291,429	411,305
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		11,394,904	12,042,855
Payable outside Pakistan		19,069,876	24,390,736
		30,464,780	36,433,591
Advances - gross		212,529,083	190,745,709
Provision against non-performing advances			
— specific		(15,527,740)	(16,168,582)
— general		(1,115,434)	(257,841)
	9.3	(16,643,174)	(16,426,423)
Advances - net of provisions		195,885,909	174,319,286

- 9.1 Advances include Rs. 17,714,152 thousand (31 December 2017: Rs. 18,519,849 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 September 2018 (Un-Audited)			31 December 2017 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	114,966	1,068	1,068	118,214	15,870	15,870
Doubtful	94,790	–	–	4,996	–	–
Loss	17,504,396	15,526,672	15,526,672	18,396,639	16,152,712	16,152,712
	<u>17,714,152</u>	<u>15,527,740</u>	<u>15,527,740</u>	<u>18,519,849</u>	<u>16,168,582</u>	<u>16,168,582</u>

- 9.2 As allowed by the SBP, the bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs. 2,052,793 thousand (31 December 2017: Rs. 2,260,109 thousand) while determining the provision requirement against non-performing advances. The profit arising from availing the FSV benefit - net of tax as at 30 September 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,334,315 thousand (31 December 2017: Rs. 1,469,071 thousand).

9.3 Particulars of provisions against non-performing advances

	30 September 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	523,404	857,593	1,380,997	1,052,345	123,731	1,176,076
Reversals for the period / year	(1,047,902)	–	(1,047,902)	(1,445,046)	–	(1,445,046)
Net charge / (reversal) for the period / year	(524,498)	857,593	333,095	(392,701)	123,731	(268,970)
Amount written off	(116,344)	–	(116,344)	(235,656)	–	(235,656)
Closing balance	<u>15,527,740</u>	<u>1,115,434</u>	<u>16,643,174</u>	<u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>

- 9.4 General provision includes provision of Rs. 5,393 thousand (31 December 2017: Rs. 5,203 thousand) made against consumer portfolio and Rs 41 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. 545,153 thousand (30 September 2017: Rs. 601,534 thousand) and Rs. 9,997 thousand (30 September 2017: Rs. 1,197 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. 2,978,408 thousand (31 December 2017: Rs. 3,248,393 thousand).

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

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

– under export refinance scheme	22,695,438	23,796,577
– under long term financing facility – locally manufactured plant and machinery	6,370,125	5,332,802
	29,065,563	29,129,379
Repurchase agreement borrowings (Repo)	58,759,136	28,463,727
Due against bills re-discounting	–	3,634,271
	87,824,699	61,227,377

Unsecured

Call borrowings

Overdrawn nostro accounts

Overdrawn local bank accounts

–	1,000,000
3,520,912	1,788,779
673,001	363,210
4,193,913	3,151,989
92,018,612	64,379,366

	Note	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		207,303,299	222,302,110
Saving deposits		131,655,855	121,208,383
Current deposits (non-remunerative)		136,265,166	132,984,274
Others		10,060,906	17,446,706
		485,285,226	493,941,473
Financial Institutions			
Remunerative deposits		21,572,704	21,854,875
Non-remunerative deposits		2,326,243	2,567,454
		23,898,947	24,422,329
		509,184,173	518,363,802
14. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	14.1	180,328	182,331
Available-for-sale securities	14.2	(2,527,381)	759,367
		(2,347,053)	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		(2,003)	(25,662)
Related deferred tax liability on incremental depreciation charged during the period / year		(1,078)	(13,818)
		(3,081)	42,543
Surplus on revaluation of non-banking assets		277,428	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		(1,078)	(13,818)
		(1,078)	14,890
Related deferred tax liability		97,100	98,178
		180,328	182,331

	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
14.2 Available-for-sale securities:		
Federal government securities		
Market treasury bills	(28,473)	(5,215)
Pakistan investment bonds	(3,734,741)	967,602
GOP ijarah sukuk	(246,787)	152,056
Fully paid-up ordinary shares and mutual funds		
Listed shares and mutual funds	127,205	46,933
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(17,709)	(3,949)
Sukuk certificates and bonds	12,226	10,831
	(3,888,279)	1,168,258
Related deferred tax asset / (liability) - net	1,360,898	(408,891)
	(2,527,381)	759,367
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees 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 in favour of:		
i) Government	36,286,127	27,732,564
ii) Banking companies and other financial institutions	2,480,440	1,367,885
iii) Others	11,832,336	13,719,512
	50,598,903	42,819,961
15.3 Trade-related contingent liabilities		
Letters of credit	78,522,637	79,477,866
Acceptances	11,993,347	16,144,323
15.4 Commitments in respect of forward exchange contracts		
Purchase	120,732,520	78,728,094
Sale	71,143,410	48,559,582

