

HABIBMETRO

FIRST QUARTER ACCOUNTS 2018





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

Sirajuddin Aziz

DIRECTORS

Ali S. Habib
Anjum Z. Iqbal
Firasat Ali
Mohomed Bashir
Muhammad H. Habib
Sohail Hasan
Tariq Ikram

AUDIT COMMITTEE

Ali S. Habib
Anjum Z. Iqbal
Sohail Hasan

CREDIT COMMITTEE

Anjum Z. Iqbal
Muhammad H. Habib
Sirajuddin Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mohamedali R. Habib
Firasat Ali
Tariq Ikram

RISK & COMPLIANCE COMMITTEE

Anjum Z. Iqbal
Firasat Ali
Sirajuddin Aziz

COMPANY SECRETARY

Fuzail Abbas (Officiating)

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shakra-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 first quarter ended March 31, 2018.

The start of year 2018 was marked by continued improvement in economic activity. Large Scale Manufacturing (LSM) posted a growth of 6.24 percent during July - February FY18 as compared to 3.6 percent during the corresponding period in FY17 and is expected to maintain its current momentum in the remaining months of FY18. Improved demand from major trade destinations and the Government's ongoing export package are generating the momentum for Pakistan's exports. During July - February FY18 the growth has reached 12.2 percent as compared to a decline of 0.8 percent in the corresponding period in FY17. Workers' remittances have recorded a growth of 3.4 percent in FY18. However, the current account deficit has reached USD 10.8 billion during July - February FY18 which is about 50 percent greater than during the same period in FY17.

CPI inflation has remained moderate during July - February FY18, averaging 3.84 percent. Going forward, with a stable food prices amid abundant grain stocks and the increase in policy rate of 0.25 percent in January 2018 are expected to contain average inflation below the FY18 target of 6.0 percent.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's advances grew to Rs. 185 billion as at March 31, 2018 while investments and deposits stood at Rs. 346 billion and Rs. 505 billion respectively.

The Bank posted a profit after tax of Rs. 1.574 billion for the quarter ended March 31, 2018 which translates into earnings per share of Rs. 1.50. The Bank's net equity stands at Rs. 37.999 billion with a comfortable level of capital adequacy at 14.7 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 214 Islamic banking windows, HabibMetro provides comprehensive banking services and products, inclusive of 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.

The Board of Directors in its meeting held on February 16, 2018, had appointed Mr. Mohsin A. Nathani as President & Chief Executive Officer of the Bank. We are pleased to inform that Mr. Nathani will assume charge from April 23, 2018.

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

MOHAMEDALI R. HABIB

Chairman

Karachi: 20 April 2018

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2018 کی پہلی سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

سال 2018 کا آغاز اقتصادی سرگرمیوں میں مثبت تسلسل کے ساتھ ہوا تھا۔ لارج اسکیل مینوفیکچرنگ (LSM) نے مالی سال 2018 کے جولائی۔فروری کے دوران 6.24 فیصد کی شرح نمو ظاہر کی جو کہ مالی سال 2017 کے اسی عرصے کے دوران 3.6 فیصد رہی تھی اور توقع ہے کہ مالی سال 2018 کے بقیہ ماہ کے دوران بھی بہتری کا سلسلہ برقرار رہے گا۔ اہم تجارتی مراکز کی جانب سے طلب میں مثبت اضافہ اور حکومت کا جاری برآمدی پینچ پاکستان کی برآمدات کے نئے مواقع پیدا کر رہا ہے۔ مالی سال 2018 کے جولائی۔فروری کے دوران شرح نمو 12.2 فیصد تک پہنچ گئی جبکہ اس کے مقابلے میں مالی سال 2017 کی اسی مدت کے دوران 0.8 فیصد کا خسارہ ظاہر کیا گیا تھا۔ بیرون ملک پاکستانیوں کی جانب سے آنے والی زر ترسیل میں بھی مالی سال 2018 کے دوران 3.4 فیصد کا اضافہ دیکھنے میں آیا۔ تاہم کرنٹ اکاؤنٹ خسارہ مالی سال 2018 کی جولائی۔فروری کے دوران 10.8 بلین امریکی ڈالر تک پہنچ گیا جو مالی سال 2017 کی اسی مدت کے مقابلے میں 50 فیصد زائد ہے۔

