



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the first quarter
ended 31 March 2016
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		30,354,717	30,645,728
Balances with other banks	6	1,473,736	13,807,806
Lendings to financial institutions	7	12,519,951	2,800,000
Investments	8	324,571,595	292,555,587
Advances	9	144,703,011	132,646,839
Operating fixed assets	10	3,034,621	3,125,478
Deferred tax assets	11	2,025,776	1,938,805
Other assets		6,283,886	12,365,392
		524,967,293	489,885,635
LIABILITIES			
Bills payable		7,925,554	6,344,461
Borrowings	12	53,000,520	31,462,822
Deposits and other accounts	13	414,415,732	403,208,597
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		12,969,956	12,007,518
		488,311,762	453,023,398
NET ASSETS			
		36,655,531	36,862,237
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		13,041,824	12,710,010
Unappropriated profit		9,177,346	9,965,906
		32,697,485	33,154,231
Surplus on revaluation of assets - net of tax	14	3,958,046	3,708,006
		36,655,531	36,862,237
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 2016

	Note	31 March 2016	31 March 2015
Rupees in '000			
Mark-up / return / interest earned		8,367,673	9,206,366
Mark-up / return / interest expensed		(5,485,303)	(5,953,452)
Net mark-up / interest income		2,882,370	3,252,914
Provision against non-performing loans and advances	9.3	423,737	750,000
Provision for diminution in the value of investments	8.1	(5,264)	16,924
Bad debts written off directly		-	-
		(418,473)	(766,924)
Net mark-up / interest income after provisions		2,463,897	2,485,990
Non mark-up / interest income			
Fee, commission and brokerage income		740,417	665,898
Dividend income		30,198	22,119
Income from dealing in foreign currencies		296,306	286,250
Gain on sale / redemption of securities - net		1,064,213	768,516
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		-	-
Other income		81,066	79,807
Total non mark-up / interest income		2,212,200	1,822,590
		4,676,097	4,308,580
Non mark-up / interest expenses			
Administrative expenses		2,228,662	2,009,679
Other provisions / write offs		(172,048)	-
Other charges		66,055	100,427
Total non mark-up / interest expenses		(2,122,669)	(2,110,106)
		2,553,428	2,198,474
Extra ordinary / unusual items		-	-
Profit before taxation		2,553,428	2,198,474
Taxation - Current		1,105,884	948,098
- Prior years		-	-
- Deferred		(211,048)	(171,295)
		(894,836)	(776,803)
Profit after taxation		1,658,592	1,421,671
Basic and diluted earnings per share (Rupees)	16	1.58	1.36

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SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 2016

	31 March 2016	31 March 2015
	Rupees in '000	
Profit after taxation for the period	1,658,592	1,421,671
Other comprehensive income		
Items not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	(30,270)	(25,532)
Related deferred tax reversal	10,595	8,936
	(19,675)	(16,596)
Comprehensive income transferred to equity	1,638,917	1,405,075
Items that may be reclassified to profit and loss account in subsequent periods and not reflected in equity		
Surplus on revaluation of investments	384,727	3,249,852
Related deferred tax charge	(134,687)	(1,122,280)
	250,040	2,127,572
Total comprehensive income	1,888,957	3,532,647

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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2016

