



[Subsidiary of Habib Bank AG Zurich]

HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the nine months
ended 30 September 2017
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

| | Note | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|---|------|--------------------------------------|----------------------------------|
| Rupees in '000 | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 40,975,825 | 35,561,885 |
| Balances with other banks | 7 | 1,092,200 | 2,260,110 |
| Lendings to financial institutions | 8 | 31,406,739 | 16,750,886 |
| Investments | 9 | 374,190,034 | 314,132,874 |
| Advances | 10 | 174,314,155 | 142,951,166 |
| Operating fixed assets | 11 | 3,284,788 | 3,247,358 |
| Deferred tax assets | 12 | 3,140,248 | 2,452,502 |
| Other assets | 13 | 9,747,897 | 9,085,871 |
| | | 638,151,886 | 526,442,652 |
| LIABILITIES | | | |
| Bills payable | | 8,600,471 | 8,108,633 |
| Borrowings | 14 | 100,531,325 | 37,205,175 |
| Deposits and other accounts | 15 | 474,207,573 | 430,443,867 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | | 12,874,247 | 10,946,833 |
| | | 596,213,616 | 486,704,508 |
| NET ASSETS | | | |
| | | 41,938,270 | 39,738,144 |
| REPRESENTED BY | | | |
| Share capital | | 10,478,315 | 10,478,315 |
| Reserves | | 14,808,155 | 13,933,875 |
| Unappropriated profit | | 12,260,970 | 12,796,778 |
| | | 37,547,440 | 37,208,968 |
| Non-controlling interest | | 3,114,604 | - |
| | | 40,662,044 | 37,208,968 |
| Surplus on revaluation of assets - net of tax | 16 | 1,276,226 | 2,529,176 |
| | | 41,938,270 | 39,738,144 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 17 | | |

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

| | Note | 30 September 2017 Quarter ended | 30 September 2017 Nine months ended | 30 September 2016 Quarter ended | 30 September 2016 Nine months ended |
|--|------|---------------------------------------|---|---------------------------------------|---|
| Rupees in '000 | | | | | |
| Mark-up / return / interest earned | | 8,842,084 | 24,917,095 | 8,338,588 | 25,069,829 |
| Mark-up / return / interest expensed | | (5,259,901) | (14,359,821) | (5,459,318) | (16,282,258) |
| Net mark-up / interest income | | 3,582,183 | 10,557,274 | 2,879,270 | 8,787,571 |
| Provision against non-performing loans and advances - net | 10.3 | (2,315) | 643,122 | 40,995 | 1,012,340 |
| Provision for diminution in the value of investments - net | 9.1 | 3,606 | 84,749 | 2,230 | 34,134 |
| Bad debts written-off directly | | - | - | - | - |
| | | (1,291) | (727,871) | (43,225) | (1,046,474) |
| Net mark-up / interest income after provisions | | 3,580,892 | 9,829,403 | 2,836,045 | 7,741,097 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 858,626 | 2,570,506 | 721,530 | 2,272,555 |
| Dividend income | | 51,933 | 403,254 | 52,730 | 95,863 |
| Income from dealing in foreign currencies - net | | 421,100 | 800,063 | 231,418 | 786,593 |
| Gain on sale / redemption of securities - net | | (405,192) | 358,950 | 766,436 | 2,670,241 |
| Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading' | | - | - | - | - |
| Other income | | 52,673 | 195,500 | 60,915 | 247,906 |
| Total non mark-up / interest income | | 979,140 | 4,328,273 | 1,833,029 | 6,073,158 |
| | | 4,560,032 | 14,157,676 | 4,669,074 | 13,814,255 |
| Non mark-up / interest expenses | | | | | |
| Administrative expenses | | 2,729,562 | 7,925,498 | 2,415,228 | 7,028,121 |
| Other provisions / write offs | | 50,000 | 152,515 | - | (172,048) |
| Other charges | | 50,731 | 152,476 | 39,177 | 170,176 |
| Total non mark-up / interest expenses | | (2,830,293) | (8,230,489) | (2,454,405) | (7,026,249) |
| | | 1,729,739 | 5,927,187 | 2,214,669 | 6,788,006 |
| Extraordinary / unusual items | | - | - | - | - |
| Profit before taxation | | 1,729,739 | 5,927,187 | 2,214,669 | 6,788,006 |
| Taxation - Current | | 475,830 | 2,128,646 | 688,785 | 2,601,312 |
| - Prior years | | - | 423,084 | - | 581,308 |
| - Deferred | | 154,608 | (46,504) | 86,016 | (217,670) |
| | | (630,438) | (2,505,226) | (774,801) | (2,964,950) |
| Profit after taxation | | 1,099,301 | 3,421,961 | 1,439,868 | 3,823,056 |
| Profit attributable to: | | | | | |
| Equity share holders of the holding company | | 1,024,949 | 3,312,190 | 1,439,868 | 3,823,056 |
| Non-controlling interest | | 74,352 | 109,771 | - | - |
| | | 1,099,301 | 3,421,961 | 1,439,868 | 3,823,056 |
| Basic and diluted earnings per share (Rupees) | 18 | 0.98 | 3.16 | 1.37 | 3.65 |

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

| | 30 September 2017 Quarter ended | 30 September 2017 Nine months ended | 30 September 2016 Quarter ended | 30 September 2016 Nine months ended |
|--|---------------------------------------|---|---------------------------------------|---|
| | Rupees in '000 | | | |
| Profit after taxation for the period | 1,099,301 | 3,421,961 | 1,439,868 | 3,823,056 |
| Items not to be reclassified to profit or loss in subsequent periods: | | | | |
| Actuarial gain on defined benefit plan | 33,251 | 14,095 | 21,707 | 14,417 |
| Related deferred tax charge | (11,951) | (5,247) | (7,597) | (5,046) |
| | 21,300 | 8,848 | 14,110 | 9,371 |
| Comprehensive income transferred to equity | 1,120,601 | 3,430,809 | 1,453,978 | 3,832,427 |
| Components of comprehensive income not reflected in equity | | | | |
| Items to be reclassified to profit or loss in subsequent periods: | | | | |
| (Deficit) / surplus on revaluation of investments | (1,478,045) | (1,874,114) | (1,110,433) | 38,199 |
| Related deferred tax reversal / (charge) | 513,094 | 646,491 | 388,650 | (13,400) |
| | (964,951) | (1,227,623) | (721,783) | 24,799 |
| Total comprehensive income | 155,650 | 2,203,186 | 732,195 | 3,857,226 |
| Equity share holders of the holding company | 89,084 | 2,101,201 | 732,195 | 3,857,226 |
| Non-controlling interest | 66,566 | 101,985 | – | – |
| | 155,650 | 2,203,186 | 732,195 | 3,857,226 |

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

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Chairman

SIRAJUDDIN AZIZ
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Chief Executive Officer