سی پی آئی افراط زر مالی سال 2018 کی جولائی۔فروری کی مدت کے دوران او۔ٹا 3.84 فیصد کی معتدل سطح پر رہا۔ آئندہ آنے والے عرصے میں اناج کے وافر ذخیرہ کے ساتھ غذائی اشیاء کی مستحکم قیمتوں اور پالیسی ریٹ میں 0.25 فیصد اضافے کے باعث افراط زر کی شرح مالی سال 2018 کے ہدف 6 فیصد سے نیچے رہنے کی توقع ہے۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ بینک کے ایڈوائسز 31 مارچ 2018 کے مطابق بڑھ کر 185 بلین روپے ہو گئے جبکہ سرمایہ کاریاں اورڈپازٹس بالترتیب 346 بلین روپے اور 505 بلین روپے پر تھیں۔

31 مارچ 2018 کو ختم ہونے والی سہ ماہی میں بینک کا منافع بعد از ٹیکس 1.574 بلین روپے رہا جو کہ فی حصص آمدنی کی مناسبت سے 1.50 روپے بنتا ہے۔ بینک کی خالص ایکویٹی 37.999 بلین روپے رہی جس کے ساتھ کپٹل ایڈیلیٹی 14.7 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 تقابلی 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 129 اسلامک بینکنگ کی شاخوں اور 214 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکاری خدمات اور پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس فراہم کرتا ہے۔ مزید برآں 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 کسٹمرز کیلئے ATM نیٹ ورک فراہم کرتا ہے۔

بورڈ آف ڈائریکٹرز نے 16 فروری 2018 کے اجلاس میں جناب محسن اے۔ ناتھانی کو صدر چیف ایگزیکٹو آفیسر مقرر کیا تھا۔ ہم نہایت مسرت کے ساتھ مطلع کرتے ہیں کہ جناب ناتھانی 23 اپریل 2018 سے اپنی ذمہ داریاں سنبھالیں گے۔

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

منجانب بورڈ

محمد علی آر۔ حبیب
چیئرمین

کراچی: 20 اپریل 2018

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		42,369,507	42,281,977
Balances with other banks	6	1,218,889	1,133,261
Lendings to financial institutions	7	20,696,042	10,914,805
Investments	8	346,306,100	396,636,990
Advances	9	185,154,575	174,319,286
Operating fixed assets	10	3,311,630	3,355,862
Deferred tax assets	11	3,466,035	2,835,318
Other assets		11,931,981	13,076,280
		614,454,759	644,553,779
LIABILITIES			
Bills payable		11,581,850	9,383,752
Borrowings	12	44,662,873	64,379,366
Deposits and other accounts	13	505,141,821	518,363,802
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		15,379,853	11,928,604
		567,766,397	604,055,524
NET ASSETS			
		37,688,362	40,498,255
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		15,350,390	15,035,676
Unappropriated profit		12,169,982	14,042,566
		37,998,687	39,556,557
(Deficit) / surplus on revaluation of assets - net of tax	14	(310,325)	941,698
		37,688,362	40,498,255
CONTINGENCIES AND COMMITMENTS			
	15		