	31 March 2016	31 March 2015
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,553,428	2,198,474
Less: Dividend income	(30,198)	(22,119)
	2,523,230	2,176,355
Adjustments		
Depreciation and amortization	152,288	136,887
Provision against non-performing loan and advances-net	423,737	750,000
Provision for diminution in the value of investments - net	(5,264)	16,924
Net gain on sale of fixed assets	(12,991)	(2,929)
	557,770	900,882
	3,081,000	3,077,237
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,719,951)	2,167,775
Advances	(12,479,909)	11,171,607
Other assets	6,081,496	4,487,107
	(16,118,364)	17,826,489
Increase / (decrease) in operating liabilities		
Bills payable	1,581,093	1,731,026
Borrowings	19,804,626	34,720,028
Deposits and other accounts	11,207,135	(4,825,714)
Other liabilities (excluding current taxation)	(232,115)	(1,245,353)
	32,360,739	30,379,987
	19,323,375	51,283,713
Income tax paid	(943,327)	(288,577)
Net cash flows from operating activities	18,380,048	50,995,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(31,306,571)	(47,184,892)
Net investment in held-to-maturity securities	(319,446)	(11,047)
Dividend received	30,198	24,467
Investments in operating fixed assets	(122,762)	(69,921)
Proceeds from sale of fixed assets	74,322	2,972
Net cash used in investing activities	(31,644,259)	(47,238,421)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,093,942)	(25)
Net cash used in financing activities	(1,093,942)	(25)
Increase / (decrease) in cash and cash equivalents	(14,358,153)	3,756,690
Cash and cash equivalent at beginning of the period	44,060,447	19,635,669
Cash and cash equivalent at end of the period	29,702,294	23,392,359

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

FOR THE QUARTER ENDED 31 MARCH 2016

	Reserves					Unappropriated profit	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2015	10,478,315	2,550,985	6,887,477	240,361	1,500,000	8,559,839	30,216,977
Changes in equity for the period ended 31 March 2015							
Total comprehensive income - profit for the period	-	-	-	-	-	1,421,671	1,421,671
Other comprehensive income - net of tax	-	-	-	-	-	(16,596)	(16,596)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2014	-	-	-	-	-	(2,619,579)	(2,619,579)
Transfer to statutory reserve	-	-	282,534	-	-	(282,534)	-
Balance as at 31 March 2015	10,478,315	2,550,985	7,170,011	240,361	1,500,000	7,062,801	29,002,473
Changes in equity for the period ended 31 December 2015							
Total comprehensive income - profit for the period	-	-	-	-	-	6,251,812	6,251,812
Other comprehensive income - net of tax	-	-	-	-	-	(4,391)	(4,391)
Transactions with owners, recorded directly in equity							
Interim cash dividend (Rs. 2.00 per share) for the period ended 30 June 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	1,248,653	-	-	(1,248,653)	-
Balance as at 31 December 2015	10,478,315	2,550,985	8,418,664	240,361	1,500,000	9,965,906	33,154,231
Changes in equity for the period ended 31 March 2016							
Total comprehensive income - profit for the period	-	-	-	-	-	1,658,592	1,658,592
Other comprehensive income - net of tax	-	-	-	-	-	(19,675)	(19,675)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	331,814	-	-	(331,814)	-
Balance as at 31 March 2016	10,478,315	2,550,985	8,750,478	240,361	1,500,000	9,177,346	32,697,485

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

FOR THE QUARTER ENDED 31 MARCH 2016

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (holding company), Habib Metropolitan Financial Services Limited & Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiaries). The Group is engaged in providing Commercial Banking, Brokerage Services & Modaraba Management Services.

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on Pakistan Stock Exchange. The Bank operates 238 (31 December 2015: 237) branches including 20 (31 December 2015: 20) Islamic banking branches and 39 (31 December 2015: 39) 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 holding company is situated at Spencer's Building, I.I Chundrigar Road, Karachi.

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

Habib Metropolitan Modaraba Management Company (Private) Limited was incorporated in Pakistan on 1 June 2015 as a private limited company under the Companies Ordinance, 1984 and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the company is located at Spencer's Building, I.I. 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 consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 Key financial figures of the Islamic Banking branches are disclosed in note 18 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, 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 Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 The SBP vide BSD Circular No. 10, dated August 26, 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 April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and BPRD Circular Letter No. 5 dated February 29, 2016 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

4. ACCOUNTING POLICIES AND ESTIMATES

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2015.

4.2 The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2015.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2015.