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

| | 30 September 2017 | 30 September 2016 |
|--|----------------------|----------------------|
| | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 5,927,187 | 6,788,006 |
| Less: Dividend income | (403,254) | (95,863) |
| | 5,523,933 | 6,692,143 |
| Adjustments | | |
| Depreciation and amortization on operating fixed assets | 620,797 | 523,921 |
| Depreciation on non-banking assets | 17,510 | – |
| Provision against non-performing loans and advances – net | 643,122 | 1,012,340 |
| Provision against other assets | 152,515 | – |
| Provision for diminution in the value of investments – net | 84,749 | 34,134 |
| Loss on sale of non-banking assets – net | 34,591 | – |
| Gain on sale of operating fixed assets – net | (9,479) | (16,084) |
| | 1,543,805 | 1,554,311 |
| | 7,067,738 | 8,246,454 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (14,655,853) | (14,282,895) |
| Advances | (25,718,014) | (5,118,434) |
| Other assets (excluding dividend and taxation) | (253,715) | 4,253,334 |
| | (40,627,582) | (15,147,995) |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 491,838 | 1,600,728 |
| Borrowings | 59,152,010 | 12,915,974 |
| Deposits and other accounts | 43,763,706 | 69,595,208 |
| Other liabilities (excluding dividend and taxation) | 1,023,925 | (213,861) |
| | 104,431,479 | 83,898,049 |
| | 70,871,635 | 76,996,508 |
| Income tax paid | (3,068,699) | (3,269,129) |
| Net cash flow from operating activities | 67,802,936 | 73,727,379 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | (54,418,240) | (75,650,797) |
| Net investments in held-to-maturity securities | (6,502,718) | (1,110,425) |
| Consideration paid on acquisition of subsidiary | (209,325) | – |
| Net cash received on acquisition of subsidiary | 151,939 | – |
| Dividend received | 364,034 | 95,863 |
| Investments in operating fixed assets | (648,332) | (831,719) |
| Proceeds from sale of non-banking assets | 225,000 | – |
| Proceeds from sale of operating fixed assets | 11,251 | 77,959 |
| Net cash flow from investing activities | (61,026,391) | (77,419,119) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (3,106,481) | (2,096,719) |
| Net cash flow financing activities | (3,106,481) | (2,096,719) |
| Increase / (decrease) in cash and cash equivalents | 3,670,064 | (5,788,459) |
| Cash and cash equivalents at beginning of the period | 36,931,854 | 44,060,447 |
| Cash and cash equivalents at end of the period | 40,601,918 | 38,271,988 |

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

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SOHAIL HASAN
Director

MOHOMED BASHIR
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

| | Reserves | | | | | | Unappropriated profit | Sub total | Non-controlling interest | Total |
|---|-------------------|------------------|-------------------|-----------------|--------------------------|------------------|-----------------------|-------------------|--------------------------|-------------------|
| | Share Capital | Share premium | Statutory reserve | Special reserve | Gain on bargain purchase | Revenue reserve | | | | |
| | Rupees in '000 | | | | | | | | | |
| Balance as at 1 January 2016 | 10,478,315 | 2,550,985 | 8,418,664 | 240,361 | - | 1,500,000 | 9,965,906 | 33,154,231 | - | 33,154,231 |
| Total comprehensive income for the nine months ended 30 September 2016 | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | 3,823,056 | 3,823,056 | - | 3,823,056 |
| Other comprehensive income - net of tax | - | - | - | - | - | - | 9,371 | 9,371 | - | 9,371 |
| | - | - | - | - | - | - | 3,832,427 | 3,832,427 | - | 3,832,427 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Cash dividend (Rs. 2.00 per share) for year ended 31 December 2015 | - | - | - | - | - | - | (2,095,663) | (2,095,663) | - | (2,095,663) |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | - | 1,518 | 1,518 | - | 1,518 |
| Transfer to statutory reserve | - | - | 763,717 | - | - | - | (763,717) | - | - | - |
| Balance as at 30 September 2016 | 10,478,315 | 2,550,985 | 9,182,381 | 240,361 | - | 1,500,000 | 10,940,471 | 34,892,513 | - | 34,892,513 |
| Total comprehensive income for the three months ended 31 December 2016 | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | 2,305,634 | 2,305,634 | - | 2,305,634 |
| Other comprehensive income - net of tax | - | - | - | - | - | - | 10,317 | 10,317 | - | 10,317 |
| | - | - | - | - | - | - | 2,315,951 | 2,315,951 | - | 2,315,951 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | - | 504 | 504 | - | 504 |
| Transfer to statutory reserve | - | - | 460,148 | - | - | - | (460,148) | - | - | - |
| Balance as at 31 December 2016 | 10,478,315 | 2,550,985 | 9,642,529 | 240,361 | - | 1,500,000 | 12,796,778 | 37,208,968 | - | 37,208,968 |
| Non-controlling interest on acquisition | - | - | - | - | - | - | - | - | 3,187,079 | 3,187,079 |
| Total comprehensive income for the nine months ended 30 September 2017 | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | 3,312,190 | 3,312,190 | 109,771 | 3,421,961 |
| Other comprehensive income - net of tax | - | - | - | - | - | - | 9,654 | 9,654 | (806) | 8,848 |
| | - | - | - | - | - | - | 3,321,844 | 3,321,844 | 108,965 | 3,430,809 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Cash dividend (Rs. 3.00 per share) for year ended 31 December 2016 | - | - | - | - | - | - | (3,143,494) | (3,143,494) | - | (3,143,494) |
| Profit distribution by First Habib Modaraba (Rs.1.00 per certificate) for the period ended June 30 2017 | - | - | - | - | - | - | - | - | (181,440) | (181,440) |
| Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax | - | - | - | - | - | - | 25,327 | 25,327 | - | 25,327 |
| Gain on bargain purchase (note - 2.2) | - | - | - | - | 134,795 | - | - | 134,795 | - | 134,795 |
| Transfer to statutory reserve | - | - | 739,485 | - | - | - | (739,485) | - | - | - |
| Balance as at 30 September 2017 | 10,478,315 | 2,550,985 | 10,382,014 | 240,361 | 134,795 | 1,500,000 | 12,260,970 | 37,547,440 | 3,114,604 | 40,662,044 |

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
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Director

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Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (the holding company), Habib Metropolitan Financial Services Limited, Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary companies) and First Habib Modaraba and Habib Metro Modaraba (Modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited). The Group is engaged in providing commercial banking, brokerage services and modaraba management services.

Habib Metropolitan Bank Limited (the holding company) 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. The Bank's ordinary shares are listed on Pakistan Stock Exchange. The Bank operates 274 (31 December 2016: 273) branches including 25 (31 December 2016: 25) Islamic Banking branches, and 34 (31 December 2016: 34) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank), which is incorporated in Switzerland. The registered office of the Bank is situated at Spencer's Building, 11 Chundrigar Road, Karachi.

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

Habib Metropolitan Modaraba Management Company Limited (the subsidiary company) was incorporated in Pakistan on 1 June 2015 as a private limited under the companies ordinance, 1984 and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 5th Floor, HBZ Plaza, 11 Chundrigar Road, Karachi.