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2018

	Note	31 March 2018	31 March 2017
Rupees in '000			
Mark-up / return / interest earned		9,848,352	7,892,715
Mark-up / return / interest expensed		(6,147,175)	(4,495,725)
Net mark-up / interest income		3,701,177	3,396,990
Provision against non-performing loans and advances	9.3	243,745	247,927
Provision for diminution in the value of investments	8.1	1,077	—
Bad debts written-off directly		—	—
		(244,822)	(247,927)
Net mark-up / interest income after provisions		3,456,355	3,149,063
Non mark-up / interest income			
Fee, commission and brokerage income		923,794	843,822
Dividend income		5,805	26,325
Income from dealing in foreign currencies		270,977	186,609
Gain on sale / redemption of securities - net		18,149	177,641
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—
Other income		360,733	69,614
Total non mark-up / interest income		1,579,458	1,304,011
		5,035,813	4,453,074
Non mark-up / interest expenses			
Administrative expenses		2,733,150	2,412,187
Other provisions / write offs		(101,250)	—
Other charges		48,158	48,088
Total non mark-up / interest expenses		(2,680,058)	(2,460,275)
		2,355,755	1,992,799
Extra ordinary / unusual items		—	—
Profit before taxation		2,355,755	1,992,799
Taxation - Current		745,229	758,063
- Prior years		—	—
- Deferred		36,956	(53,579)
		(782,185)	(704,484)
Profit after taxation		1,573,570	1,288,315
Basic and diluted earnings per share (Rupees)	16	1.50	1.23

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2018

	31 March 2018	31 March 2017
	Rupees in '000	
Profit after taxation for the period	1,573,570	1,288,315
Other comprehensive income		
Items not be reclassified to profit and loss account in subsequent periods:		
Actuarial gain / (loss) on defined benefit plan	17,455	(19,165)
Related deferred tax (charge) / reversal	(6,109)	6,708
	11,346	(12,457)
Comprehensive income transferred to equity	1,584,916	1,275,858
Items that may be reclassified to profit or loss in subsequent periods and not to be reflected in equity:		
(Deficit) / surplus on revaluation of investments	(1,925,101)	36,533
Related deferred tax reversal / (charge)	673,786	(12,787)
	(1,251,315)	23,746
Total comprehensive income	333,601	1,299,604

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

31 March
2018
Rupees in '000
31 March
2017

2,355,755
(5,805)
2,349,950
1,992,799
(26,325)
1,966,474

Adjustments for:

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

225,842
3,573
243,745
1,077
(339)
(202,282)
(35,042)

236,574
2,586,524
195,887
6,041
247,927
–
(1,720)
–
–
448,135
2,414,609

(Increase) / decrease in operating assets

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

(9,781,237)
(11,079,034)
263,402
(20,596,869)
2,572,480
(7,300,787)
737,489
(3,990,818)

Increase / (decrease) in operating liabilities

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

2,198,098
(20,465,194)
(13,221,981)
325,593
(31,163,484)
1,202,011
8,929,294
(3,233,194)
(76,167)
6,821,944

Income tax paid

(49,173,829)
(536,039)
(49,709,868)
5,245,735
(734,818)
4,510,917

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

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

47,465,082
939,630
61,267
(186,117)
4,846
600,000
250,000
(274,558)
(4,196,470)
16,644
(173,331)
2,384
–
–

Net cash flows from investing activities

49,134,708
(4,625,331)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid

(383)
(248)

Net cash flows financing activities

(383)
(248)

Decrease in cash and cash equivalents

Cash and cash equivalents at beginning of the period

(575,543)
(114,662)

Cash and cash equivalents at end of the period

41,263,249
40,687,706
36,931,718
36,817,056

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 2018

	Share Capital	Reserves				Unappro- priated profit	Total
		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 31 March 2017							
Total comprehensive income - profit for the period	-	-	-	-	-	1,288,315	1,288,315
Other comprehensive income - net of tax	-	-	-	-	-	(12,457)	(12,457)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	439	439
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2016	-	-	-	-	-	(3,143,494)	(3,143,494)
Transfer to statutory reserve	-	-	257,663	-	-	(257,663)	-
Balance as at 31 March 2017	10,478,315	2,550,985	9,900,192	240,361	1,500,000	10,628,279	35,298,132
Changes in equity for the period ended 31 December 2017							
Total comprehensive income - profit for the period	-	-	-	-	-	4,220,691	4,220,691
Other comprehensive income - net of tax	-	-	-	-	-	12,511	12,511
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	25,223	25,223
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	-	-	844,138	-	-	(844,138)	-
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 31 March 2018							
Total comprehensive income - profit for the period	-	-	-	-	-	1,573,570	1,573,570
Other comprehensive income - net of tax	-	-	-	-	-	11,346	11,346
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	708	708
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2017	-	-	-	-	-	(3,143,494)	(3,143,494)
Transfer to statutory reserve	-	-	314,714	-	-	(314,714)	-
Balance as at 31 March 2018	10,478,315	2,550,985	11,059,044	240,361	1,500,000	12,169,982	37,998,687

