

Third Quarterly Report

September 30, 2018



Meezan Bank
The Premier Islamic Bank

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CORPORATE INFORMATION

Board of Directors	Riyadh S. A. A. Edrees Faisal A. A. A. Al-Nassar Bader H. A. M. A. Al-Rabiah Mansur Khan Alaa A. Al-Sarawi Saad Fazil Abbasi Muhammad Zarrug Rajab Mohammad Abdul Aleem Noorur Rahman Abid Talal S. A. Al-Shehab Irfan Siddiqui Ariful Islam	Chairman Vice Chairman President & CEO Executive Director & Deputy CEO
Shariah Supervisory Board	Justice (Retd.) Muhammad Taqi Usmani Dr. Muhammad Imran Ashraf Usmani Sheikh Esam Mohamed Ishaq Mufti Muhammad Naveed Alam	Chairman Vice Chairman
Board Audit Committee	Mohammad Abdul Aleem Noorur Rahman Abid Alaa A. Al-Sarawi Muhammad Zarrug Rajab	
Board Risk Management Committee	Faisal A. A. A. Al-Nassar Saad Fazil Abbasi Ariful Islam	
Board Human Resource & Remuneration Committee	Riyadh S. A. A. Edrees Noorur Rahman Abid Talal S. A. Al-Shehab	
Board Information Technology Committee	Mohammad Abdul Aleem Mansur Khan Ariful Islam	
Resident Shariah Board Member	Mufti Muhammad Naveed Alam	
Company Secretary	Muhammad Sohail Khan	
Auditors	EY Ford Rhodes, Chartered Accountants	
Registered Office and Head Office	Meezan House C-25, Estate Avenue, SITE, Karachi - 75730, Pakistan Phone: (9221) 38103500, Fax: (9221) 36406049 24/7 Call Centre: 111-331-331 & 111-331-332	
E-mail	info@meezanbank.com	
Website	www.meezanbank.com www.meezanbank.pk	
Shares Registrar	THK Associates (Pvt.) Ltd 1 st Floor, 40-C, Block 6, P.E.C.H.S., Karachi - 75400, Pakistan. Phone: (9221) 111-000-322, Fax: (9221) 34168271 E-mail: secretariat@thk.com.pk Website: www.thk.com.pk	

DIRECTORS' REVIEW

The Board of Directors is pleased to present the condensed interim unaudited financial statements of Meezan Bank Limited and consolidated financial statements for the nine months period ended September 30, 2018. The financial highlights of Meezan Bank are given below:

Financial Highlights

Rupees in millions

Profit & Loss Account	Jan - Sep 2018	Jan - Sep 2017	Growth %
Net spread earned before provisions	19,128	15,050	27%
Fee and commission income	3,734	3,113	20%
Operating income	24,436	20,244	21%
Administrative and other expenses	(14,114)	(12,446)	13%
Profit after tax	6,248	4,717	32%
Earnings per share - Rupees	5.88	4.58	28%
Number of branches	610	571	7%

Rupees in millions

Statement of Financial Position	September 30, 2018	December 31, 2017	Growth %
Islamic financing and related assets - net	441,018	420,029	5%
Investments / Placements under Bai Muajjal	307,539	266,467	15%
Total Assets	842,421	781,699	8%
Deposits	711,237	673,188	6%
Sub-ordinated Sukuk (Additional Tier I & Tier II)	14,000	7,000	100%
Shareholders' Equity	37,663	34,338	10%

By the Grace of Allah, Meezan Bank has recorded excellent results for the nine months period ended September 30, 2018. Profit after tax increased to Rs 6,248 million from Rs 4,717 million in corresponding period last year reflecting a healthy growth of 32%.

Islamic financings and related assets grew by 5% from December 2017 to Rs 441 billion. The Bank continued its proactive strategy to enhance its exposure in high yield financings in all sectors while simultaneously ensuring all the risk parameters are met. The Bank's ADR stood at 62% as on September 30, 2018. The focus remains to build a high quality and diversified financing portfolio. The Bank has one of the lowest non-performing financing ratios in the banking industry - less than 2% as compared to an industry average of 8%. Provision against non-performing financing portfolio is also maintained at a very comfortable level with a coverage ratio of 132%. With a well-diversified product base, the Bank is well positioned to cater to all financing needs of our customers in a Shariah compliant manner.

DIRECTORS' REVIEW

The availability of Government of Pakistan (GoP) Ijarah Sukuk to deploy surplus liquidity continues to be a challenge for Islamic Banks. There has been no new issue of GoP Ijarah Sukuk since June 2017 which has negatively impacted the Islamic banking industry in Pakistan. However, we have been assured that the State Bank of Pakistan and the Ministry of Finance is addressing this issue as a matter of high priority and we expect a GoP Sukuk issue in the remaining period of this year. Investments and placements under Bai Muajjal increased to Rs 308 billion from Rs 266 billion in December 2017.

Deposits of the Bank closed at Rs 711 billion and grew by 6% from December 2017. Despite intense competition in the industry, the Bank not only expanded its deposit base but also maintained an optimal cost of funds through strong relationship management and better customer experience. The Bank maintained its position as the 7th largest Bank (amongst both Islamic as well as Conventional Banks) in terms of deposits in Pakistan with a branch network of 610 branches in 160 cities.

In January 2018, the State Bank of Pakistan (SBP) reversed the monetary policy stance and increased the Policy Rate (Target Rate) by a cumulative 2.75% bringing it to 8.5% in October 2018. The Bank's net spread before provision increased by 27% primarily due to Bank's continuous focus on increasing earning assets. The growth of 20% in Bank's fee and commission income was fueled by growth in trade finance business which registered an increase of 42% from the corresponding period last year. The Bank considers trade finance as a core business activity as it not only brings trade related fees, forex and other ancillary income but also enhances our current account balances which contribute to the overall profitability of the Bank.

Administrative and operating expenses increased to Rs 14,114 million from Rs 12,446 million primarily due to rising inflation and increase in staff expenses, rent and costs associated with new branches – an investment which has reaped fruits for the Bank, as is evident from the strong growth in deposits and profits over the years. This rise in expenses is sufficiently absorbed by the growth in the Bank's income resulting in improvement in income efficiency ratio from the corresponding period last year.

Effective from July 01, 2018, the SBP has introduced Deposit Protection Mechanism whereby all scheduled banks are required to pay annual premium calculated 0.16% of their respective "aggregate eligible deposits". As a result, the Bank has recognised a charge of Rs 217 million for the quarter ended on September 30, 2018.

The Finance Act 2018 has further extended the applicability of one-time Super Tax, initially levied for Tax Year 2015 at 4% of taxable income of the Bank. This Super Tax has resulted in additional tax charge of Rs 459 million for the nine months period ended September 30, 2018.

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan has upgraded the Bank's credit rating as follows:

DIRECTORS' REVIEW

Rating Type	Previous Credit Rating	Upgraded Credit Rating
Entity Long-term rating	AA (Double A)	AA+ (Double A Plus)
Entity Short-term rating	A1+ (A One Plus)	A1+ (A One Plus)
Additional Tier I Sukuk rating	Not Applicable	AA- (Double A Minus)
Subordinated Tier II Sukuk rating	AA- (Double A Minus)	AA (Double A)

The JCR-VIS has maintained the Bank's short term rating at A1+ (A One Plus) with stable outlook which is the highest standard in short term rating. The assigned ratings indicate sound performance indicators of the Bank.

The Board would like to express its sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and our Shariah Supervisory Board for their continued guidance and support. We also take this opportunity to thank our valued customers for their patronage, the shareholders, holders of Additional Tier I Sukuk and Subordinated Tier II Sukuk for their continued support and to the staff for their continuous efforts to make Meezan Bank a success. Most importantly, we are thankful to Allah Almighty for his continued blessings on our Bank which has enabled us to achieve this incredible performance in a very short span of time and we pray that He gives us more strength and wisdom to further expand our vision of making Islamic banking as banking of first choice.