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	————— Rupees in '000 —————	
6. BALANCES WITH OTHER BANKS		
In Pakistan		
Current accounts	77,153	178,787
Deposit accounts	96,595	10,480,680
	173,748	10,659,467
Outside Pakistan		
Current accounts	1,299,988	3,148,339
	1,473,736	13,807,806
7. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	3,700,000	2,800,000
Repurchase agreement lendings (Reverse repo)	3,706,486	—
Bai - Muajjal receivable from State Bank of Pakistan	5,113,465	—
	12,519,951	2,800,000

8. INVESTMENTS

Note	31 March 2016 (Un-Audited)			31 December 2015 (Audited)		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Rupees in '000						
Available-for-sale securities						
Market treasury bills	117,493,146	1,621,487	119,114,633	72,409,243	3,558,874	75,968,117
Pakistan investment bonds	113,504,893	27,270,381	140,775,274	152,462,898	2,054,088	154,516,986
Ordinary shares of listed companies	1,096,141	-	1,096,141	1,062,338	-	1,062,338
Ordinary shares of unlisted companies	141,741	-	141,741	141,741	-	141,741
Listed term finance certificates	2,208,898	-	2,208,898	1,938,933	-	1,938,933
Unlisted term finance certificates	440,305	-	440,305	440,305	-	440,305
Sukuk certificates and bonds	16,281,411	-	16,281,411	12,626,088	-	12,626,088
Open end mutual funds	3,471,627	-	3,471,627	5,532,227	-	5,532,227
Close end mutual funds	419,685	-	419,685	416,409	-	416,409
	255,057,847	28,891,868	283,949,715	247,030,182	5,612,962	252,643,144
Held-to-maturity securities						
Pakistan investment bonds	19,551,939	-	19,551,939	19,532,493	-	19,532,493
Other federal government securities - Bai-Muajjal	11,644,641	-	11,644,641	11,644,641	-	11,644,641
Certificates of investments	3,600,000	-	3,600,000	3,300,000	-	3,300,000
	34,796,580	-	34,796,580	34,477,134	-	34,477,134
Investments at cost	289,854,427	28,891,868	318,746,295	281,507,316	5,612,962	287,120,278
Less: Provision for diminution in the value of investments	8.1 (263,993)	-	(263,993)	(269,257)	-	(269,257)
Investments net of provisions	289,590,434	28,891,868	318,482,302	281,238,059	5,612,962	286,851,021
Surplus / (deficit) on revaluation of available-for-sale securities-net	14 6,184,047	(94,754)	6,089,293	5,709,024	(4,458)	5,704,566
Investments after revaluation of available-for-sale securities	295,774,481	28,797,114	324,571,595	286,947,083	5,608,504	292,555,587

8.1 Particulars of provision for diminution in the value of investments

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000		
Opening balance	269,257	160,180
Charge for the period / year	1,335	118,089
Reversal during the period / year	(6,599)	(9,012)
Net (reversal) / charge for the period / year	(5,264)	109,077
Closing balance	263,993	269,257

	Note	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000			
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		123,366,561	115,430,783
Islamic financing and related assets (gross)		8,034,460	8,254,307
Net investment in finance lease			
In Pakistan		640,988	655,517
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		9,637,381	7,297,027
Payable outside Pakistan		20,595,670	18,438,791
		30,233,051	25,735,818
Advances - gross		162,275,060	150,076,425
Provision against non-performing advances			
- specific		(16,002,613)	(16,532,837)
- general		(1,569,436)	(896,749)
	9.3	(17,572,049)	(17,429,586)
Advances - net of provisions		144,703,011	132,646,839

9.1 Advances include Rs. 18,354,943 thousand (31 December 2015: Rs. 18,486,982 thousand) which have been placed under non-performing status as detailed below:

Category of classification	31 March 2016 (Un-Audited)			31 December 2015 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
Rupees in '000						
Standard	886,169	47,156	47,156	57,324	14,331	14,331
Doubtful	298,456	137,174	137,174	286,353	127,376	127,376
Loss	17,170,318	15,818,283	15,818,283	18,143,305	16,391,130	16,391,130
	18,354,943	16,002,613	16,002,613	18,486,982	16,532,837	16,532,837

9.2 As allowed by the SBP, the bank has availed benefit of Forced Sale Value (FSV) of collateral held as security of Rs 1,538,978 thousand (31 December 2015: Rs. 1,767,976 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 2016 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs 1,000,336 thousand (31 December 2015: Rs. 1,149,184 thousand).