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman

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

FOR THE QUARTER ENDED 31 MARCH 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 Pakistan Stock Exchange. The Bank operates 286 (31 December 2017: 286) branches including 29 (31 December 2017: 29) Islamic banking branches and 34 (31 December 2017: 34) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) 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

2.1 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these 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.

2.2 Key financial figures of the Islamic Banking branches are disclosed in note 21 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Act 2017, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO 411(I)/2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

3.4 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 subsidiaries are presented separately.

4. ACCOUNTING POLICIES AND ESTIMATES

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

4.2 The basis for accounting estimates 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 that disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2017.

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		53,979	41,399
Deposit accounts	6.1	147,929	89,702
		201,908	131,101
Outside Pakistan			
Current accounts		1,016,981	1,002,160
		1,218,889	1,133,261

6.1 These carry mark-up rate of 4.00% (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	12,128,127	346,890
Bai - Muajjal receivable from State Bank of Pakistan	7.3	3,567,915	3,567,915
Letter of Placements	7.4	1,500,000	—
Islamic Placement - Musharika	7.5	500,000	4,000,000
		20,696,042	10,914,805

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

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

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

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

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

8. INVESTMENTS

		31 March 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		137,256,376	6,472,230	143,728,606	200,324,945	5,713,348	206,038,293
Pakistan investment bonds	8.2	127,807,087	4,536,373	132,343,460	93,614,556	24,235,650	117,850,206
Ordinary shares of listed companies		538,887	–	538,887	501,310	–	501,310
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		2,582,538	–	2,582,538	2,787,900	–	2,787,900
Unlisted term finance certificates		505,871	–	505,871	114,430	–	114,430
Sukuk certificates and bonds		26,188,049	–	26,188,049	26,375,865	–	26,375,865
Open end mutual funds		1,486,144	–	1,486,144	1,170,634	–	1,170,634
Close end mutual funds		419,686	–	419,686	419,685	–	419,685
		296,891,629	11,008,603	307,900,232	325,416,316	29,948,998	355,365,314
Held-to-maturity securities							
Pakistan investment bonds	8.2	36,371,160	–	36,371,160	36,360,790	–	36,360,790
Certificates of investments	8.3	2,500,000	–	2,500,000	3,450,000	–	3,450,000
		38,871,160	–	38,871,160	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		336,592,789	11,008,603	347,601,392	366,057,106	29,948,998	396,006,104
Provision for diminution in the value of investments	8.1	(538,449)	–	(538,449)	(537,372)	–	(537,372)
Investments – net of provisions		336,054,340	11,008,603	347,062,943	365,519,734	29,948,998	395,468,732
(Deficit) / surplus on revaluation of available-for-sale securities – net	14	(1,009,181)	252,338	(756,843)	2,544,608	(1,376,350)	1,168,258
Investments after revaluation of available-for-sale securities		335,045,159	11,260,941	346,306,100	368,064,342	28,572,648	396,636,990

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		537,372	302,221
Charge for the period / year		1,077	343,096
Reversal for the period / year		—	—
Net charge for the period / year		1,077	343,096
Reversal of provision on disposal during the period / year		—	(107,945)
Closing balance		538,449	537,372
8.2	These carry mark-up rates ranging from 7.00% to 12.00% (31 December 2017: 7.00% to 12.00%) per annum and will mature up to 21 April 2026 (31 December 2017: 21 April 2026). These include Rs. 132,000 thousand (31 December 2017: Rs. 132,000 thousand) pledged with the State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.		
8.3	This represents certificates of investment 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		149,637,126	139,641,812
Islamic financing and related assets (gross)	21.6	15,014,929	14,259,001
Net investments in finance lease			
In Pakistan		368,940	411,305
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		11,252,361	12,042,855
Payable outside Pakistan		25,442,926	24,390,736
		36,695,287	36,433,591
Advances - gross		201,716,282	190,745,709
Provision against non-performing advances			
— specific		(15,956,481)	(16,168,582)
— general		(605,226)	(257,841)
	9.3	(16,561,707)	(16,426,423)
Advances - net of provisions		185,154,575	174,319,286