	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
15.5 Commitments in respect of operating leases		
Not later than one year	17,534	33,266
Later than one year and not later than five years	528	15,130
	<u>18,062</u>	<u>48,396</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>76,146</u>	<u>25,281</u>
15.7 Claims against bank not acknowledged as debt	<u>24,370,638</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>

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 September 2018 (Un-Audited)		30 September 2017	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation	<u>1,583,335</u>	<u>4,530,567</u>	<u>1,014,601</u>	<u>3,255,649</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>1.51</u>	<u>4.32</u>	<u>0.97</u>	<u>3.11</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 September 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	340,185,003	-	340,185,003	-	340,185,003	
Sukuk certificates and bonds	989,804	-	989,804	-	989,804	
Ordinary shares of listed companies	454,795	454,795	-	-	454,795	
Mutual funds	920,716	920,716	-	-	920,716	
Listed term finance certificates	3,331,870	3,331,870	-	-	3,331,870	
Unlisted term finance certificates	68,472	-	68,472	-	68,472	
Financial assets not measured at fair value	305,697,469	-	-	-	-	
	651,648,129	4,707,381	341,243,279	-	345,950,660	
Financial liabilities not measured at fair value	(620,213,595)	-	-	-	-	
	31,434,534	4,707,381	341,243,279	-	345,950,660	

On balance sheet financial instruments

On balance sheet financial instruments		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	350,448,321	-	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 September 2018 (Un-Audited)		31 December 2017 (Audited)	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	120,732,520	120,990,309	78,728,094	81,575,492
Forward sale of foreign exchange contracts	71,143,410	71,249,386	48,559,582	50,180,677
			30 September 2018 (Un-Audited)	31 December 2017 (Audited)
			Rupees in '000	
Reconciliation of net assets to financial instruments				
Net financial assets			31,434,534	33,494,621
Non financial assets / (liabilities)				
- Operating fixed assets			3,190,714	3,355,862
- Deferred tax asset			4,391,165	2,835,318
- Other assets			1,474,614	2,358,269
- Other liabilities			(1,892,782)	(1,545,815)
Net assets as per statement of financial position			38,598,245	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 September 2018			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	21,241,904	2,849,119	23,966,831	48,057,854
Total expenses *	(20,551,280)	(2,403,596)	(17,763,682)	(40,718,558)
Net income	690,624	445,523	6,203,149	7,339,296
Segment assets	399,173,164	9,314,539	252,216,919	660,704,622
Segment liabilities	62,953,049	74,010,624	485,142,704	622,106,377
	30 September 2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	17,935,201	3,095,338	21,583,982	42,614,521
Total expenses *	(17,084,964)	(1,687,604)	(18,098,846)	(36,871,414)
Net income	850,237	1,407,734	3,485,136	5,743,107
Segment assets	412,147,770	1,727,421	217,603,347	631,478,538
Segment liabilities	72,709,722	66,106,575	454,070,154	592,886,451

* Includes Rs. 12,921,290 thousand (30 September 2017: Rs. 13,717,562 thousand) 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 September 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	6,685,660	87,901,486	1,210,351,547	331,558	1,791,440	4,003,781	1,311,065,472
Repaid during the period	(7,032,214)	(88,503,196)	(1,215,233,865)	(389,280)	(1,768,366)	(3,089,516)	(1,316,016,437)
At end of the period	385,151	480,262	16,193,987	110,817	699,032	3,294,224	21,163,473
Advances							
At beginning of the period	-	-	1,702,532	172,585	-	-	1,875,117
Disbursed during the period	-	-	51,295,577	43,039	-	-	51,338,616
Recovered during the period	-	-	(51,307,852)	(77,094)	-	-	(51,384,946)
At end of the period	-	-	1,690,257	138,530	-	-	1,828,787
Certificate of investment	-	4,000,000	-	-	-	-	4,000,000
Bank balances held by the Bank	100,403	-	27,958	-	-	-	128,361
Overdrawn balances held by the Bank	-	-	14,805	-	-	-	14,805
Mark-up / return / interest receivable	-	43,360	3,539	-	-	-	46,899
Mark-up / return / interest payable	-	4,671	382,630	945	2,611	571,708	962,565
Management fee payable for technical and consultancy services *	120,374	-	-	-	-	-	120,374
Prepayments / advance deposits	-	-	13,894	-	-	-	13,894
Insurance premium and other payable	-	-	3,128	-	-	-	3,128
Transaction-related contingent liabilities	-	-	7,501,966	-	-	-	7,501,966
Trade-related contingent liabilities	-	-	1,223,482	-	-	-	1,223,482
Commitments against operating leases	-	18,062	-	-	-	-	18,062