On behalf of the Board

Riyadh S.A.A. Edrees
Chairman

Irfan Siddiqui
President & CEO

Karachi:
October 24, 2018

ڈائریکٹرز کا تجزیہ

بورڈ آف ڈائریکٹرز مسرت کے ساتھ 30 ستمبر، 2018 کو ختم ہونے والے نو ماہ کے لئے میزان بینک لمیٹڈ کے مختصر عبوری غیر جانچ شدہ مالیاتی حسابات اور انضمامی مالیاتی حسابات پیش کرتا ہے۔ میزان بینک کے اہم مالیاتی نکات درج ذیل ہیں:

اہم مالیاتی نکات (ملین میں)

نفع و نقصان کھاتہ	جنوری تا ستمبر، 2018	جنوری تا ستمبر، 2017	اضافہ کی شرح %
تموین سے قبل آمدنی - خالص	19,128	15,050	27%
فیس اور کمیشن کی آمدنی	3,734	3,113	20%
کاروباری آمدنی	24,436	20,244	21%
انتظامی اور دیگر اخراجات	(14,114)	(12,446)	13%
بعد از ٹیکس منافع	6,248	4,717	32%
منافع فی حصص (روپوں میں)	5.88	4.58	28%
شانوں کی تعداد	610	571	7%

مالیاتی حیثیت کا جائزہ	30 ستمبر، 2018	31 دسمبر، 2017	اضافہ/کمی کی شرح %
اسلامی فنانسنگ اور متعلقہ اثاثے - خالص (تمام ٹوٹیوں کے بعد)	441,018	420,029	5%
سرمایہ کاری/بیع مغل کے تحت تعین	307,539	266,467	15%
کل اثاثے	842,421	781,699	8%
جمع شدہ رقوم (Deposits)	711,237	673,188	6%
ثانوی صکوک (اضافی Tier I اور Tier II)	14,000	7,000	100%
حصص یافتگان کی ایکویٹی	37,663	34,338	10%

الحمد للہ، میزان بینک نے 30 ستمبر، 2018 کو ختم ہونے والے نو ماہ کے لئے زبردست نتائج حاصل کئے ہیں۔ بعد از ٹیکس منافع گزشتہ سال کی اسی مدت کے 4,717 ملین روپے سے بڑھ کر 6,248 ملین روپے ہو گیا ہے جو 32 فیصد کے مستحکم اضافے کی عکاسی کرتا ہے۔

اسلامی فنانسنگ اور متعلقہ اثاثے دسمبر 2017 سے 5 فیصد اضافے کے ساتھ اب 441 ارب روپے ہو گئے ہیں۔ بینک نے تمام شعبہ جات میں زیادہ منافع بخش فنانسنگز پر توجہ مرکوز رکھنے کی اپنی فعال حکمت عملی کو جاری رکھا جبکہ اس کے ساتھ ساتھ تمام رسک پیرامیٹرز پر پورا اترنے کو بھی یقینی بنایا۔ بینک کا ایڈوائس ٹوڈا پاؤٹ ریشو (ADR)، 30 ستمبر، 2018 تک 62 فیصد پر برقرار رہا۔ بینک کی توجہ بدستور ایک اعلیٰ معیار کا متنوع فنانسنگ پورٹ فولیو قائم کرنے پر مرکوز ہے۔ بینک کی غیر فعال فنانسنگز کی شرح 2 فیصد سے کم ہے جو بینکاری صنعت کی کم ترین شرحوں میں سے ایک ہے جبکہ مجموعی طور پر بینکاری صنعت میں یہ شرح اوسطاً 8 فیصد ہے۔ بینک کی غیر فعال فنانسنگز پورٹ فولیو کی مدد میں 132 فیصد کو ریشو کے ساتھ پروویڈنزی کی تسلی بخش شرح برقرار رکھی ہے۔ ایک متنوع پروڈکٹ - بیس کا حامل ہونے کی حیثیت سے بینک اپنے صارفین کی تمام مالیاتی ضروریات کی تکمیل کی صلاحیت رکھتا ہے۔

اضافی کلوڈ پیٹی کی تقسیم کے لئے حکومت پاکستان کے اجارہ صکوک کی دستیابی اسلامی بینکوں کے لئے بدستور ایک چیلنج ہے۔ جون، 2017 کے بعد سے حکومت پاکستان نے نئے اجارہ صکوک جاری نہیں کئے جس سے پاکستان میں اسلامی بینکاری کی صنعت پر منفی اثرات مرتب ہوئے، تاہم ہمیں یقین دہانی کروائی گئی ہے کہ اسٹیٹ بینک آف پاکستان اور وزارت خزانہ اس مسئلے کو ترجیحی بنیادوں پر حل کرنے کی کوشش کر رہی ہے اور ہمیں توقع ہے کہ رواں سال کے باقی ماندہ حصے میں نئے اجارہ صکوک جاری کئے جائیں گے۔ بیج مغل کے تحت سرمایہ کاری اور تعین دسمبر، 2017 کے 266 ارب روپے کے مقابلے میں بڑھ کر 308 ارب روپے ہو گیا۔

بینک کی جمع شدہ رقوم (Deposit) دسمبر، 2017 سے 6 فیصد اضافے کے بعد 711 ارب روپے رہیں۔ بینکاری صنعت میں مسابقت کے زبردست رجحان کے باوجود بینک نے نہ صرف اپنی جمع شدہ رقوم میں اضافہ کیا بلکہ مضبوط تعلقاتی انتظام کاری اور صارفین کو بہتر خدمات کی فراہمی کے ذریعے فنڈز کی موزوں لاگت بھی برقرار رکھی۔ بینک نے 160 شہروں میں 610 برانچوں کے وسیع نیٹ ورک کے ساتھ جمع شدہ رقوم کے اعتبار سے (اسلامی اور روایتی بینکوں کے درمیان) پاکستان کے سائو بڑے بینک ہونے کا اعزاز بھی برقرار رکھا ہے۔

جنوری، 2018 میں اسٹیٹ بینک نے اپنا مالیاتی پالیسی مؤقف تبدیل کر دیا اور پالیسی شرح (شرح ہدف) میں مجموعی طور پر 2.75 فیصد کا اضافہ کیا جس کے بعد پالیسی شرح اکتوبر، 2018 میں 8.5 فیصد پر پہنچ گئی۔ بینک کی تنوین (Provisions) سے قبل خالص آمدنی میں 27 فیصد کا اضافہ ہوا جس کی بنیادی وجہ آمدنی پیدا کرنے والے اثاثوں پر بینک کی مسلسل توجہ تھی۔ بینک کی فیس اور کمیشن کی آمدنی میں 20 فیصد اضافہ کی وجہ تجارتی فنانس کے کاروبار میں ترقی تھی جس میں گزشتہ سال کی اسی مدت کے مقابلے میں 42 فیصد کا اضافہ ریکارڈ کیا گیا۔ بینک تجارتی فنانس کو مرکزی کاروباری سرگرمی تصور کرتا ہے کیونکہ اس سے نہ صرف تجارت سے متعلق فیس، زر مبادلہ اور دیگر ذیلی آمدنی حاصل ہوتی ہے بلکہ ہمارے کرنٹ اکاؤنٹس ہیلنس میں بھی بہتری آتی ہے جو بینک کی مجموعی منافع کاری میں معاون ثابت ہوتی ہے۔

انتظامی اور عملیاتی اخراجات 12,466 ملین روپے سے بڑھ کر 14,114 ملین روپے ہو گئے جس کی بنیادی وجہ بڑھتی ہوئی افراط زر کی شرح اور عملے پر ہونے والے اخراجات، کرائے اور نئی برانچوں سے متعلق اخراجات ہیں، تاہم یہ ایک سرمایہ کاری ہے جو بینک کے لئے ٹھرا اور ثابت ہوئی ہے، جیسا کہ گزشتہ برسوں میں جمع شدہ رقوم اور بینک کے منافع میں ہونے والے اضافے سے اس کی تصدیق ہوتی ہے۔ اخراجات میں ہونے والے اضافے نے پورا کیا ہے جسے گزشتہ سال کی اسی مدت کے مقابلے میں اکرم ایفیشنسی ریشو (Income Efficiency Ratio) میں بہتری کی صورت میں دیکھا جاسکتا ہے۔

اسٹیٹ بینک آف پاکستان نے جمع شدہ رقوم کے تحفظ کا طریقہ کار (Deposit Protection Mechanism) متعارف کروایا ہے جو یکم جولائی، 2018 سے نافذ العمل ہے جس کے تحت تمام شیڈڈ بینکوں کے لئے لازم ہے کہ وہ اپنی متعلقہ ”مجموعی قانونی جمع شدہ رقوم“ (Aggregate Eligible Deposits) کے 0.16 فیصد کے برابر سالانہ پریمیم ادا کریں۔ نتیجتاً بینک نے 30 ستمبر، 2018 کو ختم ہونے والی سہ ماہی میں 217 ملین روپے کی ادائیگی کی۔

فنانس ایکٹ 2018 کے ذریعے ون ٹائم سپرنٹنڈنٹ کی اطلاقیت میں مزید توسیع کی گئی جو بینکوں کی قابل محصول آمدنی (Taxable Income) پر 4 فیصد کے حساب سے ٹیکس سال 2015 کے لئے نافذ کیا گیا تھا۔ اس کے نتیجے میں 30 ستمبر، 2018 کو ختم ہونے والے نو ماہ میں 459 ملین روپے کا اضافی ٹیکس چارج ہوا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے، جو جاپان کریڈٹ ریٹنگ ایجنسی سے الحاق شدہ ہے، بینک کی کریڈٹ ریٹنگ بڑھادی ہے جو درج ذیل کے مطابق ہے:

ریٹنگ کی نوعیت	سابقہ کریڈٹ ریٹنگ	اپ گریڈ کریڈٹ ریٹنگ
ادارے کی طویل المیعاد ریٹنگ	ڈبل اے (AA)	ڈبل اے پلس (AA+)
ادارے کی قلیل المیعاد ریٹنگ	اے ون پلس (A1+)	اے ون پلس (A1+)
اضافی Tier I صکوک ریٹنگ	قابل اطلاق نہیں	ڈبل اے مائنس (AA-)
ثانوی Tier II صکوک ریٹنگ	ڈبل اے مائنس (AA-)	ڈبل اے (AA)

JCR/VIS نے بینک کی قلیل المیعاد ریٹنگ اے ون پلس (A1+) کی مستحکم آثار کے ساتھ دوبارہ توثیق کی ہے جو کہ قلیل المدت کی بلند ترین ریٹنگ ہے۔ یہ ریٹنگ بینک کی مستحکم کارکردگی کے اشاروں کی تصدیق کرتی ہیں۔

میزان بینک کا بورڈ اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور ہمارے شریعہ سپروائزر بورڈ کا ان کی مسلسل معاونت اور رہنمائی کے لئے تہہ دل سے مشکور ہے۔ اس موقع پر ہم اپنے محزز صارفین کی سرپرستی، اپنے شیئرز، ہولڈرز، اضافی Tier I اور ثانوی Tier II صکوک ہولڈرز کے مسلسل تعاون اور اپنے ملازمین کی مسلسل جدوجہد کے لئے ان کا شکریہ ادا کرتے ہیں جنہوں نے میزان بینک کو کامیابی کی ان بلندیوں سے ہمکنار کیا۔ سب سے بڑھ کر ہم اللہ سبحانہ تعالیٰ کے بے حد شکر گزار ہیں جس کی رحمت کے باعث بینک نے نہایت مختصر عرصے میں اتنی شاندار ترقی کی اور ہم دعا گو ہیں کہ اللہ تعالیٰ ہمیں حوصلہ اور دانائی عطا کرے کہ ہم اسلامی بینکاری کو بینکاری کا پہلا انتخاب بنانے کے اپنے خواب کو تعبیر کی نئی بلندیوں سے ہمکنار کر سکیں۔

(منجانب بورڈ)

عرفان صدیقی
صدر اور CEO

ریاض ایس۔ اے۔ اے اور ایس
چیئرمین

کراچی:

24 اکتوبر، 2018

**CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	57,839,425	64,556,170
Balances with other banks	8	4,678,672	4,895,816
Due from financial institutions - net	9	186,095,832	147,229,221
Investments - net	10	121,442,921	119,238,246
Islamic financing and related assets - net	11	441,018,135	420,029,088
Operating fixed assets	12	13,063,536	11,875,358
Deferred tax assets		897,718	-
Other assets - net		17,384,346	13,875,297
		842,420,585	781,699,196
LIABILITIES			
Bills payable		12,036,039	11,168,093
Due to financial institutions		41,898,437	36,813,295
Deposits and other accounts	13	711,237,340	673,187,807
Sub-ordinated Sukuk	14	14,000,000	7,000,000
Deferred tax liabilities		-	8,182
Other liabilities		25,811,530	18,444,426
		804,983,346	746,621,803
NET ASSETS		37,437,239	35,077,393
REPRESENTED BY			
Share capital	15	10,629,022	10,629,022
Reserves		15,681,225	13,368,809
Unappropriated profit		11,352,761	10,340,589
		37,663,008	34,338,420
(Deficit) / Surplus on revaluation of investments - net of tax	16	(225,769)	738,973
		37,437,239	35,077,393
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Note	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017
Rupees in '000					
Profit / return earned on Islamic financing and related assets, investments and placements	18	11,770,027	32,746,240	9,206,174	26,150,307
Profit on deposits and other dues expensed	19	5,121,117	13,618,477	3,866,934	11,099,758
Net spread earned		6,648,910	19,127,763	5,339,240	15,050,549
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	11.8	(9,720)	102,844	(68,639)	(90,005)
Provision against diminution in the value of investments	10.3	81,124	91,660	229,556	358,137
Provision against off-balance sheet obligations		-	1,820	-	-
Bad debts written off directly		464	464	-	-
		71,868	196,788	160,917	268,132
Net spread after provisions		6,577,042	18,930,975	5,178,323	14,782,417
OTHER INCOME					
Fee, commission and brokerage income		1,190,703	3,733,594	1,037,789	3,112,931
Dividend income		56,653	424,901	41,855	585,766
Income from dealing in foreign currencies		260,879	974,922	369,904	815,715
Capital gain on sale of investments - net		89,407	95,900	32,219	739,279
Other income		96,552	275,283	74,698	207,593
Total other income		1,694,194	5,504,600	1,556,465	5,461,284
		8,271,236	24,435,575	6,734,788	20,243,701
OTHER EXPENSES					
Administrative expenses		4,695,049	13,868,841	4,252,465	12,238,419
Other (reversal of provisions) / provisions		(5,087)	(14,612)	19,708	11,385
Other charges		1,556	2,361	106	10,374
Workers Welfare Fund		98,229	257,050	72,786	185,377
Total other expenses		4,789,747	14,113,640	4,345,065	12,445,555
		3,481,489	10,321,935	2,389,723	7,798,146
Extraordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		3,481,489	10,321,935	2,389,723	7,798,146
Taxation - Current	20	1,424,572	4,460,790	964,153	3,176,639
- Prior years		-	-	-	344,016
- Deferred		(64,357)	(386,424)	(128,490)	(439,794)
		1,360,215	4,074,366	835,663	3,080,861
PROFIT AFTER TAXATION		2,121,274	6,247,569	1,554,060	4,717,285
Rupees					
Restated					
Basic and diluted earnings per share	21	2.00	5.88	1.51	4.58

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Note	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017
		Rupees in '000			
Profit after taxation for the period		2,121,274	6,247,569	1,554,060	4,717,285
Other comprehensive income		-	-	-	-
Comprehensive income transferred to statement of changes in equity		2,121,274	6,247,569	1,554,060	4,717,285
<i>Components of comprehensive income not reflected in equity</i>					
Items that may be reclassified to profit and loss account					
Deficit on revaluation of investments	16	(881,611)	(1,484,218)	(1,057,491)	(2,132,163)
Deferred tax on revaluation of investments	16	308,564	519,476	370,122	746,257
		(573,047)	(964,742)	(687,369)	(1,385,906)

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
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Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

			Capital reserves				General reserve		
	Share capital	Advance against right issue	Share premium	Reserve for Issuance of Bonus Share	Statutory reserve *	Non-Distributable Capital Reserve Gain on Bargain Purchase	Revenue reserve	Unappropriated profit	Total
	Rupees in '000								
Balance as at January 1, 2017	10,027,379	-	-	-	6,515,372	3,117,547	66,766	8,422,009	28,149,073
Total comprehensive income for the period									
Profit after taxation for the nine months period ended September 30, 2017	-	-	-	-	-	-	-	4,717,285	4,717,285
Transactions with owners recognised directly in equity									
Final cash dividend for the year 2016	-	-	-	-	-	-	-	(1,253,422)	(1,253,422)
Interim cash dividend for the year 2017	-	-	-	-	-	-	-	(1,754,791)	(1,754,791)
Advance against right issue	-	2,842,395	-	-	-	-	-	-	2,842,395
Other appropriations									
Transfer to statutory reserve	-	-	-	-	943,457	-	-	(943,457)	-
Balance as at September 30, 2017	10,027,379	2,842,395	-	-	7,458,829	3,117,547	66,766	9,187,624	32,700,540
Total comprehensive income for the quarter									
Profit after taxation for the quarter ended December 31, 2017	-	-	-	-	-	-	-	1,595,482	1,595,482
Remeasurement on defined benefit plan - net of tax	-	-	-	-	-	-	-	(123,421)	(123,421)
Transactions with owners recognised directly in equity									
Advance against right issue	-	165,819	-	-	-	-	-	-	165,819
Issue of right shares	601,643	(3,008,214)	2,406,571	-	-	-	-	-	-
Other appropriations									
Transfer to statutory reserve	-	-	-	-	319,096	-	-	(319,096)	-
Balance as at December 31, 2017	10,629,022	-	2,406,571	-	7,777,925	3,117,547	66,766	10,340,589	34,338,420
Total comprehensive income for the period									
Profit after taxation for the nine months period September 30, 2018	-	-	-	-	-	-	-	6,247,569	6,247,569
Transactions with owners recognised directly in equity									
Final cash dividend for the year 2017	-	-	-	-	-	-	-	(1,328,628)	(1,328,628)
Interim cash dividend for the year 2018	-	-	-	-	-	-	-	(1,594,353)	(1,594,353)
Transfer to reserve for issue of bonus shares	-	-	-	1,062,902	-	-	-	(1,062,902)	-
Other appropriations									
Transfer to statutory reserve	-	-	-	-	1,249,514	-	-	(1,249,514)	-
Balance as at September 30, 2018	10,629,022	-	2,406,571	1,062,902	9,027,439	3,117,547	66,766	11,352,761	37,663,008