During the current year, Habib Metropolitan Modaraba Company Management (Private) Limited (the Modaraba Management Company) acquired management rights and 10 percent of certificates of First Habib Modaraba (FHM). FHM is a perpetual, multi-purpose modaraba having its registered office at 5th Floor, HBZ Plaza, 11 Chundrigar Road, Karachi. It is listed on Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

During the current year, Habib Metro Modaraba Management Company (Private) Limited (the Modaraba Management Company) has floated Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 5th Floor, HBZ Plaza, 11 Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharaka or any other approved modes of financing. The Bank and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

2. ACQUISITION - FIRST HABIB MODARABA

At the acquisition date, the identifiable assets acquired and liabilities assumed have provisionally been recognised at their carrying value. The management is in the process of determining the fair value of acquired assets and liabilities.

The carrying amounts of assets and liabilities acquired are as follows:

| | 31 March 2017 |
|--|--------------------------|
| | Rupees in '000 |
| NON-CURRENT ASSETS | |
| Fixed assets - tangible | |
| Lease Financing assets | 2,427,828 |
| Assets in own use | 11,586 |
| | <u>2,439,414</u> |
| Intangible assets | 82 |
| Long term advances, deposit and prepayments | 8,989 |
| Diminishing musharaka financing | 2,424,755 |
| | <u>4,873,240</u> |
| CURRENT ASSETS | |
| Investments | 1,095,065 |
| Diminishing musharaka financing - current portion | 1,649,434 |
| Lease Financing installments receivable | 6,615 |
| Advances and short term prepayments | 1,793 |
| Other receivables | 38,960 |
| Tax refund | 79,479 |
| Cash and bank balances | 61,939 |
| | <u>2,933,285</u> |
| TOTAL ASSETS | <u>7,806,525</u> |
| NON-CURRENT LIABILITIES | |
| Security deposits against Lease Financing assets | 251,698 |
| CURRENT LIABILITIES | |
| Certificate of investment (musharaka) | 3,400,210 |
| Security deposits against lease financing assets (current portion) | 110,703 |
| Advance lease financing and diminishing musharaka installments | 20,846 |
| Unearned lease financing and diminishing musharaka installments | 19,390 |
| Trade and other liabilities | 297,125 |
| Profit payable on certificate of investment (musharaka) | 32,616 |
| Advance against murabaha | 197,964 |
| Taxation | 2,791 |
| Unclaimed profit distribution | 28,030 |
| Profit distribution payable | 3,953 |
| | <u>4,113,628</u> |
| TOTAL LIABILITIES | <u>4,365,326</u> |
| NET ASSETS | <u>3,441,199</u> |
| Book value of net assets as at 31 March, 2017 | 3,441,199 |
| Percentage of net assets acquired | 10% |
| Book value of net assets acquired | <u>344,120</u> |

2.1 International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise determination of the fair values of the assets and liabilities and to determine the value of any intangible asset separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS 3. The carrying values of the above balances may change as a result of the fair value exercise as required under IFRS 3.

2.2 The acquisition of First Habib Modaraba is a bargain purchase as the value of the net assets acquired at the acquisition date exceeds the consideration paid by the Modaraba Management Company. The carrying values of the net assets, purchase consideration paid and gain on bargain purchase are as follows:

| | |
|---|----------------|
| | Rupees in '000 |
| Net book value of assets acquired | 344,120 |
| Less: purchase consideration paid in cash | (209,325) |
| Gain on bargain purchase | <u>134,795</u> |

3. BASIS OF PRESENTATION AND MEASUREMENT

3.1 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.

3.2 Key financial figures of the Islamic Banking branches are disclosed in note 22 to these consolidated condensed interim financial statements.

3.3 These consolidated financial statements include the financial statements of the holding company and its subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the holding company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter - company transaction have been eliminated.

Non-controlling interest represents that part of the net results of operations and of the net assets of the subsidiaries that is not owned by the Group.

Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Holding Company. The excess of the fair value consideration transferred over the proportionate share of the NCI in the fair value of net assets acquired is recognised in equity.

3.4 Basis of measurement

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except non-banking assets acquired in satisfaction of claims have been carried at revalued amount and certain investments and derivative financial instruments are carried at fair value.

4. STATEMENT OF COMPLIANCE

- 4.1** 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 the Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no. 23 dated 4 October 2017, these consolidated condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 4.2** The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the 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 SECP issued vide SRO 411(I)/2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Moreover, segment information is being disclosed in accordance with the SBP's prescribed format as per BSD circular 4 dated 17 February 2006 which prevails over the requirements specified in IFRS 8.
- 4.3** 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 12 May 2004 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 2016.

5. ACCOUNTING POLICIES AND ESTIMATES

- 5.1** 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, 2016, except for following;

Finance arrangements including certificate of investment (Musharaka)

These are carried at the balance sheet at the principal amount. The amount received by the modaraba from Certificate of Investment holders is invested in the overall business activity of the modaraba on the basis of full participation in the profit and loss of the modaraba.

The profit shall be shared by Certificate of Investment holders and certificate holders in accordance with the agreed ratio. Profit on certificate of investment arrangement are recognized as financial expense in the period in which they incurred.

Profit on Musharaka finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each quarter after determination of the actual rate.

- 5.2** 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 unconsolidated financial statements of the Group for the year ended 31 December 2016.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

| | Note | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|-------------------------------------|------|--|----------------------------------|
| | | Rupees in '000 | |
| 7. BALANCES WITH OTHER BANKS | | | |
| In Pakistan | | | |
| Current accounts | | 91,491 | 181,390 |
| Deposit accounts | 7.1 | 127,512 | 44,429 |
| | | 219,003 | 225,819 |
| Outside Pakistan | | | |
| Current accounts | | 873,197 | 2,034,291 |
| | | 1,092,200 | 2,260,110 |

7.1 This carries mark-up rate of 3.75% (31 December 2016: 3.75%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

| | | | |
|--|-----|-------------------|------------|
| Call money lendings | 8.1 | 3,500,000 | 2,500,000 |
| Repurchase agreement lendings (Reverse repo) | 8.2 | 19,588,824 | 637,421 |
| Certificate of placements | 8.3 | 500,000 | — |
| Bai - Muajjal receivable from State Bank of Pakistan | 8.4 | 3,567,915 | 5,113,465 |
| Islamic Placement - Musharika | 8.5 | 4,250,000 | 8,500,000 |
| | | 31,406,739 | 16,750,886 |

8.1 These carry mark-up rate ranging from 5.75% to 6.50% (31 December 2016: 6.65%) per annum with maturity upto 6 October 2017 (31 December 2016: 3 March 2017).

8.2 These carry mark-up rate ranging from 5.65% to 6.20% (31 December 2016: 5.99% to 6.04%) per annum with maturity upto 19 October 2017 (31 December 2016: 1 February 2017).

8.3 This carries mark-up rate of 6.35% (31 December 2016: Nil) per annum with maturity upto 27 October 2017.

8.4 These carry profit rate ranging from 5.55% to 5.65% (31 December 2016: 5.98%) per annum with maturity upto 21 June 2018 (31 December 2016: 10 February 2017).