9.3 Provision against non-performing advances

	31 March 2016 (Un-Audited)			31 December 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	16,532,837	896,749	17,429,586	15,661,846	326,696	15,988,542
Charge for the period / year	147,479	672,687	820,166	2,657,575	570,053	3,227,628
Reversals for the period / year	(396,429)	-	(396,429)	(1,110,743)	-	(1,110,743)
Net (reversal) / charge for the period / year	(248,950)	672,687	423,737	1,546,832	570,053	2,116,885
Amount written off	(281,274)	-	(281,274)	(675,841)	-	(675,841)
Closing balance	16,002,613	1,569,436	17,572,049	16,532,837	896,749	17,429,586

9.4 General provision includes provision of Rs. 1,707 thousand (31 December 2015: Rs. 1,824 thousand) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio. Moreover, general provision also includes provision of Rs. 38,164 thousand (31 December 2015: Rs. 28,806 thousand) made against Small Enterprises (SEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 70,152 thousand (31 March 2015: Rs. 53,611 thousand) and Rs. 84,332 thousand (31 March 2015: Rs. 1,986 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. 4,029,420 thousand (31 December 2015: Rs. 3,878,902 thousand).

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000		
12. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	20,111,264	21,274,506
– under long term financing - export oriented projects	19,413	19,413
– under long term financing facility - locally manufactured plant and machinery	1,775,295	1,423,239
	21,905,972	22,717,158
Repurchase agreement borrowings (Repo)	28,790,135	5,603,311
Due against bills re-discounting	178,254	2,749,266
	50,874,361	31,069,735
Unsecured		
Overdrawn nostro accounts	1,988,944	197,656
Overdrawn local bank accounts	137,215	195,431
	2,126,159	393,087
	53,000,520	31,462,822
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	169,353,475	169,177,912
Saving deposits	131,615,121	116,432,300
Current deposits (non-remunerative)	97,457,315	101,487,138
Others	4,312,598	2,761,126
	402,738,509	389,858,476
Financial institutions		
Remunerative deposits	10,273,558	12,420,016
Non-remunerative deposits	1,403,665	930,105
	11,677,223	13,350,121
	414,415,732	403,208,597

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Available-for-sale securities		
Federal Government Securities		
Market treasury bills	115,009	176,491
Pakistan investment bonds	5,604,935	5,214,298
GOP ijarah sukuk	112,222	41,461
Fully paid-up ordinary shares and mutual funds	241,132	290,872
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	424	(6,813)
Unlisted term finance certificates	3,697	4,645
Sukuk certificates and bonds	11,874	(16,388)
	6,089,293	5,704,566
Related deferred tax liability - net	(2,131,247)	(1,996,560)
	3,958,046	3,708,006
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees of indebtedness in favouring: banking companies and other financial institutions	-	2,286
15.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	18,218,993	17,163,286
ii) Banking companies and other financial institutions	1,665,991	436,358
iii) Others	10,332,231	10,077,952
	30,217,215	27,677,596
15.3 Trade-related contingent liabilities		
Letters of credit	67,050,748	63,545,499
Acceptances	15,398,290	12,554,226

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>78,443,166</u>	<u>80,770,251</u>
Sale	<u>72,806,993</u>	<u>73,381,353</u>
15.5 Commitments in respect of operating leases		
Not later than one year	<u>29,112</u>	<u>22,355</u>
Later than one year and not later than five years	<u>29,638</u>	<u>19,893</u>
	<u>58,750</u>	<u>42,248</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>69,234</u>	<u>57,582</u>
15.7 Claims against bank not acknowledge as debt	<u>2,881,199</u>	<u>1,348,358</u>