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

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Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

**CONDENSED INTERIM UNCONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	Nine months period ended September 30, 2018	Nine months period ended September 30, 2017
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		10,321,935	7,798,146
Less: Dividend income		(424,901)	(585,766)
		<u>9,897,034</u>	<u>7,212,380</u>
Adjustments for non-cash charges			
Depreciation		1,125,261	1,090,093
Amortization		164,268	123,875
Provision / (reversals of provision) against non-performing Islamic financing and related assets - net		102,844	(90,005)
Provision against diminution in the value of investments		91,660	358,137
Provision against off-balance sheet obligations		1,820	-
Bad debts written off directly		464	-
Gain on sale of operating fixed assets		(55,576)	(58,796)
		<u>1,430,741</u>	<u>1,423,304</u>
		<u>11,327,775</u>	<u>8,635,684</u>
(Increase) / decrease in operating assets			
Due from financial institutions		(38,866,611)	(17,898,521)
Islamic financing and related assets		(21,092,355)	(46,401,079)
Other assets - net		(3,477,842)	(2,897,318)
		<u>(63,436,808)</u>	<u>(67,196,918)</u>
Increase / (decrease) in operating liabilities			
Bills payable		867,946	906,833
Due to financial institutions		5,085,142	(971,472)
Deposits and other accounts		38,049,533	43,207,770
Other liabilities		4,653,309	2,224,324
		<u>48,655,930</u>	<u>45,367,455</u>
		<u>(3,453,103)</u>	<u>(13,193,779)</u>
Income tax paid		(3,349,870)	(2,498,002)
Net cash used in operating activities		<u>(6,802,973)</u>	<u>(15,691,781)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(3,780,553)	11,697,679
Dividends received		393,694	556,692
Investments in operating fixed assets		(2,518,877)	(4,009,309)
Proceeds from disposal of operating fixed assets		96,746	99,924
Net cashflow (used in) / generated from investing activities		<u>(5,808,990)</u>	<u>8,344,986</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of Sub-ordinated Additional Tier I Sukuk		7,000,000	-
Advance received against right issue		-	2,842,395
Dividends paid		(1,321,926)	(2,977,996)
Net cashflow generated from / (used in) financing activities		<u>5,678,074</u>	<u>(135,601)</u>
Net decrease in cash and cash equivalents		<u>(6,933,889)</u>	<u>(7,482,396)</u>
Cash and cash equivalents at the beginning of the period		69,451,986	68,058,200
Cash and cash equivalents at the end of the period	22	<u>62,518,097</u>	<u>60,575,804</u>

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Bank Limited (the Bank) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984), and its shares are quoted on the Pakistan Stock Exchange Limited. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. The 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.
- 1.2** The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.
- 1.3** The Bank was operating through six hundred and ten branches as at September 30, 2018 (December 31, 2017: six hundred and one branches). Its registered office is at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.
- 1.4** Based on the financial statements of the Bank for the year ended December 31, 2017, the JCR-VIS Credit Rating Company Limited has upgraded the Bank's long-term rating to 'AA+' from 'AA' and reaffirmed the short-term rating as 'A1+' with stable outlook.

2 BASIS OF PRESENTATION

The Bank provides Islamic financing and related assets mainly through Murabaha, Istisna, Tijarah, Ijarah, Musharakah, Diminishing Musharakah, Running Musharakah, Bai Muajjal, Musawammah, Wakalah Tul Istithmar, Export Refinance under Islamic Export Refinance Scheme and Service Ijarah.

The purchases and sales arising under these arrangements are not reflected in this condensed interim unconsolidated financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such Islamic financing is recognised in accordance with the principles of the Islamic Shariah. However, income, if any, received which does not comply with the principles of the Islamic Shariah is recognised as charity payable, if so directed by the Resident Shariah Board Member of the Bank.

3 STATEMENT OF COMPLIANCE

- 3.1** This condensed interim financial information have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB),
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act 2017,
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

Wherever the requirements of provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and directives issued by the SECP and the SBP differ from the requirements of IAS 34 or IFAS, the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP have been followed.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

- 3.2** The disclosures made in this condensed interim unconsolidated financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for a full set of annual financial statements and this condensed interim unconsolidated financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2017.

3.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

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

4 BASIS OF MEASUREMENT

- 4.1** This condensed interim unconsolidated financial information has been prepared under the historical cost convention except that certain investments, foreign currency balances, Non-banking assets acquired in satisfaction of claims and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP. In addition, obligation in respect of staff retirement benefit and employees compensated leave balances are carried at present value.

4.2 Functional and presentation currency

This condensed interim unconsolidated financial information has been presented in Pakistani Rupee, which is the Bank's functional and presentation currency.

4.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017 except for change in useful lives of computer equipment as disclosed in note 12.1 to this condensed interim financial information.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
7 CASH AND BALANCES WITH TREASURY BANKS		Rupees in '000	
In hand			
- local currency		11,662,198	16,244,335
- foreign currencies		1,926,345	2,515,745
With the State Bank of Pakistan in			
- local currency current accounts	7.1	31,955,852	25,011,106
- foreign currency current accounts	7.1	4,633,189	4,100,803
With National Bank of Pakistan in			
- local currency current accounts		7,661,841	16,684,181
		<u>57,839,425</u>	<u>64,556,170</u>

7.1 These represent local and foreign currency amounts required to be maintained by the Bank with the SBP as stipulated by the SBP. These accounts are non-remunerative in nature.

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
8 BALANCES WITH OTHER BANKS		Rupees in '000	
In Pakistan			
- in current accounts		3,993,552	3,699,377
Outside Pakistan			
- in current accounts		641,257	1,084,534
- in deposit accounts	8.1	43,863	111,905
		<u>4,678,672</u>	<u>4,895,816</u>

8.1 The return on these balances is around 0.85% (December 31, 2017: 0.58%) per annum.

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
9 DUE FROM FINANCIAL INSTITUTIONS - NET		Rupees in '000	
Bai Muajjal:			
With Scheduled banks / other financial institutions - Secured	9.1	180,595,832	142,229,221
With Other Banks		15,500	15,500
		<u>180,611,332</u>	<u>142,244,721</u>
Musharakah - Secured	9.2	5,000,000	5,000,000
Musharakah - Unsecured	9.3	500,000	-
Commodity Murabaha		26,066	26,066
		<u>186,137,398</u>	<u>147,270,787</u>
Provision against non-performing amounts due from financial institutions		(41,566)	(41,566)
		<u>186,095,832</u>	<u>147,229,221</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

- 9.1** The average return on this product is 6.46% (December 31, 2017: 5.80%) per annum. The balances have maturities ranging between October 2018 to April 2019 (December 31, 2017: January 2018 to November 2018).
- 9.2** The average return on this product is 5.83% (December 31, 2017: 5.83%) per annum and are due to mature latest by November 2018 (December 31, 2017: November 2018).
- 9.3** The average return on this product is 7.95% per annum and is due to mature latest by October 2018.