8.5 These carry profit rate ranging from 5.50% to 5.65% (31 December 2016: 4.50% to 5.25%) per annum with maturity upto 6 November 2017 (31 December 2016: 6 March 2017).

9. INVESTMENTS

| | Note | 30 September 2017 (Un-Audited) | | | 31 December 2016 (Audited) | | |
|---|------|-----------------------------------|------------------------|-------------|-------------------------------|------------------------|-------------|
| | | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total |
| Rupees in '000 | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Market treasury bills | | 183,824,539 | 21,127,735 | 204,952,274 | 158,375,802 | 12,042,862 | 170,418,664 |
| Pakistan investment bonds | 9.2 | 48,429,946 | 50,628,695 | 99,058,641 | 83,538,877 | – | 83,538,877 |
| Ordinary shares of listed companies | | 841,285 | – | 841,285 | 1,572,398 | – | 1,572,398 |
| Ordinary shares of unlisted companies | | 106,991 | – | 106,991 | 141,741 | – | 141,741 |
| Listed term finance certificates | | 2,162,875 | – | 2,162,875 | 2,088,703 | – | 2,088,703 |
| Unlisted term finance certificates | | 151,855 | – | 151,855 | 314,828 | – | 314,828 |
| Sukuk certificates and bonds | | 27,361,135 | – | 27,361,135 | 18,542,294 | – | 18,542,294 |
| Open end mutual funds | | 1,296,566 | – | 1,296,566 | 3,908,757 | – | 3,908,757 |
| Close end mutual funds | | 419,685 | – | 419,685 | 419,685 | – | 419,685 |
| | | 264,594,877 | 71,756,430 | 336,351,307 | 268,903,085 | 12,042,862 | 280,945,947 |
| Held-to-maturity securities | | | | | | | |
| Pakistan investment bonds | 9.2 | 36,344,754 | – | 36,344,754 | 27,642,036 | – | 27,642,036 |
| Certificates of investments | | – | – | – | 2,200,000 | – | 2,200,000 |
| | | 36,344,754 | – | 36,344,754 | 29,842,036 | – | 29,842,036 |
| Investments at cost | | 300,939,631 | 71,756,430 | 372,696,061 | 298,745,121 | 12,042,862 | 310,787,983 |
| Provision for diminution in the value of investments | 9.1 | (279,025) | – | (279,025) | (302,221) | – | (302,221) |
| Investments – net of provisions | | 300,660,606 | 71,756,430 | 372,417,036 | 298,442,900 | 12,042,862 | 310,485,762 |
| Surplus / (deficit) on revaluation of available-for-sale securities – net | 16.2 | 3,078,085 | (1,305,087) | 1,772,998 | 3,653,627 | (6,515) | 3,647,112 |
| Investments after revaluation of available-for-sale securities | | 303,738,691 | 70,451,343 | 374,190,034 | 302,096,527 | 12,036,347 | 314,132,874 |

| | Note | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|---|--------------------------------------|----------------------------------|
| | | Rupees in '000 | |
| 9.1 Particulars of provision for diminution in the value of investments | | | |
| Opening balance | | 302,221 | 269,257 |
| Charge for the period / year | | 84,749 | 45,156 |
| Reversal for the period / year | | — | (12,192) |
| Net charge | | 84,749 | 32,964 |
| Reversal of provision upon disposal of investments during the period / year | | (107,945) | — |
| Closing balance | | 279,025 | 302,221 |
| 9.2 | These carry mark-up rates ranging from 7.00% to 12.00% (31 December 2016: 7.00% to 12.00%) per annum and have maturity up to 21 April 2026 (31 December 2016: 19 July 2022). These include Rs. 132,000 thousand (31 December 2016: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities. | | |
| 10. ADVANCES | | | |
| Loans, cash credits, running finances, etc. | | | |
| In Pakistan | | 140,399,341 | 125,064,843 |
| Islamic financing and related assets - gross | 10.6 | 21,270,317 | 8,802,424 |
| Net investments in finance lease | | | |
| In Pakistan | | 454,015 | 568,510 |
| Bills discounted and purchased (excluding Market Treasury Bills) | | | |
| Payable in Pakistan | | 7,972,864 | 6,961,624 |
| Payable outside Pakistan | | 21,726,879 | 18,484,814 |
| | | 29,699,743 | 25,446,438 |
| Advances - gross | | 191,823,416 | 159,882,215 |
| Provision against non-performing advances | | | |
| — specific | | (16,287,767) | (16,796,939) |
| — general | | (1,221,494) | (134,110) |
| | 10.3 | (17,509,261) | (16,931,049) |
| Advances - net of provisions | | 174,314,155 | 142,951,166 |

- 10.1** Advances include Rs. 18,474,030 thousand (31 December 2016: Rs. 19,873,142 thousand) which have been placed under non-performing status as detailed below:

| Category of classification | 30 September 2017 (Un-Audited) | | | 31 December 2016 (Audited) | | |
|----------------------------|--------------------------------|--------------------|-------------------|----------------------------|--------------------|-------------------|
| | Classified advances | Provision required | Provision held | Classified advances | Provision required | Provision held |
| Rupees in '000 | | | | | | |
| Substandard | – | – | – | 238,382 | 53,736 | 53,736 |
| Doubtful | 10,897 | – | – | 118,393 | 21,945 | 21,945 |
| Loss | 18,463,133 | 16,287,767 | 16,287,767 | 19,516,367 | 16,721,258 | 16,721,258 |
| | 18,474,030 | 16,287,767 | 16,287,767 | 19,873,142 | 16,796,939 | 16,796,939 |

- 10.2** As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs. 2,180,815 thousand (31 December 2016: Rs. 2,838,225 thousand) while determining the provision requirement against non-performing advances. The additional profit arising from availing the FSV benefit - net of tax as at 30 September 2017 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs. 1,417,529 thousand (31 December 2016: Rs. 1,844,846 thousand).

- 10.3** Particulars of provision against non-performing advances:

| | 30 September 2017 (Un-Audited) | | | 31 December 2016 (Audited) | | |
|----------------------------------|--------------------------------|------------------|-------------------|----------------------------|----------------|-------------------|
| | Specific | General | Total | Specific | General | Total |
| Rupees in '000 | | | | | | |
| Opening balance | 16,796,939 | 134,110 | 16,931,049 | 16,532,837 | 896,749 | 17,429,586 |
| Charge for the period / year | 690,761 | 1,087,384 | 1,778,145 | 2,670,552 | – | 2,670,552 |
| Reversals for the period / year | (1,135,023) | – | (1,135,023) | (1,096,262) | (762,639) | (1,858,901) |
| Net charge for the period / year | (444,262) | 1,087,384 | 643,122 | 1,574,290 | (762,639) | 811,651 |
| Amount written off | (64,910) | – | (64,910) | (1,310,188) | – | (1,310,188) |
| Closing balance | 16,287,767 | 1,221,494 | 17,509,261 | 16,796,939 | 134,110 | 16,931,049 |

- 10.4** General provision includes provision of Rs. 3,612 thousand (31 December 2016: Rs. 3,387 thousand) made against consumer portfolio and Rs. 19,139 thousand (31 December 2016: Rs. 16,814 thousand) made against Small Enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

- 10.5** Exposure amounting to Rs. 4,352,995 thousand relating to certain facilities of Power Holding Private Limited, which is government guaranteed loan, has not been classified as non-performing loan, pursuant to the relaxation given by the SBP in this respect. The relaxation is valid upto 31 October 2017.