15.8 Commitments in respect of forward lendings

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

15.9 Commitments in respect of syndicate financing	<u>1,076,109</u>	<u>1,210,595</u>
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15.10 Taxation

Income tax assessments of the Group have been finalised upto the tax year 2015 (corresponding to the accounting year ended 31 December 2014). Certain appeals are pending with the Commissioner of Inland revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the Group.

16. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)	
	31 March 2016	31 March 2015
	Rupees in '000	
Profit after taxation	<u>1,658,592</u>	<u>1,421,671</u>
	Number in '000	
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees	
Basic and diluted earnings per share	<u>1.58</u>	<u>1.36</u>

17. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its ultimate parent company, 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 2016 (Un-Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	304,504	17,875,031	66,322	498,364	1,121,035	19,865,250
Received during the period	7,556,561	351,207,338	123,027	111,391	672,272	359,670,589
Repaid during the period	(7,345,552)	(351,732,465)	(113,545)	(116,818)	(532,329)	(359,840,709)
At end of the period	<u>515,513</u>	<u>17,349,904</u>	<u>75,804</u>	<u>492,937</u>	<u>1,260,978</u>	<u>19,695,130</u>
Advances						
At beginning of the year	-	3,967,805	129,342	-	-	4,097,147
Disbursed during the period	-	21,617,833	8,401	-	-	21,626,234
Recovered during the period	-	(20,716,593)	(12,551)	-	-	(20,729,144)
At the end of the period	<u>-</u>	<u>4,869,045</u>	<u>125,192</u>	<u>-</u>	<u>-</u>	<u>4,994,237</u>
Bank balances held by the Group	<u>229,498</u>	<u>31,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,146</u>
Mark-up / return / interest receivable	<u>-</u>	<u>2,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,306</u>
Mark-up / return / interest payable	<u>-</u>	<u>335,893</u>	<u>470</u>	<u>1,863</u>	<u>226,993</u>	<u>565,219</u>
Management fee payable for technical consultancy services*	<u>193,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,416</u>
Prepayments / advance deposits	<u>-</u>	<u>7,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,148</u>
Insurance premium and other payable	<u>30,200</u>	<u>5,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,359</u>
Transaction-related contingent liabilities	<u>-</u>	<u>2,381,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,381,744</u>
Trade-related contingent liabilities	<u>-</u>	<u>2,866,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,866,596</u>
Receivable / (payable) against purchase / sale of securities	<u>3,013</u>	<u>28,310</u>	<u>(170)</u>	<u>-</u>	<u>-</u>	<u>31,153</u>

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

31 December 2015 (Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	294,869	19,676,536	49,180	385,250	1,098,520	21,504,355
Received during the period	23,579,657	1,346,712,261	601,770	3,069,135	1,180,760	1,375,143,583
Repaid during the period	(23,570,022)	(1,348,513,766)	(584,628)	(2,956,021)	(1,158,245)	(1,376,782,682)
At end of the period	<u>304,504</u>	<u>17,875,031</u>	<u>66,322</u>	<u>498,364</u>	<u>1,121,035</u>	<u>19,865,256</u>
Advances						
At beginning of the year	-	1,840,385	163,366	-	-	2,003,751
Disbursed during the period	-	44,364,667	69,517	-	-	44,434,184
Recovered during the period	-	(42,237,247)	(103,541)	-	-	(42,340,788)
At the end of the period	<u>-</u>	<u>3,967,805</u>	<u>129,342</u>	<u>-</u>	<u>-</u>	<u>4,097,147</u>
Bank balances held by the Group	<u>122,080</u>	<u>59,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,712</u>
Mark-up / return / interest receivable	<u>-</u>	<u>3,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,898</u>
Mark-up / return / interest payable	<u>-</u>	<u>322,640</u>	<u>856</u>	<u>2,352</u>	<u>194,406</u>	<u>520,254</u>
Management fee payable for technical consultancy services*	<u>283,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,570</u>
Prepayments / advance deposits	<u>-</u>	<u>2,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,563</u>
Insurance premium and other payable	<u>30,200</u>	<u>4,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,571</u>
Transaction-related contingent liabilities	<u>-</u>	<u>2,598,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,598,280</u>
Trade-related contingent liabilities	<u>-</u>	<u>4,342,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,342,731</u>
Receivable / (payable) against purchase / sale of securities	<u>(3,216)</u>	<u>-</u>	<u>(416)</u>	<u>-</u>	<u>-</u>	<u>(3,632)</u>