10 INVESTMENTS - NET

	Note	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
		Held by the bank	Given as collateral	Total	Held by the bank	Given as collateral	Total
		Rupees in '000					
10.1 Investments by types							
Available for sale securities		93,951,549	-	93,951,549	89,110,996	-	89,110,996
Held to maturity securities		28,000,000	-	28,000,000	28,000,000	-	28,000,000
In related parties							
Subsidiary (unlisted)		63,050	-	63,050	63,050	-	63,050
Associates (listed)		834,761	-	834,761	1,894,761	-	1,894,761
Investments at cost / carrying value		122,849,360	-	122,849,360	119,068,807	-	119,068,807
Less: Provision against diminution in value of investments	10.3	(1,059,104)	-	(1,059,104)	(967,444)	-	(967,444)
Investments - net of provision		121,790,256	-	121,790,256	118,101,363	-	118,101,363
(Deficit) / Surplus on revaluation of available for sale securities	16	(347,335)	-	(347,335)	1,136,883	-	1,136,883
Total Investments		121,442,921	-	121,442,921	119,238,246	-	119,238,246

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
10.2 Investments by segments		Rupees in '000	
Federal Government Securities			
GoP Ijarah Sukuk		88,163,742	84,895,331
Sukuk certificates / bonds			
Sukuk Certificates		21,335,844	21,911,179
Global Sukuk Bonds		6,525,041	5,033,346
Fully paid up ordinary shares			
Listed companies		5,015,751	4,367,016
Unlisted companies			
- subsidiary		63,050	63,050
- others		861,171	854,124
Units of open end funds			
- associates		834,761	1,894,761
- others		50,000	50,000
Investment at cost / carrying value		122,849,360	119,068,807
Less: Provision against diminution in the value of investments	10.3	(1,059,104)	(967,444)
Investments (net of provision)		121,790,256	118,101,363
(Deficit) / Surplus on revaluation of available for sale securities	16	(347,335)	1,136,883
Investments		121,442,921	119,238,246

10.3 Provision against diminution in value of investments

Opening balance	967,444	380,712
Charge / (reversals) for the period / year		
On available for sale securities		
- charge for the period / year	242,389	605,434
- reversals for the period / year	(150,729)	(18,702)
	91,660	586,732
Closing balance	1,059,104	967,444

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
11 ISLAMIC FINANCING AND RELATED ASSETS - NET		Rupees in '000	
In Pakistan			
Murabaha financing and related assets			
- Murabaha financing	11.1	8,216,787	7,854,995
- Advances against Murabaha		5,531,774	6,487,946
- Murabaha inventory		3,786,835	4,573,868
- Financing under Islamic Export Refinance - Murabaha	11.2	141,393	599,862
- Advance against Islamic Export Refinance - Murabaha		170,090	236,121
		17,846,879	19,752,792
Running Musharakah financing			
- Running Musharakah financing		125,737,065	132,032,737
- Financing under Islamic Export Refinance - Running Musharakah		15,111,825	13,882,800
		140,848,890	145,915,537
Istisna financing and related assets			
- Istisna financing		2,610,931	2,432,621
- Istisna - advance		42,713,850	44,548,652
- Istisna inventory		3,793,846	3,352,093
- Financing under Islamic Export Refinance - Istisna		303,650	170,111
- Advances under Islamic Export Refinance - Istisna		3,746,571	5,489,701
- Financing under Islamic Export Refinance - Istisna - inventory		747,769	1,076,361
		53,916,617	57,069,539
Tijarah financing and related assets			
- Tijarah financing		714,273	498,305
- Tijarah inventory		5,557,704	7,213,736
- Islamic Export Refinance - Tijarah - financing		402,313	254,802
- Islamic Export Refinance - Tijarah - inventory		105,187	217,500
		6,779,477	8,184,343
Musawammah financing and related assets			
- Musawammah financing	11.3	7,115,950	6,468,792
- Musawammah Inventory		10,959,267	5,272,054
- Advances against Musawammah		8,225,444	7,523,238
- Financing under Islamic Export Refinance - Musawammah- financing	11.4	357,013	95,308
- Advances under Islamic Export Refinance - Musawammah		482,170	111,350
		27,139,844	19,470,742
Ijarah financing and related assets			
- Net investment in Ijarah		116,308	124,058
- Net book value of assets/investment in Ijarah under IFAS 2	11.5	42,091,607	31,019,341
		42,207,915	31,143,399
- Advances against Ijarah		7,705,446	5,389,253
		49,913,361	36,532,652

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	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		Rupees in '000	
Diminishing Musharakah financing and related assets			
- Diminishing Musharakah financing - Housing		13,500,874	11,991,953
- Diminishing Musharakah financing - Others		66,200,660	65,438,474
- Advances against Diminishing Musharakah		12,694,779	7,125,407
- Advances against Diminishing Musharakah Under SBP's ILTFF		96,191	-
		92,492,504	84,555,834
Musharakah financing		497,760	580,720
Wakalah financing		550,000	-
Wakalah Tul Istithmar financing		40,825,200	31,250,000
Bai Muajjal financing	11.6	569,632	705,642
Advances against Service Ijarah		2,500,000	3,000,000
Labbaik (Qard for Hajj and Umrah)		6,443	3,382
Financing against bills			
- Financing against bills - Salam		4,709,074	11,834,926
- Financing against bills - Murabaha - Advance		1,738	1,738
		4,710,812	11,836,664
Salam Financing and related assets			
- Salam financing		919,736	464,337
- Salam financing - inventory		37,338	77,200
- Salam financing - advances		4,327,389	3,595,916
		5,284,463	4,137,453
Staff financing		3,500,483	3,226,026
Other financing		2,543,056	2,612,204
Gross Islamic financing and related assets		449,925,421	428,833,530
Less: Provision against non-performing Islamic financing and related assets	11.8	(8,907,286)	(8,804,442)
Islamic financing and related assets - net of provisions		441,018,135	420,029,088

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	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Rupees in '000	
11.1 Murabaha receivable - gross	8,606,571	8,222,190
Less: Deferred income	(115,134)	(110,813)
Profit receivable shown in other assets	(274,650)	(256,382)
Murabaha Financing	8,216,787	7,854,995
11.2 Financing under Islamic Export Refinance - Murabaha - gross	147,671	613,210
Less: Deferred income	(885)	(1,848)
Profit receivable shown in other assets	(5,393)	(11,500)
Financing under Islamic Export Refinance - Murabaha	141,393	599,862
11.3 Musawammah financing - gross	7,389,400	6,688,479
Less: Deferred income	(130,581)	(107,833)
Profit receivable shown in other assets	(142,869)	(111,854)
Musawammah financing	7,115,950	6,468,792
11.4 Financing under Islamic Export Refinance - Musawammah	361,830	96,526
Less: Deferred income	(3,167)	(604)
Profit receivable shown in other assets	(1,650)	(614)
Financing under Islamic Export Refinance - Musawammah	357,013	95,308
11.5 Net book value of assets / investments in Ijarah under IFAS 2 is net of accumulated depreciation of Rs 22,622 million (December 31, 2017: Rs 16,118 million).		
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Rupees in '000	
11.6 Bai Muajjal financing - gross	615,345	773,092
Less: Deferred income	(37,948)	(33,689)
Profit receivable shown in other assets	(7,765)	(33,761)
Bai Muajjal financing	569,632	705,642

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11.7 Islamic financing and related assets include Rs 6,746 million (December 31, 2017: Rs 6,606 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2018 (Unaudited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other Assets Especially Mentioned	44,577	-	44,577	1,035	1,035
Substandard	121,860	-	121,860	22,530	22,530
Doubtful	65,445	-	65,445	25,205	25,205
Loss	6,513,961	-	6,513,961	6,480,805	6,480,805
	<u>6,745,843</u>	<u>-</u>	<u>6,745,843</u>	<u>6,529,575</u>	<u>6,529,575</u>

Category of classification	December 31, 2017 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other Assets Especially Mentioned	10,845	-	10,845	-	-
Substandard	176,553	-	176,553	40,636	40,636
Doubtful	16,588	-	16,588	6,068	6,068
Loss	6,402,143	-	6,402,143	6,380,027	6,380,027
	<u>6,606,129</u>	<u>-</u>	<u>6,606,129</u>	<u>6,426,731</u>	<u>6,426,731</u>

11.8 Particulars of provision against non-performing Islamic Financing and related assets:

	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	6,426,731	2,377,711	8,804,442	6,592,203	1,494,391	8,086,594
Charge for the period / year	276,242	-	276,242	116,422	883,320	999,742
Less: Reversals for the period / year	(173,398)	-	(173,398)	(279,553)	-	(279,553)
	102,844	-	102,844	(163,131)	883,320	720,189
Amount written off	-	-	-	(2,341)	-	(2,341)
Closing balance	<u>6,529,575</u>	<u>2,377,711</u>	<u>8,907,286</u>	<u>6,426,731</u>	<u>2,377,711</u>	<u>8,804,442</u>

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- 11.9** The Bank maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by the SBP.