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

Category of classification	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	70,658	12,666	12,666	118,214	15,870	15,870
Doubtful	124,284	31,238	31,238	4,996	–	–
Loss	18,030,548	15,912,577	15,912,577	18,396,639	16,152,712	16,152,712
	<u>18,225,490</u>	<u>15,956,481</u>	<u>15,956,481</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 collateral held as security of Rs. 2,153,874 thousand (31 December 2017: Rs. 2,260,109 thousand) while determining the provision requirement against non-performing advances. The additional profit arising from availing the FSV benefit - net of tax as at 31 March 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,400,018 thousand (31 December 2017: Rs. 1,469,071 thousand).

9.3 Particulars of specific provisions against non-performing advances:

	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	16,168,582	257,841	16,426,423	16,796,939	134,110	16,931,049
Charge for the period / year	173,682	347,385	521,067	1,052,345	123,731	1,176,076
Reversals for the period / year	(277,322)	–	(277,322)	(1,445,046)	–	(1,445,046)
Net charge / (reversal) for the period / year	(103,640)	347,385	243,745	(392,701)	123,731	(268,970)
Amount written off	(108,461)	–	(108,461)	(235,656)	–	(235,656)
Closing balance	<u>15,956,481</u>	<u>605,226</u>	<u>16,561,707</u>	<u>16,168,582</u>	<u>257,841</u>	<u>16,426,423</u>

- 9.4 General provision includes provision of Rs. 4,949 thousand (31 December 2017: Rs. 5,203 thousand) made against consumer portfolio and Rs 18 thousand (31 December 2017: Rs. 36 thousand) against Small Enterprise (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 186,117 thousand (31 March 2017: Rs. 173,331 thousand) and Rs. 12,596 thousand (31 March 2017: Rs. 664 thousand) respectively.

11. DEFERRED TAX ASSETS

As per Seventh Schedule to the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,159,536 thousand (31 December 2017: Rs. 3,248,393 thousand).

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

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

– under export refinance scheme	24,353,011	23,796,577
– under long term financing facility – locally manufactured plant and machinery	4,606,173	5,332,802

28,959,184 29,129,379

Repurchase agreement borrowings (Repo)

10,464,300 28,463,727

Against bills re-discounting

2,338,699 3,634,271

41,762,183 61,227,377

Unsecured

Call borrowing

–	1,000,000
2,611,891	1,788,779
288,799	363,210

Overdrawn nostro accounts

2,900,690 3,151,989

Overdrawn local bank accounts

44,662,873 64,379,366

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		225,902,037	222,302,110
Saving deposits		134,167,922	121,208,383
Current deposits (non-remunerative)		127,580,752	132,984,274
Others		7,559,955	17,446,706
		495,210,666	493,941,473
Financial Institutions			
Remunerative deposits		7,830,139	21,854,875
Non-remunerative deposits		2,101,016	2,567,454
		9,931,155	24,422,329
		505,141,821	518,363,802
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	14.1	181,623	182,331
Available-for-sale securities	14.2	(491,948)	759,367
		(310,325)	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		(708)	(25,662)
Related deferred tax liability on disposal and incremental depreciation charged during the period / year		(381)	(13,818)
		(1,089)	42,543
Surplus on revaluation of non-banking assets		279,420	280,509
Less: Related deferred tax liability on:			
Revaluation as at 1 January		98,178	83,288
Revaluation of non-banking assets during the period / year		—	28,708
Disposal and incremental depreciation during the period / year		(381)	(13,818)
		(381)	14,890
Related deferred tax liability		(97,797)	(98,178)
		181,623	182,331