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

For the period ended 31 March 2016 (Un-Audited)

Transactions during the period	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up/return/interest earned	-	52,415	1,465	-	-	53,880
Mark-up/return/interest expensed	-	320,761	528	6,134	38,486	365,909
Commission/brokerage/bank charges recovered	2,323	33,269	2	12	-	35,606
Commission/brokerage/bank charges paid	51	261	-	-	-	312
Rent income	1,404	-	-	-	-	1,404
Salaries and allowances	-	-	83,271	-	-	83,271
Directors' fees	-	-	-	2,175	-	2,175
Contribution to defined benefit plan	-	-	-	-	37,273	37,273
Contribution to defined contribution plan	-	-	-	-	37,111	37,111
Rent expenses	-	2,860	-	-	-	2,860
Insurance premium expenses	-	2,678	-	-	-	2,678
Maintenance, electricity, stationery & entertainment expenses	-	18,991	-	-	-	18,991
Management fee expense for technical & consultancy services*	58,744	-	-	-	-	58,744
Donation paid	-	1,960	-	-	-	1,960
Professional/other charges paid	-	186	-	-	-	186

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

For the period ended 31 March 2015 (Un-Audited)

Transactions during the period	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up/return/interest earned	–	29,371	2,686	–	–	32,057
Mark-up/return/interest expensed	–	478,856	760	6,556	40,430	526,602
Commission/brokerage/bank charges recovered	4,707	22,661	2	4	–	27,374
Commission/brokerage/bank charges paid	96	276	–	–	–	372
Salaries and allowances	–	–	78,280	–	–	78,280
Directors' fees	–	–	–	2,250	–	2,250
Contribution to defined benefit plan	–	–	–	–	33,792	33,792
Contribution to defined contribution plan	–	–	–	–	34,169	34,169
Rent expenses	–	3,435	–	–	–	3,435
Insurance premium expenses	–	1,668	–	–	–	1,668
Maintenance, electricity, stationery & entertainment expenses	–	13,177	–	–	–	13,177
Management fee expense for technical & consultancy services*	66,120	–	–	–	–	66,120
Donation paid	–	1,960	–	–	–	1,960
Professional/other charges paid	–	482	–	–	–	482

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

18. KEY ISLAMIC BANKING OPERATIONS

The Bank is operating 20 (31 December 2015: 20) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of Islamic banking operations as at 31 March 2016 are as follows:

18.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,443,573	3,842,878
Balances with other banks		-	10,450,000
Due from financial institutions		13,910,046	14,552,272
Investments		25,498,765	14,949,345
Islamic financing and related assets - net	18.6	7,672,214	7,897,487
Operating fixed assets		74,460	76,730
Deferred tax assets		-	-
Other assets		2,053,322	3,460,038
		51,652,380	55,228,750
LIABILITIES			
Bills payable		390,101	228,456
Due to financial institutions		855,974	966,307
Deposits and other accounts			
- Current accounts		5,211,966	6,918,381
- Saving accounts		18,794,597	19,962,616
- Term deposits		16,302,140	15,390,612
- Others		216,003	84,674
- Deposits from financial institutions - remunerative		7,686,581	9,709,697
- Deposits from financial institutions - non remunerative		174,551	1,303
		48,385,838	52,067,283
Due to head office		-	-
Other liabilities		487,047	575,043
		50,118,960	53,837,089
NET ASSETS		1,533,420	1,391,661
REPRESENTED BY			
Islamic banking fund		1,402,619	1,002,619
Reserves		-	-
Unappropriated profit		36,930	363,777
		1,439,549	1,366,396
Surplus on revaluation of assets		93,871	25,265
		1,533,420	1,391,661