In addition, the Bank has also maintained a general provision of Rs 1,975 million (December 31, 2017: Rs 1,975 million) against financing, made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

- 11.10** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. The accumulated benefit availed as at September 30, 2018 amounts to Rs 13.7 million (December 31, 2017: Rs 8.3 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs 8.9 million as at September 30, 2018 (December 31, 2017: Rs 5.4 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Rupees in '000	
12 OPERATING FIXED ASSETS		
Capital work-in-progress	1,449,640	562,887
Property and equipment	11,062,396	10,832,759
	<u>12,512,036</u>	<u>11,395,646</u>
Intangible assets	551,501	479,712
	<u>13,063,537</u>	<u>11,875,358</u>
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	Rupees in '000	
Additions to fixed assets - at cost	2,518,877	4,009,309
Disposals of fixed assets - at cost	199,327	270,640

- 12.1** During the period ended September 30, 2018, the Bank has revised its estimate of the useful lives of "Computer Equipments". Previously, computer equipments were depreciated over period of 3 to 5 years and now these are being depreciated over 5 years. The revision takes into account the expected pattern of economic benefits associated with the use of computer equipments and has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of computer equipments not been made, the related depreciation expense for the period would have been higher by Rs. 97.908 million and consequently profit before tax would have been lower by the same amount.

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	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		Rupees in '000	
13 DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Fixed deposits		171,389,952	167,981,117
- Savings deposits		273,522,502	258,421,153
- Current accounts - non-remunerative		258,457,460	236,032,293
- Margin		3,425,025	5,513,350
		706,794,939	667,947,913
Financial institutions			
- Remunerative deposits		3,333,226	4,870,558
- Non-remunerative deposits		1,109,175	369,336
		4,442,401	5,239,894
		711,237,340	673,187,807
13.1 Particulars of deposits			
In			
- local currency		669,580,657	635,551,382
- foreign currencies		41,656,683	37,636,425
		711,237,340	673,187,807
14 SUB-ORDINATED SUKUK			
Additional Tier I Sukuk	14.1	7,000,000	-
Tier II Sukuk	14.2	7,000,000	7,000,000
		14,000,000	7,000,000

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- 14.1** In August 2018, the Bank issued regulatory Shariah compliant perpetual, unsecured, subordinated privately placed Additional Tier I Sukuk based on Mudaraba of Rs. 7,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

Credit Rating	AA- (Double A Minus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual
Profit payment frequency	Monthly in arrears.
Redemption	Perpetual
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 9.64% per annum.
Call Option	The Bank may call Additional Tier I Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Additional Tier I Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Additional Tier I Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

- 14.2** In 2016, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba of Rs. 7,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

Credit Rating	AA (Double A) by JCR-VIS Credit Rating Company Limited.
Tenor	10 years from the issue date.
Profit payment frequency	Semi-annually in arrears.
Redemption	Bullet payment at the end of the tenth year.
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 8.55% per annum.
Call Option	The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

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15 SHARE CAPITAL

15.1 Authorised capital

September 30, 2018	December 31, 2017		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Number of Shares			Rupees in '000	
2,000,000,000	2,000,000,000	Ordinary shares of Rs. 10 each	20,000,000	20,000,000

15.2 Issued, subscribed and paid-up capital

September 30, 2018	December 31, 2017			
Number of Shares				
516,517,908	516,517,908	Ordinary Shares	5,165,179	5,165,179
546,384,260	546,384,260	Fully paid in cash	5,463,843	5,463,843
		Issued as bonus shares		
1,062,902,168	1,062,902,168		10,629,022	10,629,022

16 (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS

Quoted shares / units of mutual fund	541,764	858,330
GOP Ijarah sukuk / Global sukuk bonds	(889,099)	278,553
	(347,335)	1,136,883
Less: Deferred tax asset / (liability)	121,566	(397,910)
	(225,769)	738,973

17 CONTINGENCIES AND COMMITMENTS

17.1 Direct credit substitutes

Guarantee favoring		
- Government	57,520	20,235
- Banks	349,211	349,211
- Others	6,510,800	-
	6,917,531	369,446

17.2 Transaction related contingent liabilities

Guarantee favoring		
- Government	15,161,638	12,306,548
- Banks	466,189	653,233
- Others	5,613,726	3,583,442
	21,241,553	16,543,223

17.3 Trade related contingent liabilities

Import letters of credit	78,072,228	66,003,500
Acceptances	13,270,261	7,144,255
	91,342,489	73,147,755

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17.4 The Income Tax Department has amended the deemed assessment orders of the Bank for prior years including the tax year 2017. The additions / disallowances were mainly due to allocation of expenses relating to dividends and capital gain, allowability of provision against loans and advances, provision against investments and provision against other assets. In the amended order for tax year 2015, additional issues with respect to the taxability of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East - Pakistan Branches have also been raised. The Bank has obtained stay order from the High Court of Sindh against the demands raised through the amended order for the tax year 2015. Both the Bank and the department have filed appeals with the Appellate Authorities in respect of the aforementioned matters.

The management of the Bank, in consultation with its tax advisors, is confident that the decision in respect of the above matters would be in Bank's favour and accordingly no provision has been made in these condensed interim unconsolidated financial information with respect thereto. The additional tax liability in respect of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East - Pakistan Branches is Rs 1,096 million and Rs 706 million respectively.

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Rupees in '000	
17.5 Commitments in respect of forward exchange contracts		
Purchases	<u>62,412,354</u>	<u>75,272,094</u>
Sales	<u>36,195,656</u>	<u>49,286,572</u>
17.6 Commitments for the acquisition of operating fixed assets	<u>303,749</u>	<u>202,293</u>
17.7 Commitments in respect of Islamic financing and related assets	<u>187,217,034</u>	<u>139,288,755</u>
17.8 Other commitments		
Bills for collection (inland)	100,875	125,354
Bills for collection (foreign)	<u>40,940,427</u>	<u>38,774,344</u>
	<u>41,041,302</u>	<u>38,899,698</u>

	Note	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
		Rupees in '000	
18 PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS			
On financings to:			
- Customers	18.1	<u>19,879,501</u>	15,297,709
On investments in:			
- Available for sale securities		<u>3,396,229</u>	3,343,874
- Held to maturity securities		<u>1,170,684</u>	1,170,684
On deposits with financial institutions		<u>8,299,825</u>	6,338,040
		<u>32,746,239</u>	<u>26,150,307</u>

18.1 The include income on Ijarah under IFAS II which is net off takaful expense of Rs 967 million (September 30, 2017: Rs 685 million) recovered from customers.

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	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	Rupees in '000	
19 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	12,064,339	9,708,314
Other Musharakah / Modaraba / Murabaha	1,554,138	1,391,444
	<u>13,618,477</u>	<u>11,099,758</u>

20 TAXATION

The Finance Act 2018 has revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for tax years 2019, 2020 and 2021 at the rate of 4%, 3% and 2% respectively on the taxable income for respective years. Accordingly the bank has recognized super tax charge of Rs 459.342 million in the current period which is determined at the applicable tax rate of 4 percent on taxable income for the period.

	Note	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
		Rupees in '000	
21 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the period		<u>6,247,569</u>	<u>4,717,285</u>
		Number	
Weighted average number of ordinary shares		<u>1,062,902,168</u>	<u>1,029,187,450</u>
		Rupees	
			Restated
Basic earnings per share	21.1	<u>5.88</u>	<u>4.58</u>

21.1 There were no convertible dilutive potential ordinary shares outstanding on September 30, 2018 and September 30, 2017.

	Note	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
		Rupees in '000	
22 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	57,839,425	56,885,375
Balances with other banks	8	4,678,672	3,690,429
		<u>62,518,097</u>	<u>60,575,804</u>

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23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

September 30, 2018 (Unaudited)				
RECURRING FAIR VALUE MEASUREMENTS	Level 1	Level 2	Level 3	Total
INVESTMENTS - NET	Rupees in '000			
<i>Financial Assets</i>				
<i>Available for sale securities</i>				
Ordinary shares - listed	4,761,415	-	-	4,761,415
Units of open end fund	50,480	-	-	50,480
GOP Sukuks	-	59,368,894	-	59,368,894
PIA Sukuk	-	1,500,000	-	1,500,000
Global Sukuk Bonds	6,430,830	-	-	6,430,830
Forward purchase of foreign exchange contracts	-	62,715,165	-	62,715,165
Forward sale of foreign exchange contracts	-	36,380,473	-	36,380,473

December 31, 2017 (Audited)				
RECURRING FAIR VALUE MEASUREMENTS	Level 1	Level 2	Level 3	Total
INVESTMENTS - NET	Rupees in '000			
<i>Financial Assets</i>				
<i>Available for sale securities</i>				
Ordinary shares - listed	4,526,079	-	-	4,526,079
Units of open end fund	50,939	-	-	50,939
GOP Sukuks	-	57,151,526	-	57,151,526
PIA Sukuk	-	1,500,000	-	1,500,000
Global Sukuk Bonds	5,055,704	-	-	5,055,704
Forward purchase of foreign exchange contracts	-	75,547,124	-	75,547,124
Forward sale of foreign exchange contracts	-	49,494,849	-	49,494,849