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
		Rupees in '000	
14.2 Available-for-sale securities:			
Federal government securities			
Market treasury bills		(14,470)	(5,215)
Pakistan investment bonds		(900,481)	967,602
GOP ijarah sukuk		(128,039)	152,056
Fully paid-up ordinary shares and mutual funds		271,988	46,933
Term finance certificates, sukuk certificates and bonds			
Listed term finance certificates		3,298	(3,949)
Unlisted term finance certificates		—	—
Sukuk certificates / bonds		10,861	10,831
		(756,843)	1,168,258
Related deferred tax liability - net		264,895	(408,891)
		(491,948)	759,367
15. CONTINGENCIES AND COMMITMENTS			
15.1 Direct credit substitutes			
Bank guarantees of indebtedness in favour of banking companies and other financial institutions		—	—
15.2 Transaction-related contingent liabilities			
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:			
i) Government		32,516,850	27,732,564
ii) Banking companies and other financial institutions		2,521,596	1,367,885
iii) Others		12,402,435	13,719,512
		47,440,881	42,819,961
15.3 Trade-related contingent liabilities			
Letters of credit		76,342,482	79,477,866
Acceptances		21,013,940	16,144,323
15.4 Commitments in respect of forward exchange contracts			
Purchase		86,621,285	78,728,094
Sale		50,820,748	48,559,582

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	———— Rupees in '000 ————	
15.5 Commitments in respect of operating leases		
Not later than one year	27,124	33,266
Later than one year and not later than five years	7,644	15,130
	34,768	48,396
15.6 Commitments for the acquisition of operating fixed assets	83,398	25,281
15.7 Claims against bank not acknowledged as debt	22,464,508	22,494,508

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	207,279	207,279
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15.10 Taxation

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

	31 March 2018 (Un-Audited)	31 March 2017
	———— Rupees in '000 ————	
Profit after taxation	1,573,570	1,288,315
	———— Numbers in '000 ————	
Weighted average number of ordinary shares	1,047,831	1,047,831
	———— Rupees ————	
Basic and diluted earnings per share	1.50	1.23

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

On balance sheet financial instruments

31 March 2018 (Un-Audited)					
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
(Rupees in '000)					
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	300,455,380	-	300,455,380	-	300,455,380
Sukuk certificates and bonds	724,806	-	724,806	-	724,806
Ordinary shares of listed companies	536,867	536,867	-	-	536,867
Mutual funds	1,879,448	1,879,448	-	-	1,879,448
Listed term finance certificates	2,503,278	2,503,278	-	-	2,503,278
Unlisted term finance certificates	477,031	-	477,031	-	477,031
Financial assets not measured at fair value	300,030,922	-	-	-	-
	606,607,732	4,919,593	301,657,217	-	306,576,810
Financial liabilities not measured at fair value	(572,086,702)	-	-	-	-
	34,521,030	4,919,593	301,657,217	-	306,576,810

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	280,728,301	-	-	-	-
	636,696,371	4,540,642	351,427,428	-	355,968,070
Financial liabilities not measured at fair value					
	(602,859,136)	-	-	-	-
	33,837,235	4,540,642	351,427,428	-	355,968,070

Off- balance sheet financial instruments

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

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

Reconciliation of net assets to financial instruments

Net financial assets	34,521,030	33,837,235
Non financial assets / (liabilities)		
- Operating fixed assets	3,311,630	3,355,862
- Deferred tax asset	3,466,035	2,835,318
- Other assets	1,069,362	1,666,228
- Other liabilities	(4,679,695)	(1,196,388)
Net assets as per statement of financial position	37,688,362	40,498,255

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

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

	31 March 2018			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	6,959,176	993,756	8,349,799	16,302,731
Total expenses *	(7,076,227)	(744,379)	(6,126,370)	(13,946,976)
Net income	(117,051)	249,377	2,223,429	2,355,755
Segment assets	371,913,413	8,593,067	233,948,279	614,454,759
Segment liabilities	15,703,688	73,917,224	487,145,485	576,766,397
	31 March 2017			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	5,526,194	857,444	8,175,232	14,558,870
Total expenses *	(5,910,914)	(703,923)	(5,951,234)	(12,566,071)
Net income	(384,720)	153,521	2,223,998	1,992,799
Segment assets	336,925,790	2,404,850	195,689,046	535,019,686
Segment liabilities	23,426,985	73,138,422	400,627,719	497,193,126

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

19. TRANSACTIONS WITH RELATED PARTIES

The 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.