**18.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2016**

	31 March 2016	31 March 2015
	Rupees in '000	
Profit / return on financing, investments and placements earned	711,717	683,070
Profit / return on deposit and other dues expensed	(601,491)	(486,354)
Net spread earned	110,226	196,716
Provision against non performing financing	5,426	72,587
Provision for diminution in the value of investments	-	-
Provision for consumer financing ljarah	-	-
Bad debts written off directly	-	-
	(5,426)	(72,587)
Net spread after provision	104,800	124,129
Other income		
Fee, commission and brokerage income	9,554	8,260
Dividend income	-	-
Income from dealing in foreign currencies	4,594	3,418
Gain on sale / redemption of securities	12,971	-
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	10,227	11,426
Total other income	37,346	23,104
	142,146	147,233
Other expenses		
Administrative expenses	105,216	63,495
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	(105,216)	(63,495)
	36,930	83,738
Extra ordinary / unusual items	-	-
Profit before taxation	36,930	83,738
18.3 Remuneration to Shariah Advisor / Board	1,016	647

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
18.4 Charity fund		
Opening balance	491	-
Additions during the period	489	491
Payments / utilization during the period	(491)	-
Closing Balance	489	491

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
18.5 FINANCINGS / INVESTMENTS / RECEIVABLES		
Murabaha financing		
Murabaha receivable - gross	3,845,483	4,218,831
Less: Deferred murabaha income	(130,260)	(166,802)
Advance against murabaha	228,315	79,898
	3,943,538	4,131,927
Provision against murabaha financing	(336,406)	(330,980)
	3,607,132	3,800,947
Ijarah		
Asset held for ijarah	367,823	315,303
Less: Accumulated depreciation	(168,200)	(143,395)
Ijarah financing	54,499	55,480
Less: Unearned income	(11,110)	(9,089)
Advance against ijarah	13,769	23,854
	256,781	242,153
Provision against ijarah financing	(25,840)	(25,840)
	230,941	216,313
Diminishing musharakah		
Diminishing musharakah - gross	3,297,464	3,204,826
Less: Unrealised income on Diminishing Musharakah	(582,089)	(497,059)
Advance against Diminishing Musharakah	43,764	44,324
	2,759,139	2,752,091
Export refinance murabaha		
Export refinance murabaha receivable - gross	103,914	129,691
Less: Deferred export refinance murabaha income	(1,496)	(2,317)
Advance against murabaha IERF	12,923	5,899
	115,341	133,273
Istisna financing		
Istisna financing - gross	31,429	46,429
Less: Deferred istisna income	(9,429)	(13,929)
Advance against istisna	157,649	102,275
	179,649	134,775
Al-Bai financing		
	30,012	25,088
Export refinance istisna		
Advance against export refinance istisna	450,000	835,000
Istisna goods IERF	300,000	-
	750,000	835,000
18.6 Islamic mode of financing		
Financings / investments / receivables	6,465,794	6,806,237
Advances	906,420	1,091,250
Assets / inventories	300,000	-
	7,672,214	7,897,487

19. GENERAL

19.1 Corresponding figures pertaining to "Bai-Muajjal with Government of Pakistan" have been reclassified from "Lendings to Financial Institutions" to "Investments" as "other federal government securities - Bai-Muajjal".

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

20. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 14 April 2016.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director