- 10.6** It includes loans and advances of First Habib Modaraba amounting to Rs. 6,974,844 thousand and the islamic banking operations of the holding company amounting to Rs. 14,295,473 thousand as disclosed in note 22.6 to the consolidated condensed interim financial statements.

11. OPERATING FIXED ASSETS

Additions and disposals made during the period in operating fixed assets amounted to Rs. 648,332 thousand (30 September 2016: Rs. 831,719 thousand) and Rs. 23,166 thousand (30 September 2016: Rs. 61,875 thousand) respectively.

12. DEFERRED TAX ASSETS

As per Seventh Schedule to the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,729,415 thousand (31 December 2016: Rs. 3,761,929 thousand).

13. OTHER ASSETS

13.1 Other assets include non-banking assets acquired in satisfaction of claims amounting to Rs. 1,387,769 thousand. The Holding company has entered into agreements to sell with buyers against three properties having carrying value of Rs. 692,713 thousand.

14. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- under export refinance scheme
- under long term financing facility – locally manufactured plant and machinery

Repurchase agreement borrowings (Repo)

Against bills re-discounting

Unsecured

Call borrowing

Certificate of investment

Overdrawn nostro accounts

Overdrawn local bank accounts

30 September 2017
(Un-Audited)
31 December 2016
(Audited)
Rupees in '000

| | |
|-------------------|------------|
| 20,971,128 | 18,749,236 |
| 4,221,164 | 3,616,963 |
| 25,192,292 | 22,366,199 |
| 70,243,614 | 12,032,715 |
| – | 1,916,120 |
| 95,435,906 | 36,315,034 |

| | |
|--------------------|------------|
| 1,000,000 | – |
| 2,629,312 | – |
| 1,275,730 | 773,124 |
| 190,377 | 117,017 |
| 5,095,419 | 890,141 |
| 100,531,325 | 37,205,175 |

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| | Note | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|---|------|--------------------------------------|----------------------------------|
| | | Rupees in '000 | |
| 15. DEPOSITS AND OTHER ACCOUNTS | | | |
| Customers | | | |
| Fixed deposits | | 209,000,000 | 180,348,374 |
| Saving deposits | | 117,754,564 | 110,647,888 |
| Current accounts (non-remunerative) | | 124,194,128 | 120,721,112 |
| Others | | 8,174,048 | 4,320,917 |
| | | 459,122,740 | 416,038,291 |
| Financial Institutions | | | |
| Remunerative deposits | | 13,296,040 | 13,191,889 |
| Non-remunerative deposits | | 1,788,793 | 1,213,687 |
| | | 15,084,833 | 14,405,576 |
| | | 474,207,573 | 430,443,867 |
| 16. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX | | | |
| Non-banking assets | 16.1 | 129,351 | 154,678 |
| Available-for-sale securities | 16.2 | 1,146,875 | 2,374,498 |
| | | 1,276,226 | 2,529,176 |
| 16.1 Non banking assets | | | |
| Surplus on revaluation of non-banking assets at the beginning of the period / year | | 237,966 | — |
| Revaluation of non-banking assets during the period / year | | — | 258,227 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the period - net of deferred tax | | (25,327) | (13,170) |
| Related deferred tax liability on incremental depreciation charged during the period / year | | (13,638) | (7,091) |
| Surplus on revaluation of non banking assets | | (38,965) | 237,966 |
| Less: Related deferred tax liability on: | | | |
| Revaluation at the beginning of the period / year | | 83,288 | — |
| Revaluation of non-banking assets during the period / year | | — | 90,379 |
| Incremental depreciation charged during the period / year | | (13,638) | (7,091) |
| Related deferred tax liability | | 69,650 | 83,288 |
| Surplus on revaluation of non-banking assets at the end of the period / year | | 129,351 | 154,678 |

| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|--------------------------------------|----------------------------------|
| | Rupees in '000 | |
| 16.2 Available-for-sale securities: | | |
| Federal government securities | | |
| Market treasury bills | 4,630 | 8,959 |
| Pakistan investment bonds | 1,808,571 | 2,476,838 |
| GOP ijarah sukuk | 136,836 | 387,580 |
| Fully paid-up ordinary shares and mutual funds | (192,287) | 743,282 |
| Term finance certificates, sukuk certificates and bonds | | |
| Listed term finance certificates | 3,435 | 18,123 |
| Unlisted term finance certificates | 82 | 1,342 |
| Sukuk certificates and bonds | 11,731 | 10,988 |
| | 1,772,998 | 3,647,112 |
| Related deferred tax liability - net | (626,123) | (1,272,614) |
| | 1,146,875 | 2,374,498 |
| 17. CONTINGENCIES AND COMMITMENTS | | |
| 17.1 Direct credit substitutes | | |
| Bank guarantees of indebtedness favour of: | | |
| Banking companies and other financial institutions | - | 872 |
| 17.2 Transaction-related contingent liabilities | | |
| Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring: | | |
| i) Government | 30,244,249 | 21,036,923 |
| ii) Banking companies and other financial institutions | 2,396,463 | 499,127 |
| iii) Others | 13,985,285 | 16,022,300 |
| | 46,625,997 | 37,558,350 |
| 17.3 Trade-related contingent liabilities | | |
| Letters of credit | 62,238,687 | 61,829,418 |
| Acceptances | 13,981,662 | 11,400,550 |
| 17.4 Commitments in respect of forward exchange contracts | | |
| Purchase | 89,290,790 | 76,832,902 |
| Sale | 72,457,040 | 66,117,312 |

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| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|--------------------------------------|----------------------------------|
| | Rupees in '000 | |
| 17.5 Commitments for the acquisition of operating fixed assets | 90,227 | 61,774 |
| 17.6 Claims against bank not acknowledged as debt | 22,494,508 | 23,071,676 |
| 17.7 Commitments in respect of forward lendings | | |
| The Group 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. | | |
| 17.8 Commitments in respect of syndicate financing | 210,279 | 628,948 |
| 17.9 Taxation | | |

Income tax assessments of the group have been finalised upto the tax year 2016 (corresponding to the accounting year ended 31 December 2015). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Revenue (ATIR). However, adequate provisions are being held by the Group.

17.10 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the holding company. The holding company has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgment. The Honorable High Court has granted relief to the holding company by way of interim orders. Based on merits of the appeals the management is confident that these appeals shall be decided in favor of the holding company and therefore no provision has been made against the impugned penalty.