31 March 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	2,422,696	30,363,018	408,860,196	145,764	116,490	582,540	442,490,704
Repaid during the period	(2,691,400)	(30,537,256)	(414,767,475)	(139,638)	(92,229)	(337,432)	(448,565,430)
At end of the period	463,001	907,734	15,169,026	174,665	700,219	2,625,067	20,039,712
Advances							
At beginning of the period	-	-	1,702,532	172,585	-	-	1,875,117
Disbursed during the period	-	-	19,648,779	2,209	-	-	19,650,988
Recovered during the period	-	-	(19,362,415)	(22,064)	-	-	(19,384,479)
At end of the period	-	-	1,988,896	152,730	-	-	2,141,626
Certificate of investment	-	2,500,000	-	-	-	-	2,500,000
Bank balances held by the Bank	133,479	-	86,494	-	-	-	219,973
Overdrawn balances held by the Bank	-	-	5,827	-	-	-	5,827
Mark-up / return / interest receivable	-	16,352	4,043	-	-	-	20,395
Mark-up / return / interest payable	-	6,080	308,147	3,402	2,105	596,541	916,275
Management fee payable for technical and consultancy services*	332,163	-	-	-	-	-	332,163
Prepayments / Advance deposits	-	-	9,858	-	-	-	9,858
Insurance premium and other payable	-	-	6,589	-	-	-	6,589
Transaction-related contingent liabilities	-	-	6,259,592	-	-	-	6,259,592
Trade-related contingent liabilities	-	-	1,827,306	-	-	-	1,827,306
Commitments in respect of operating leases	-	34,768	-	-	-	-	34,768

* 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 leased	–	48,396	–	–	–	–	48,396

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

Transactions during the period	For the period ended 31 March 2018 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	-	28,965	9,090	1,709	-	-	39,764
Mark-up / return / interest expensed	-	9,287	288,642	2,640	7,176	59,404	367,149
Commission / brokerage / bank charges recovered	1,950	82	32,515	-	8	-	34,555
Commission / brokerage / bank charges paid	160	248	316	-	-	-	724
Rent income	1,404	300	-	-	-	-	1,704
Salaries and allowances	-	-	-	100,887	-	-	100,887
Directors' fees	-	-	-	-	1,550	-	1,550
Contribution to defined benefit plan	-	-	-	-	-	36,549	36,549
Contribution to defined contribution plan	-	-	-	-	-	44,606	44,606
Operating lease rental / rent expenses	-	8,603	3,635	-	-	-	12,238
Insurance premium expenses	-	-	3,636	-	-	-	3,636
Maintenance, electricity, stationery & entertainment expenses	-	-	25,073	-	-	-	25,073
Management fee expense for technical and consultancy services*	84,074	-	-	-	-	-	84,074
Donation	-	-	6,599	-	-	-	6,599

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

Transactions during the period	For the period ended 31 March 2017 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	373	32,212	1,553	–	–	34,138
Mark-up / return / interest expensed	–	447	298,892	2,206	6,437	45,193	353,175
Commission / brokerage / bank charges recovered	1,609	4	48,176	–	48	–	49,837
Commission / brokerage / bank charges paid	107	54	268	–	–	–	429
Rent income	1,404	300	–	–	–	–	1,704
Salaries and allowances	–	–	–	92,909	–	–	92,909
Directors' fees	–	–	–	–	675	–	675
Contribution to defined benefit plan	–	–	–	–	–	34,055	34,055
Contribution to defined contribution plan	–	–	–	–	–	41,759	41,759
Operating lease rentals / rent expenses	–	–	5,709	–	–	–	5,709
Insurance premium expenses	–	–	18,566	–	–	–	18,566
Maintenance, electricity, stationery & entertainment expenses	–	–	17,630	–	–	–	17,630
Management fee expense for technical and consultancy services*	60,985	–	–	–	–	–	60,985
Donation	–	–	1,960	–	–	–	1,960