* 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 September 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>127,936</u>	<u>46,255</u>	<u>4,867</u>	<u>-</u>	<u>-</u>	<u>179,058</u>
Mark-up / return / interest expensed	<u>-</u>	<u>18,959</u>	<u>758,290</u>	<u>3,973</u>	<u>26,022</u>	<u>247,975</u>	<u>1,055,219</u>
Commission / brokerage / bank charges recovered	<u>3,777</u>	<u>326</u>	<u>113,990</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>118,115</u>
Commission / brokerage / bank charges paid	<u>742</u>	<u>10</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,792</u>
Rent income	<u>4,212</u>	<u>4,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,227</u>
Salaries and allowances	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,659</u>	<u>-</u>	<u>-</u>	<u>204,659</u>
Directors' fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>3,300</u>
Charge to defined benefit plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,500</u>	<u>112,500</u>
Contribution to defined contribution plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,206</u>	<u>134,206</u>
Operating lease rental / rent expenses	<u>-</u>	<u>21,730</u>	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,530</u>
Insurance premium expenses	<u>-</u>	<u>-</u>	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,602</u>
Maintenance, electricity, stationery & entertainment expenses	<u>-</u>	<u>-</u>	<u>51,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,887</u>
Management fee expense for technical and consultancy services *	<u>246,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,852</u>
Donation	<u>-</u>	<u>-</u>	<u>16,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,357</u>
Professional / other charges paid	<u>-</u>	<u>-</u>	<u>8,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,625</u>

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

Transactions during the period	For the period ended 30 September 2017 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	53,892	60,285	5,360	–	–	119,537
Mark-up / return / interest expensed	–	8,370	874,759	7,723	14,247	146,309	1,051,408
Commission / brokerage / bank charges recovered	1,727	102	148,265	–	192	–	150,286
Commission / brokerage / bank charges paid	732	237	825	–	–	–	1,794
Rent income	4,212	900	–	–	–	–	5,112
Salaries and allowances	–	–	–	283,509	–	–	283,509
Directors' fees	–	–	–	–	2,650	–	2,650
Charge to defined benefit plan	–	–	–	–	–	105,742	105,742
Contribution to defined contribution plan	–	–	–	–	–	125,817	125,817
Operating lease rentals / rent expenses	–	22,402	9,144	–	–	–	31,546
Insurance premium expenses	–	–	46,895	–	–	–	46,895
Maintenance, electricity, stationery & entertainment expenses	–	–	51,479	–	–	–	51,479
Management fee expense for technical and consultancy services *	192,223	–	–	–	–	–	192,223
Donation	–	–	26,880	–	–	–	26,880

* 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, 31 June 2018 and 30 September 2018 are 279%, 274% and 259% respectively. As at 30 September 2018, the Bank's average liquidity coverage ratio is 270% (31 December 2017: 312%) and net stable funding ratio is 222% (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 September 2018 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		2,228,552	2,540,250
Balances with other banks		—	—
Due from financial institutions		3,800,000	7,567,915
Investments		15,860,750	28,340,952
Islamic financing and related assets	21.6	17,969,402	13,872,126
Operating fixed assets		85,685	107,070
Deferred tax assets		—	—
Other assets		2,333,433	1,378,555
		<u>42,277,822</u>	<u>53,806,868</u>
LIABILITIES			
Bills payable		634,322	658,486
Due to financial institutions		1,589,994	1,850,668
Deposits and other accounts			
- Current accounts		7,318,793	8,057,204
- Saving accounts		16,054,203	13,597,942
- Term deposits		12,389,460	17,123,561
- Others		436,362	270,810
- Deposits from financial institutions - remunerative		1,022,445	9,104,551
- Deposits from financial institutions - non remunerative		211,288	152,223
		<u>37,432,551</u>	<u>48,306,291</u>
Due to head office		—	—
Other liabilities		417,112	542,718
		<u>40,073,979</u>	<u>51,358,163</u>
NET ASSETS		<u>2,203,843</u>	<u>2,448,705</u>
REPRESENTED BY			
Islamic banking fund		2,003,106	2,002,760
Reserves		—	—
Unappropriated profit		279,752	283,058
		<u>2,282,858</u>	<u>2,285,818</u>
Surplus on revaluation of assets		(79,015)	162,887
		<u>2,203,843</u>	<u>2,448,705</u>