18. BASIC AND DILUTED EARNINGS PER SHARE

| | 30 September 2017 | | 30 June 2016 | |
|---|-------------------|-------------------|------------------|-------------------|
| | (Un-Audited) | | | |
| | Quarter ended | Nine months ended | Quarter ended | Nine months ended |
| | Rupees in '000 | | | |
| Profit attributable to equity shareholders of the holding company | <u>1,024,949</u> | <u>3,312,190</u> | <u>1,439,868</u> | <u>3,823,056</u> |
| | Number in '000 | | | |
| Weighted average number of ordinary shares | <u>1,047,831</u> | <u>1,047,831</u> | <u>1,047,831</u> | <u>1,047,831</u> |
| | Rupees | | | |
| Basic earnings per share | <u>0.98</u> | <u>3.16</u> | <u>1.37</u> | <u>3.65</u> |

19. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its Ultimate Parent Company, companies with common directorship, key management personnel, directors and employee's retirement benefit plans.

Contributions in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

30 September 2017 (Un-Audited)

| | Ultimate parent company | Associates | Key management personnel | Directors | Retirement benefit plans | Total |
|--|-------------------------------|-----------------|--------------------------------|-------------|--------------------------------|-----------------|
| | Rupees in '000 | | | | | |
| Deposits | | | | | | |
| At beginning of the period | 503,799 | 19,992,444 | 129,686 | 538,535 | 1,666,278 | 22,830,742 |
| Received during the period | 12,962,722 | 1,174,745,696 | 591,030 | 3,332,114 | 1,890,415 | 1,193,521,977 |
| Repaid during the period | (12,994,172) | (1,173,122,966) | (555,771) | (3,190,973) | (1,268,294) | (1,191,132,176) |
| At end of the period | 472,349 | 21,615,174 | 164,945 | 679,676 | 2,288,399 | 25,220,543 |
| Advances | | | | | | |
| At beginning of the period | - | 3,184,499 | 144,644 | - | - | 3,329,143 |
| Disbursed during the period | - | 36,708,702 | 61,860 | - | - | 36,770,562 |
| Recovered during the period | - | (38,002,813) | (19,669) | - | - | (38,022,482) |
| At end of the period | - | 1,890,388 | 186,835 | - | - | 2,077,223 |
| Bank balances held by the Group | 176,842 | 36,719 | - | - | - | 213,561 |
| Investment in certificate of investment | - | - | - | - | 25,200 | 25,200 |
| Mark-up / return / interest receivable | - | 7,097 | - | - | - | 7,097 |
| Mark-up / return / interest payable | - | 408,167 | 4,099 | 1,843 | 487,703 | 901,812 |
| Management fee payable for technical and consultancy services* | 179,140 | - | - | - | - | 179,140 |
| Prepayments / Advance deposits | - | 16,888 | - | - | - | 16,888 |
| Insurance premium payable | - | 11,436 | - | - | - | 11,436 |
| Transaction-related contingent liabilities | - | 6,782,591 | - | - | - | 6,782,591 |
| Trade-related contingent liabilities | - | 3,704,928 | - | - | - | 3,704,928 |
| Receivable / (Payable) against Purchase / sale of securities | (2,753) | - | (290) | - | - | (3,043) |

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

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31 December 2016 (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 | 19,865,256 |
| Received during the year | 22,750,934 | 1,433,239,459 | 758,702 | 2,016,849 | 2,406,913 | 1,461,172,857 |
| Repaid during the year | (22,551,639) | (1,431,122,046) | (695,338) | (1,976,678) | (1,861,670) | (1,458,207,371) |
| At end of the year | 503,799 | 19,992,444 | 129,686 | 538,535 | 1,666,278 | 22,830,742 |
| Advances | | | | | | |
| At beginning of the year | – | 3,967,805 | 128,974 | – | – | 4,096,779 |
| Disbursed during the period | – | 63,535,889 | 61,857 | – | – | 63,597,746 |
| Recovered during the period | – | (64,319,195) | (46,187) | – | – | (64,365,382) |
| At end of the period | – | 3,184,499 | 144,644 | – | – | 3,329,143 |
| Bank balances held by the Group | 292,215 | 29,364 | – | – | – | 321,579 |
| Overdrawn bank balances held by the Group | – | 6,472 | – | – | – | 6,472 |
| Mark-up / return / interest receivable | – | 1,457 | – | – | – | 1,457 |
| Mark-up / return / interest payable | – | 325,084 | 4,954 | 2,169 | 351,899 | 684,106 |
| Management fee payable for technical and consultancy services* | 180,265 | – | – | – | – | 180,265 |
| Prepayments / Advance deposits | – | 26,265 | – | – | – | 26,265 |
| Insurance premium and other payable | – | 830 | – | – | – | 830 |
| Transaction-related contingent liabilities | – | 4,670,305 | – | – | – | 4,670,305 |
| Trade-related contingent liabilities | – | 5,041,474 | – | – | – | 5,041,474 |
| Receivable / (Payable) against Purchase / sale of securities | 10,190 | – | (233) | – | – | 9,957 |

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

| Transactions during the period | For the period ended 30 September 2017 (Un-Audited) | | | | |
|--|---|------------|--------------------------|-----------|--------------------------|
| | Ultimate parent company | Associates | Key management personnel | Directors | Retirement benefit plans |
| | Rupees in '000 | | | | |
| Mark-up / return / interest earned | - | 60,285 | 5,360 | - | - |
| Mark-up / return / interest expensed | - | 874,759 | 7,723 | 14,247 | 146,470 |
| Commission / brokerage / bank charges recovered | 6,869 | 148,265 | - | 192 | - |
| Commission / brokerage / bank charges paid | 732 | 825 | - | - | - |
| Rent income | 4,212 | - | - | - | - |
| Salaries and allowances | - | - | 283,509 | - | - |
| Directors' fees | - | - | - | 2,650 | - |
| Contribution to defined benefit plan | - | - | - | - | 107,449 |
| Contribution to defined contribution plan | - | - | - | - | 129,268 |
| Rent expenses | - | 9,144 | - | - | - |
| Insurance premium expenses | - | 46,895 | - | - | - |
| Maintenance, electricity, stationery & entertainment expenses | - | 51,479 | - | - | - |
| Management fee expense for technical and consultancy services* | 192,223 | - | - | - | - |
| Donation | - | 26,880 | - | - | - |
| Professional / other charges | - | - | - | - | - |