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

20. LIQUIDITY RISK

As at 31 March 2018, the Bank's Liquidity Coverage Ratio is 299% (31 December 2017: 312%) and Net Stable Funding Ratio is 238% (31 December 2017: 255%).

21. KEY ISLAMIC BANKING OPERATIONS

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 31 March 2018 are as follows:

21.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,301,283	2,540,250
Balances with other banks		—	—
Due from financial institutions		4,067,915	7,567,915
Investments		23,140,341	28,340,952
Islamic financing and related assets	21.6	14,614,494	13,872,126
Operating fixed assets		99,922	107,070
Deferred tax assets		—	—
Other assets		2,140,740	1,378,555
		46,364,695	53,806,868
LIABILITIES			
Bills payable		564,806	658,486
Due to financial institutions		1,969,810	1,850,668
Deposits and other accounts			
- Current accounts		7,880,556	8,057,204
- Saving accounts		15,878,518	13,597,942
- Term deposits		15,010,953	17,123,561
- Others		327,777	270,810
- Deposits from financial institutions - remunerative		2,221,504	9,104,551
- Deposits from financial institutions - non remunerative		10,162	152,223
		41,329,470	48,306,291
Due to head office		—	—
Other liabilities		487,844	542,718
		44,351,930	51,358,163
NET ASSETS		2,012,765	2,448,705
REPRESENTED BY			
Islamic banking fund		2,002,887	2,002,760
Reserves		—	—
Unappropriated profit		88,191	283,058
		2,091,078	2,285,818
Surplus on revaluation of assets		(78,313)	162,887
		2,012,765	2,448,705

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

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

21.4 Charity Fund

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

21.5 Financings / investments / receivables
Murabaha financing

	31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Rupees in '000	
Murabaha receivable - gross	4,143,863	4,348,615
Less: Deferred murabaha income	(127,558)	(126,098)
Advance against murabaha	275,444	300,727
	4,291,749	4,523,244
Provision against murabaha financing	(376,390)	(362,163)
	3,915,359	4,161,081

Ijarah

Asset held for ijarah	654,675	549,812
Less: Accumulated depreciation	(172,003)	(138,701)
Advance against ijarah	1,250	114,290
	483,922	525,401
Provision against ijarah financing	(21,959)	(22,821)
	461,963	502,580

Diminishing musharakah

Diminishing musharakah - gross	5,111,909	5,405,867
Less: Unrealised income on diminishing musharakah	(723,669)	(765,831)
Advance against diminishing musharakah	477,193	324,624
	4,865,433	4,964,660
Provision against diminishing musharakah	(2,086)	(1,891)
	4,863,347	4,962,769

Export refinance murabaha

Export refinance murabaha receivable - gross	695,588	636,827
Less: Deferred export refinance murabaha income	(9,597)	(8,810)
Advance against murabaha IERF	41,270	6,880
	727,261	634,897

Istisna financing

Istisna financing - gross	665,384	562,381
Less: Deferred istisna income	(181,787)	(153,474)
Advance against istisna	511,276	364,896
	994,873	773,803

Advance against export refinance istisna

Export refinance istisna receivable - gross	692,353	764,706
Less: Deferred istisna income	(103,853)	(114,706)
Advance against istisna IERF	661,500	600,000
	1,250,000	1,250,000

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

21.6 Islamic mode of financing

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

22. GENERAL

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

23. DATE OF AUTHORISATION FOR ISSUE

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

FUZAIL ABBAS
Chief Financial Officer

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHOMED BASHIR
Director

SOHAIL HASAN
Director

MOHAMEDALI R. HABIB
Chairman