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GoP Sukuk and PIA Sukuk	The fair value of GoP Ijarah Sukuk and PIA Sukuk quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined/ approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

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24 SEGMENT DETAILS

The segment analysis with respect to business activity is as follows:-

	Corporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Agency Services	Total
Rupees in '000						
September 30, 2018 (Unaudited)						
Total income	1,315,359	13,648,990	8,536,595	14,737,198	12,698	38,250,840
Total expenses	(1,071,672)	(11,721,531)	(6,896,880)	(12,305,120)	(8,068)	(32,003,271)
Net income	243,687	1,927,459	1,639,715	2,432,078	4,630	6,247,569
Segment assets	21,652,323	360,539,651	130,149,232	330,079,379	-	842,420,585
Segment non performing assets	176,051	924,620	1,715,200	5,076,161	-	7,892,032
Segment provision held *	176,051	924,620	2,474,868	6,477,935	-	10,053,474
Segment liabilities	702,860	29,813,503	748,008,355	26,458,628	-	804,983,346
Segment return on assets (ROA) (%)	1.51%	0.73%	1.82%	1.08%	-	-
Segment cost of funds (%)	2.48%	2.48%	2.48%	2.48%	-	-

September 30, 2017 (Unaudited)

Total income	1,274,725	12,338,890	5,804,737	12,182,278	10,961	31,611,591
Total expenses	(1,051,892)	(10,736,538)	(4,818,392)	(10,279,080)	(8,404)	(26,894,306)
Net income	222,833	1,602,352	986,345	1,903,198	2,557	4,717,285
Segment assets	21,475,605	310,887,189	98,387,624	275,416,514	-	706,166,932
Segment non performing assets	181,683	598,733	1,475,318	5,259,374	-	7,515,108
Segment provision held *	181,683	598,733	2,016,919	6,076,964	-	8,874,299
Segment liabilities	418,468	21,345,620	633,009,025	17,754,640	-	672,527,753
Segment return on assets (ROA) (%)	1.55%	0.69%	1.53%	1.00%	-	-
Segment cost of funds (%)	2.44%	2.44%	2.44%	2.44%	-	-

* Includes general provision

25 RELATED PARTY TRANSACTIONS

25.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies, retirement benefit funds, directors, and key management personnel and their close family members.

25.2 Banking transactions with related parties are entered in the normal course of business.

25.3 Subsidiary company:

- Al Meezan Investment Management Limited

25.4 Key management personnel:

- President and Chief Executive Officer
- Deputy Chief Executive Officer

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

25.5 Details of transactions with related parties and balances with them as at the period / year end are as follows:

	Total		Subsidiary		Associates		Key management personnel / Directors		Other related parties	
	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
Rupees in '000										
Islamic financing and related assets	595,105	776,443	-	99,939	595,105	676,504	-	-	-	-
Deposits	5,081,602	4,389,308	7,502	7,497	903,671	1,248,619	613,351	429,167	3,557,078	2,704,025
Investments	897,811	1,957,811	63,050	63,050	834,761	1,894,761	-	-	-	-
Sub-ordinated Sukuk	500,000	-	-	-	500,000	-	-	-	-	-
Other Balances										
Profit receivable on Islamic financing	13,848	11,044	-	816	13,848	10,228	-	-	-	-
Fee receivable	32,996	24,907	22,396	23,407	10,600	1,500	-	-	-	-
Payable to defined benefit plan	510,166	715,883	-	-	-	-	304,181	274,758	205,985	441,125
Accrued expenses	4,421	3,135	4,421	3,135	-	-	-	-	-	-
Letters of guarantee (unfunded)	100	100	100	100	-	-	-	-	-	-
Letters of Credit (unfunded)	35,744	29,851	-	-	35,744	29,851	-	-	-	-

Balances pertaining to parties that were related at the beginning of the period but ceased to be related during any part of the current period are not reflected as part of the closing balance. However, in case new related parties have been added during the period, the same are accounted for through the movement presented above.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

Total		Subsidiary		Associates		Key management personnel / Directors		Other related parties	
Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
(Unaudited)									
Rupees in '000									

Transactions, income and expenses

Profit earned on Investments / Islamic financing	36,215	142,469	2,378	-	33,837	142,469	-	-	-	-
Profit on deposits / borrowings expensed	183,471	141,925	942	818	36,164	27,052	10,533	9,012	135,832	105,043
Dividend income earned	260,000	472,612	260,000	260,000	-	212,612	-	-	-	-
Investments made	-	183,264	-	-	-	183,264	-	-	-	-
Capital gain - net	2,582	35,946	-	-	2,582	35,946	-	-	-	-
Charge for defined benefit plan	205,985	159,876	-	-	-	-	-	-	205,985	159,876
Contribution to defined contribution plan	202,627	178,337	-	-	-	-	-	-	202,627	178,337
Contribution to staff benevolent fund	19,395	18,133	-	-	-	-	-	-	19,395	18,133
Fees expensed	8,250	16,925	8,250	16,925	-	-	-	-	-	-
Fees and commission earned	133,452	230,768	76,449	85,935	57,003	144,833	-	-	-	-
Charity paid	14,000	5,000	-	-	-	-	-	-	14,000	5,000
Remuneration to the directors and key management personnel including fees to non-executive directors	157,296	145,597	-	-	-	-	157,296	145,597	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

26 RISK MANAGEMENT

The Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis and Net Stable Funding Ratio (NSFR) on quarterly basis as per SBP Basel III Liquidity Standards issued under BPRD Circular No. 08 dated June 23, 2016. As of September 30, 2018, Bank's LCR stood at 113% (December 31, 2017: 126%) against the SBP's minimum requirement of 90% while the NSFR stood at 141% (December 31, 2017: 133%) against the SBP's minimum requirement of 100%.

27 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in this condensed interim unconsolidated financial information, wherever necessary to facilitate comparison and better presentation.

28 DATE OF AUTHORISATION

This condensed interim unconsolidated financial information was authorised for issue on October 24, 2018 by the Board of Directors of the Bank.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION**

**CONDENSED INTERIM CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018**

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	57,839,740	64,556,409
Balances with other banks	4,723,212	4,940,090
Due from financial institutions - net	186,095,832	147,229,221
Investments - net	125,254,886	123,160,901
Islamic financing and related assets - net	441,018,135	419,929,149
Operating fixed assets	13,161,690	11,994,586
Deferred tax asset	718,201	-
Other assets - net	17,837,119	14,156,973
	846,648,815	785,967,329
LIABILITIES		
Bills payable	12,036,039	11,168,093
Due to financial institutions	41,898,437	36,813,295
Deposits and other accounts	711,229,838	673,180,310
Sub-ordinated sukuk	14,000,000	7,000,000
Deferred tax liabilities	-	230,787
Other liabilities	26,585,422	19,165,271
	805,749,736	747,557,756
NET ASSETS	40,899,079	38,409,573
REPRESENTED BY		
Share capital	10,629,022	10,629,022
Reserves	15,705,541	13,393,125
Unappropriated profit	13,738,823	12,563,156
	40,073,386	36,585,303
NON-CONTROLLING INTEREST	1,051,462	1,007,975
	41,124,848	37,593,278
(Deficit) / Surplus on revaluation of investments (including amount relating to share of profit from associates) - net of tax	(225,769)	816,295
	40,899,079	38,409,573