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

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| Transactions during the period | For the period ended 30 September 2016 (Un-Audited) | | | | | |
|--|---|------------|--------------------------|-----------|--------------------------|-----------|
| | Ultimate parent company | Associates | Key management personnel | Directors | Retirement benefit plans | Total |
| | Rupees in '000 | | | | | |
| Mark-up / return / interest earned | – | 88,704 | 4,329 | – | – | 93,033 |
| Mark-up / return / interest expensed | – | 856,077 | 2,143 | 17,612 | 125,937 | 1,001,769 |
| Commission / brokerage / bank charges recovered | 8,745 | 117,116 | – | 37 | – | 125,898 |
| Commission / brokerage / bank charges paid | 251 | 531 | 4 | – | – | 786 |
| Rent income | 4,211 | – | – | – | – | 4,211 |
| Salaries and allowances | – | – | 260,346 | – | – | 260,346 |
| Directors' fees | – | – | – | 7,050 | – | 7,050 |
| Contribution to defined benefit plan | – | – | – | – | 114,440 | 114,440 |
| Contribution to defined contribution plan | – | – | – | – | 112,944 | 112,944 |
| Rent expenses | – | 8,581 | – | – | – | 8,581 |
| Insurance premium expenses | – | 26,875 | – | – | – | 26,875 |
| Maintenance, electricity, stationery & entertainment expenses | – | 44,861 | – | – | – | 44,861 |
| Management fee expense for technical and consultancy services* | 177,617 | – | – | – | – | 177,617 |
| Donation | – | 4,880 | – | – | – | 4,880 |
| Professional / other charges | – | 186 | – | – | – | 186 |

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

On balance sheet financial instruments

| | 30 September 2017 (Un-Audited) | | | | |
|---|--------------------------------|------------|-------------|---------|-------------|
| | Carrying Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | | |
| Financial assets measured at fair value | | | | | |
| - Investments | | | | | |
| - Available-for-sale securities | | | | | |
| Federal government securities | 332,427,955 | - | 332,427,955 | - | 332,427,955 |
| Sukuk certificates and bonds | 858,063 | - | 858,063 | - | 858,063 |
| Ordinary shares of listed companies | 790,195 | 790,195 | - | - | 790,195 |
| Ordinary shares of unlisted companies | 28,130 | - | 28,130 | - | 28,130 |
| Mutual funds | 1,534,088 | 1,534,088 | - | - | 1,534,088 |
| Listed term finance certificates | 2,083,752 | 2,083,752 | - | - | 2,083,752 |
| Unlisted term finance certificates | 123,097 | - | 123,097 | - | 123,097 |
| - Other assets | | | | | |
| Unrealized gain on forward foreign exchange contracts | 782,781 | - | 782,781 | - | 782,781 |
| Financial assets not measured at fair value | 291,752,753 | - | - | - | - |
| | 630,380,814 | 4,408,035 | 334,220,026 | - | 338,628,061 |
| Financial liabilities measured at fair value | | | | | |
| - Other liabilities | | | | | |
| Unrealized loss on forward foreign exchange contracts | (658,193) | - | (658,193) | - | (658,193) |
| Financial liabilities not measured at fair value | (593,915,624) | - | - | - | - |
| | 35,806,997 | 4,408,035 | 333,561,833 | - | 337,969,868 |

On balance sheet financial instruments

| 31 December 2016 (Audited) | | | | | |
|---|----------------|------------|-------------|---------|-------------|
| | Carrying Value | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | | | |
| Financial assets measured at fair value | | | | | |
| - Investments | | | | | |
| - Available-for-sale securities | | | | | |
| Federal government securities | 274,215,763 | - | 274,215,763 | - | 274,215,763 |
| Sukuk certificates and bonds | 1,149,362 | - | 1,149,362 | - | 1,149,362 |
| Ordinary shares of listed companies | 1,840,554 | 1,840,554 | - | - | 1,840,554 |
| Ordinary shares of unlisted companies | 94,695 | - | 94,695 | - | 94,695 |
| Mutual funds | 4,678,866 | 4,678,866 | - | - | 4,678,866 |
| Listed term finance certificates | 2,024,268 | 2,024,268 | - | - | 2,024,268 |
| Unlisted term finance certificates | 287,330 | - | 287,330 | - | 287,330 |
| - Other assets | | | | | |
| Unrealized gain on forward foreign exchange contracts | 769,626 | - | 769,626 | - | 769,626 |
| Financial assets not measured at fair value | 233,637,695 | - | - | - | - |
| | 518,698,159 | 8,543,688 | 276,516,776 | - | 285,060,464 |
| Financial liabilities measured at fair value | | | | | |
| - Other liabilities | | | | | |
| Unrealized loss on forward foreign exchange contracts | (917,476) | - | (917,476) | - | (917,476) |
| Financial liabilities not measured at fair value | (484,864,630) | - | - | - | - |
| | 32,916,053 | 8,543,688 | 275,599,300 | - | 284,142,988 |

Off- balance sheet financial instruments

| | 30 September 2017 (Un-Audited) | | 31 December 2016 (Audited) | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | Contracted Value | Fair Value | Contracted Value | Fair Value |
| | Rupees in '000 | | | |
| Forward purchase of foreign exchange contracts | <u>89,290,790</u> | <u>90,095,854</u> | <u>76,832,902</u> | <u>76,022,687</u> |
| Forward sale of foreign exchange contracts | <u>72,457,040</u> | <u>77,768,536</u> | <u>66,117,312</u> | <u>66,779,677</u> |

| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|--------------------------------------|----------------------------------|
| | Rupees in '000 | |

Reconciliation of net assets to financial instruments

| | | |
|--|--------------------------|-------------------|
| Net financial assets | 35,806,997 | 32,916,053 |
| Non financial assets / (liabilities) | | |
| - Operating fixed assets | 3,284,788 | 3,247,358 |
| - Deferred tax asset | 3,140,248 | 2,452,502 |
| - Other assets | 1,346,036 | 2,044,633 |
| - Other liabilities | (1,639,799) | (922,402) |
| Net assets as per statement of financial position | <u>41,938,270</u> | <u>39,738,144</u> |

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

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

| | 30 September 2017 | | | | 30 September 2016 | | | |
|---------------------|---------------------|--------------------|-----------------------|---------------------|-------------------|-------------------|-----------------------|------------------|
| | Trade & Sales | Retail Banking | Commercial Banking | Total | Trade & Sales | Retail Banking | Commercial Banking | Total |
| | Rupees in '000 | | | | | | | |
| Total income * | <u>18,040,222</u> | <u>3,095,338</u> | <u>21,913,940</u> | <u>43,049,500</u> | 21,184,602 | 4,225,568 | 19,932,838 | 45,343,008 |
| Total expenses * | <u>(17,137,143)</u> | <u>(1,687,604)</u> | <u>(18,297,566)</u> | <u>(37,122,313)</u> | (18,443,159) | (2,526,607) | (17,585,236) | (38,555,002) |
| Net income | <u>903,079</u> | <u>1,407,734</u> | <u>3,616,374</u> | <u>5,927,187</u> | <u>2,741,443</u> | <u>1,698,961</u> | <u>2,347,602</u> | <u>6,788,006</u> |
| Segment assets | <u>412,035,898</u> | <u>1,727,421</u> | <u>224,388,567</u> | <u>638,151,886</u> | 386,885,137 | 1,167,006 | 189,200,736 | 577,252,879 |
| Segment liabilities | <u>72,403,204</u> | <u>66,106,575</u> | <u>457,703,837</u> | <u>596,213,616</u> | 25,898,136 | 89,682,506 | 422,880,589 | 538,461,231 |

* Includes Rs. 13,804,133 thousands (30 September 2016: Rs. 14,200,021 thousands) of inter-segment revenues and expenses.