**21.2 PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UN-AUDITED)**

	30 September 2018 (Un-Audited)	30 September 2017 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,929,054	1,845,610
Profit / return on deposit and other dues expensed	(1,295,530)	(1,356,521)
Net spread earned	633,524	489,089
Provision against non performing financing - net	32,482	4,580
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	(32,482)	(4,580)
Net spread after provisions	601,042	484,509
Other income		
Fee, commission and brokerage income	97,553	65,589
Dividend income	—	—
Income from dealing in foreign currencies - net	21,542	15,624
Gain on sale / redemption of securities - net	(56)	14,010
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	12,969	9,071
Total other income	132,008	104,294
	733,050	588,803
Other expenses		
Administrative expenses	453,191	371,335
Other provisions / write offs	—	—
Other charges	107	2,803
Total other expenses	(453,298)	(374,138)
	279,752	214,665
Extra ordinary / unusual items	—	—
Profit before taxation	279,752	214,665
21.3 Remuneration to Shariah Advisor / Board	6,312	6,155
	6312	6155
21.4 Charity Fund		
	30 September 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	115	152
Other non-shariah compliant income	50	—
	165	152
Payments / utilization during the period / year		
Education	(120)	—
Health	(359)	—
	(479)	—
Closing balance	165	479

	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
21.5 Financings / investments / receivables		
Murabaha financing		
Murabaha receivable - gross	5,298,069	4,348,615
Less: Deferred murabaha income	(160,077)	(126,098)
Advance against murabaha	426,590	300,727
	<u>5,564,582</u>	<u>4,523,244</u>
Provision against murabaha financing	(398,261)	(362,163)
	<u>5,166,321</u>	<u>4,161,081</u>
Ijarah		
Asset held for ijarah	644,082	549,812
Less: Accumulated depreciation	(221,066)	(138,701)
Advance against ijarah	22,706	114,290
	<u>445,722</u>	<u>525,401</u>
Provision against ijarah financing	(21,096)	(22,821)
	<u>424,626</u>	<u>502,580</u>
Diminishing musharakah		
Diminishing musharakah - gross	5,103,031	5,405,867
Less: Unrealised income on diminishing musharakah	(677,277)	(765,831)
Advance against diminishing musharakah	555,225	324,624
	<u>4,980,979</u>	<u>4,964,660</u>
Provision against diminishing musharakah	—	(1,891)
	<u>4,980,979</u>	<u>4,962,769</u>
Export refinance murabaha		
Export refinance murabaha receivable - gross	342,401	636,827
Less: Deferred export refinance murabaha income	(5,030)	(8,810)
Advance against murabaha IERF	106,788	6,880
	<u>444,159</u>	<u>634,897</u>
Istisna financing		
Istisna financing - gross	1,009,154	562,381
Less: Deferred istisna income	(248,421)	(153,474)
Advance against istisna	1,003,664	364,896
	<u>1,764,397</u>	<u>773,803</u>
Advance against export refinance istisna		
Export refinance istisna receivable - gross	81,485	764,706
Less: Deferred export refinance istisna income	(39,233)	(114,706)
Advance against istisna IERF	1,207,749	600,000
	<u>1,250,001</u>	<u>1,250,000</u>

	30 September 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
Al-Bai financing	<u>603,774</u>	<u>13,104</u>
Al-Bai goods	<u>387,145</u>	<u>172,892</u>
Istisna goods	<u>15,000</u>	<u>–</u>
Working capital musharaka	<u>2,933,000</u>	<u>1,401,000</u>

21.6 Islamic mode of financing

Financings / investments / receivables	14,663,892	12,374,692
Advances	3,322,722	1,711,417
Assets / inventories	<u>402,145</u>	<u>172,892</u>
Gross islamic financing and related assets	<u>18,388,759</u>	<u>14,259,001</u>
Provision against financing and related assets	<u>(419,357)</u>	<u>(386,875)</u>
	<u>17,969,402</u>	<u>13,872,126</u>

22. GENERAL

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

23. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 24 October 2018.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

MOHAMEDALI R. HABIB
Chairman