The annexed notes 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017
	Rupees in '000			
Profit / return earned on Islamic financing and related assets, investments and placements	11,771,657	32,748,995	9,208,216	26,156,936
Profit on deposits and other dues expensed	5,120,761	13,615,157	3,866,642	11,098,940
Net spread earned	6,650,896	19,133,838	5,341,574	15,057,996
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	(9,720)	102,844	(68,639)	(90,005)
Provision against diminution in the value of investments	81,124	91,660	229,556	358,137
Provision against off-balance sheet obligations	-	1,820	-	-
Bad debts written off directly	464	464	-	-
	71,868	196,788	160,917	268,132
Net spread after provisions	6,579,028	18,937,050	5,180,657	14,789,864
OTHER INCOME				
Fee, commission and brokerage income	1,566,298	4,926,720	1,491,771	4,575,093
Dividend income	56,653	164,901	41,855	132,726
Income from dealing in foreign currencies	260,879	974,922	369,904	815,715
Capital gain on sale of investments - net	80,897	37,119	31,396	874,703
Unrealised loss on held for trading investments	(756)	(1,530)	-	-
Other income	96,558	276,805	74,728	284,871
Total other income	2,060,529	6,378,937	2,009,654	6,683,108
	8,639,557	25,315,987	7,190,311	21,472,972
OTHER EXPENSES				
Administrative expenses	4,818,709	14,249,852	4,325,701	12,731,336
Other (reversal of provisions) / provisions	(5,087)	(14,612)	19,708	11,385
Other charges	1,556	2,361	106	10,374
Workers Welfare Fund	103,428	272,765	72,786	219,811
Total other expenses	4,918,606	14,510,366	4,418,301	12,972,906
	3,720,951	10,805,621	2,772,010	8,500,066
Share of results of associates before taxation	(75,128)	71,085	(443,998)	(650,885)
	3,645,823	10,876,706	2,328,012	7,849,181
Extraordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	3,645,823	10,876,706	2,328,012	7,849,181
Taxation				
- Current	1,505,590	4,753,885	1,116,353	3,552,834
- Prior years	-	-	(17,925)	373,600
- Deferred	(173,339)	(479,414)	(230,329)	(667,283)
	1,332,251	4,274,471	868,099	3,259,151
PROFIT AFTER TAXATION	2,313,572	6,602,235	1,459,913	4,590,030
Attributable to:				
Shareholders of the Holding company	2,269,549	6,416,059	1,463,872	4,474,087
Non-controlling interest	44,023	186,176	(3,959)	115,943
	2,313,572	6,602,235	1,459,913	4,590,030
	Rupees			
	Restated			
Basic and diluted earnings per share	2.14	6.04	1.42	4.35

The annexed notes 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017
	Rupees in '000			
Profit after tax for the period attributable to:				
Shareholders of the Holding company	2,269,549	6,416,059	1,463,872	4,474,087
Non-controlling interest	44,023	186,176	(3,959)	115,943
	<u>2,313,572</u>	<u>6,602,235</u>	<u>1,459,913</u>	<u>4,590,030</u>
Other Comprehensive income				
Item that may not be reclassified to profit and loss account				
Remeasurement of defined benefit plan - net of tax	-	(7,684)	-	(2,842)
Comprehensive income transferred to statement of changes in equity	<u>2,313,572</u>	<u>6,594,551</u>	<u>1,459,913</u>	<u>4,587,188</u>
Attributable to:				
Shareholders of the Holding company	2,269,549	6,411,064	1,463,872	4,472,240
Non-controlling interest	44,023	183,487	(3,959)	114,948
	<u>2,313,572</u>	<u>6,594,551</u>	<u>1,459,913</u>	<u>4,587,188</u>
Components of comprehensive income not reflected in equity				
Items that may be reclassified to profit and loss account				
Share in results of associates relating to investment classified as 'available for sale'	(23,723)	(27,420)	(48,419)	(70,060)
Deferred tax on share of results of associates	(51,196)	(49,902)	16,947	24,521
Deficit on revaluation of investments	(881,611)	(1,484,218)	(1,057,491)	(2,132,163)
Deferred tax on revaluation of investments	308,564	519,476	370,122	746,257
	<u>(647,966)</u>	<u>(1,042,064)</u>	<u>(718,841)</u>	<u>(1,431,445)</u>

The annexed notes 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

Share capital	Advance against right issue	Capital reserves				Revenue reserve	Unappropriated profit	Non controlling interest	Total
		Share premium	Reserve for Issuance of Bonus Share	Statutory reserve *	Non - Distributable Capital Reserve Gain on Bargain Purchase	General reserve			
Rupees in '000									
10,027,379	-	-	-	6,515,372	3,117,547	91,082	11,340,678	1,221,989	32,314,047
-	-	-	-	-	-	-	4,474,087	115,943	4,590,030
-	-	-	-	-	-	-	(1,847)	(995)	(2,842)
-	-	-	-	-	-	-	-	(140,000)	(140,000)
-	-	-	-	-	-	-	(1,253,422)	-	(1,253,422)
-	-	-	-	-	-	-	(1,754,791)	-	(1,754,791)
-	2,842,395	-	-	-	-	-	-	-	2,842,395
-	-	-	-	943,457	-	-	(943,457)	-	-
10,027,379	2,842,395	-	-	7,458,829	3,117,547	91,082	11,861,248	1,196,937	36,595,417
-	-	-	-	-	-	-	1,144,425	45,538	1,189,963
-	-	-	-	-	-	-	(123,421)	-	(123,421)
-	-	-	-	-	-	-	-	(234,500)	(234,500)
-	165,819	-	-	-	-	-	-	-	165,819
601,643	(3,008,214)	2,406,571	-	-	-	-	-	-	-
-	-	-	-	319,096	-	-	(319,096)	-	-
10,629,022	-	2,406,571	-	7,777,925	3,117,547	91,082	12,563,156	1,007,975	37,593,278
-	-	-	-	-	-	-	6,416,059	186,176	6,602,235
-	-	-	-	-	-	-	(4,995)	(2,689)	(7,684)
-	-	-	-	-	-	-	-	(140,000)	(140,000)
-	-	-	-	-	-	-	(1,328,628)	-	(1,328,628)
-	-	-	-	-	-	-	(1,594,353)	-	(1,594,353)
-	-	-	1,062,902	-	-	-	(1,062,902)	-	-
-	-	-	-	1,249,514	-	-	(1,249,514)	-	-
10,629,022	-	2,406,571	1,062,902	9,027,439	3,117,547	91,082	13,738,823	1,051,462	41,124,848

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Nine months period ended September 30, 2018	Nine months period ended September 30, 2017
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,876,706	7,849,181
Less: Dividend income	(164,901)	(132,726)
	10,711,805	7,716,455
Adjustments for non-cash charges and other items:		
Depreciation	1,162,645	1,101,795
Amortization	171,259	125,554
Provision / (reversal of provision) against non-performing Islamic financing and related assets - net	102,844	(90,005)
Provision against diminution in the value of investments	91,660	358,137
Provision against off-balance sheet obligations	1,820	-
Unrealised loss on held for trading investments	1,530	-
Remeasurement of defined benefit plan	-	(2,842)
Bad debts written off directly	464	-
Gain on sale of operating fixed assets	(57,085)	(58,796)
Share of results of associates	(71,085)	650,885
	1,404,052	2,084,728
	12,115,857	9,801,183
(Increase) / decrease in operating assets		
Due from financial institutions	(38,866,611)	(17,898,521)
Islamic financing and related assets	(21,192,294)	(46,401,079)
Other assets	(3,656,623)	(2,846,964)
	(63,715,528)	(67,146,564)
Increase / (decrease) in operating liabilities		
Bills payable	867,946	906,833
Due to financial institutions	5,085,142	(971,472)
Deposits and other accounts	38,049,528	43,210,889
Other liabilities	4,682,681	2,080,428
	48,685,297	45,226,678
	(2,914,374)	(12,118,703)
Income tax paid	(3,619,290)	(2,548,472)
Net cash flow from operating activities	(6,533,664)	(14,667,175)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in securities	(3,627,728)	10,830,282
Dividends received	133,694	556,692
Investments in operating fixed assets	(2,546,592)	(4,030,353)
Proceeds from sale of fixed assets	102,669	99,924
Net cash flow from investing activities	(5,937,957)	7,456,545
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Sub-ordinated Additional Tier I Sukuk	7,000,000	-
Advance received against right issue	-	2,842,395
Dividend paid to equity shareholders of the Bank	(1,321,926)	(2,977,996)
Dividend paid to non controlling interest	(140,000)	(140,000)
Net cash flow from financing activities	5,538,074	(275,601)
Net decrease in cash and cash equivalents	(6,933,547)	(7,486,231)
Cash and cash equivalents at the beginning of the period	69,496,499	68,104,898
Cash and cash equivalents at the end of the period	62,562,952	60,618,667

The annexed notes 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

1 BASIS OF PRESENTATION

- 1.1** This condensed interim consolidated financial information include the unaudited financial statements of Meezan Bank Limited (MBL) (the holding company) and Al-Meezan Investment Management Limited (AMIML) (the subsidiary) collectively referred as the 'Group' and associates namely, Al-Meezan Mutual Fund, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, KSE Meezan Index Fund, Meezan Balanced Fund, Meezan Financial Planning Fund of Funds, Meezan Strategic Allocation Fund, Meezan Gold Fund and Meezan Energy Fund.
- 1.2** This condensed interim consolidated financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
- 1.3** This condensed interim consolidated financial information comprise of the statement of financial position as at September 30, 2018 and the profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity for the nine months period ended September 30, 2018.

2 ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the Group for the year ended December 31, 2017.

3 DATE OF AUTHORISATION

This condensed interim consolidated financial information was authorised for issue on October 24, 2018 by the Board of Directors of the Holding company.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

Shabbir Hamza Khandwala
Chief Financial Officer



Meezan Bank
The Premier Islamic Bank

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