22. KEY ISLAMIC BANKING OPERATIONS

22.1 The Bank is operating 28 (31 December 2016: 25) Islamic Banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 September 2017 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

| | Note | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|---|------|--------------------------------------|----------------------------------|
| Rupees in '000 | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 2,101,739 | 2,723,811 |
| Balances with other banks | | — | — |
| Due from financial institutions | | 7,817,915 | 13,613,465 |
| Investments | | 27,652,678 | 20,540,621 |
| Islamic financing and related assets | 21.6 | 13,918,220 | 8,429,751 |
| Operating fixed assets | | 80,530 | 79,530 |
| Deferred tax assets - net | | — | — |
| Other assets | | 978,434 | 1,414,567 |
| | | 52,549,516 | 46,801,745 |
| LIABILITIES | | | |
| Bills payable | | 529,340 | 304,581 |
| Due to financial institutions | | 1,818,943 | 860,517 |
| Deposits and other accounts | | 47,315,023 | 43,154,644 |
| - Current accounts | | 7,749,170 | 7,660,817 |
| - Saving accounts | | 14,746,071 | 10,641,554 |
| - Term deposits | | 16,992,469 | 16,415,145 |
| - Others | | 294,109 | 111,661 |
| - Deposits from financial institutions - remunerative | | 7,516,628 | 8,321,653 |
| - Deposits from financial institutions - non remunerative | | 16,576 | 3,814 |
| Due to head office | | — | — |
| Other liabilities | | 521,713 | 506,326 |
| | | 50,185,019 | 44,826,068 |
| NET ASSETS | | 2,364,497 | 1,975,677 |
| REPRESENTED BY | | | |
| Islamic banking fund | | 2,002,635 | 1,402,615 |
| Reserves | | — | — |
| Unappropriated profit | | 214,665 | 191,936 |
| | | 2,217,300 | 1,594,551 |
| Surplus on revaluation of assets | | 147,197 | 381,126 |
| | | 2,364,497 | 1,975,677 |

**22.2 PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

| | 30 September 2017 (Un-Audited) | 30 September 2016 (Un-Audited) |
|--|--|--------------------------------------|
| | Rupees in '000 | |
| Profit / return on financing, investments and placements earned | 1,845,610 | 2,120,553 |
| Profit / return on deposit and other dues expensed | (1,356,521) | (1,768,498) |
| Net spread earned | 489,089 | 352,055 |
| Provision against non performing financing - net | 4,580 | 15,051 |
| Provision for diminution in the value of investments | — | — |
| Provision for consumer financing ljarah | — | — |
| Bad debts written off directly | — | — |
| | (4,580) | (15,051) |
| Net spread after provisions | 484,509 | 337,004 |
| Other income | | |
| Fee, commission and brokerage income | 65,589 | 29,263 |
| Dividend income | — | — |
| Income from dealing in foreign currencies - net | 15,624 | 16,309 |
| Gain on sale / redemption of securities - net | 14,010 | 23,332 |
| Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading' | — | — |
| Other income | 9,071 | 32,718 |
| Total other income | 104,294 | 101,622 |
| | 588,803 | 438,626 |
| Other expenses | | |
| Administrative expenses | 371,335 | 303,103 |
| Other provisions / write offs | — | — |
| Other charges | 2,803 | — |
| Total other expenses | (374,138) | (303,103) |
| | 214,665 | 135,523 |
| Extraordinary / unusual items | — | — |
| Profit before taxation | 214,665 | 135,523 |
| 22.3 Remuneration to Shariah Advisor / Board | 6,155 | 5,892 |
| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
| | Rupees in '000 | |
| 22.4 Charity Fund | | |
| Opening balance | 327 | 491 |
| Additions during the period / year | | |
| Received from customers on delayed payments | 66 | 550 |
| Payments / utilization during the period / year | | |
| Education | — | (148) |
| Health | — | (566) |
| | — | (714) |
| Closing balance | 393 | 327 |

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| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|--------------------------------------|----------------------------------|
| | Rupees in '000 | |
| 22.5 Financings / investments / receivables | | |
| Murabaha financing | | |
| Murabaha receivable - gross | 4,139,370 | 4,257,445 |
| Less: Deferred murabaha income | (107,890) | (125,683) |
| Advance against murabaha | 284,442 | 109,071 |
| | 4,315,922 | 4,240,833 |
| Provision against murabaha financing | (347,138) | (345,550) |
| | <u>3,968,784</u> | <u>3,895,283</u> |
| Ijarah | | |
| Asset held for ijarah | 510,275 | 367,292 |
| Less: Accumulated depreciation | (112,503) | (115,788) |
| Advance against ijarah | 49,849 | 32,218 |
| | 447,621 | 283,722 |
| Provision against ijarah financing | (23,682) | (23,796) |
| | <u>423,939</u> | <u>259,926</u> |
| Diminishing musharakah | | |
| Diminishing musharakah - gross | 6,667,192 | 3,477,592 |
| Less: Unrealised income on diminishing musharakah | (1,048,098) | (779,718) |
| Advance against diminishing musharakah | 171,146 | 146,306 |
| | 5,790,240 | 2,844,180 |
| Provision against diminishing musharakah | (6,433) | (3,327) |
| | <u>5,783,807</u> | <u>2,840,853</u> |
| Export refinance murabaha | | |
| Export refinance murabaha receivable - gross | 591,101 | 95,142 |
| Less: Deferred export refinance murabaha income | (8,284) | (1,247) |
| Advance against murabaha IERF | - | 6,673 |
| | <u>582,817</u> | <u>100,568</u> |
| Istisna financing | | |
| Istisna financing - gross | 22,588 | 44,645 |
| Less: Deferred istisna income | (6,776) | (13,394) |
| Advance against istisna | 354,043 | 146,308 |
| | <u>369,855</u> | <u>177,559</u> |

| | 30 September 2017 (Un-Audited) | 31 December 2016 (Audited) |
|--|--|--|
| | Rupees in '000 | |
| Al-Bai financing | 24,499 | — |
| Al-Bai goods | 103,519 | 55,081 |
| Istisna goods | 5,000 | 29,500 |
| Working capital musharaka | 1,406,000 | 306,000 |
| Export refinance istisna | | |
| Export refinance istisna receivable - gross | 102,309 | 13,226 |
| Less: Deferred export refinance istisna income | (15,346) | (2,645) |
| Advance against istisna IERF | 1,096,203 | 754,400 |
| | 1,183,166 | 764,981 |
| Istisna goods - export refinance | 66,834 | — |
| 22.6 Islamic financing and related assets | | |
| Financings / investments / receivables | 12,164,437 | 7,522,867 |
| Advances | 1,955,683 | 1,194,976 |
| Assets / inventories | 175,353 | 84,581 |
| Gross Islamic financing and related assets | 14,295,473 | 8,802,424 |
| Provision against financing and related assets | (377,253) | (372,673) |
| | 13,918,220 | 8,429,751 |

23. GENERAL

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

24. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 25 October 2017.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

SOHAIL HASAN
Director

MOHOMED BASHIR
Director

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