

HABIBMETRO

HALF YEARLY ACCOUNTS

2017



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هَذَا فَضْلُكَ

OUR VISION

To be the most respected financial institution
based on trust, service and commitment



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Sirajuddin Aziz

DIRECTORS

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

AUDIT COMMITTEE

Ali S. Habib
Anjum Z. Iqbal
Sohail Hasan

CREDIT COMMITTEE

Mohamedali R. Habib
Muhammad H. Habib
Sirajuddin Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Firasat Ali
Mohamedali R. Habib
Tariq Ikram

RISK & COMPLIANCE COMMITTEE

Anjum Z. Iqbal
Firasat Ali
Sirajuddin Aziz

COMPANY SECRETARY

Raza Mohsin Qizilbash

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi - 74400.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the half year ended June 30, 2017.

The half year 2017 has witnessed continued progression in economic activity. Large-scale manufacturing, private sector and agricultural output contributed to this growth and were supplemented by increased investor confidence and CPEC-related investments. Average inflation, though higher than fiscal year 17, is expected to remain below the target of 6.0 percent. Going forward in this fiscal year, the SBP projects average CPI inflation to mark between 4.5 and 5.5 percent, due to decelerated increase in international oil prices and lower inflationary expectations. Domestic demand is expected to be bolstered further, at the back of current growth in production and private sector credit.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's advances and investments increased to Rs. 168,559 million and Rs. 329,415 million respectively while deposits increased to Rs. 455,158 million.

The Bank posted a Profit after Tax of Rs. 2,241 million for the half year ended June 30, 2017 which translates into earnings per share of Rs. 2.14. At end of June 30, 2017 the Bank's net equity stands at Rs. 36,251 million with a comfortable level of capital adequacy at 16.62 percent.

The Bank continues to enjoy AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the seventeenth consecutive year. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

With a network of 308 branches in 88 cities across Pakistan including 25 Islamic banking branches and 213 Islamic banking windows, HabibMetro Bank provides comprehensive banking services and products, inclusive of specialized trade finance products, besides an array of products and technologically advanced services like secured SMS and Web Banking services, globally accepted Visa Card and nationwide ATM network to its customers across the country.

Finally, I would like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Also, yet equally importantly, I would like to thank the staff of HabibMetro for their continued dedication and hard work in improving their Bank's performance.

On behalf of the Board

SIRAJUDDIN AZIZ

President & Chief Executive Officer

Karachi: 17 August 2017

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2017 کی ششماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

سال 2017 کی ششماہی میں اقتصادی سرگرمیوں میں مسلسل بہتری رہی۔ لارج اسکیل مینوفیکچرنگ، نجی شعبے اور زرعی ترقی نے اس بہتری کیلئے اپنا بھرپور کردار ادا کیا جس میں سرمایہ کاروں کے بڑھتے ہوئے اعتماد اور سی پیک (CPEC) سے متعلق سرمایہ کاری سے بھی مدد ملی۔ اوسط افراط زر اگرچہ مالی سال 2017 سے زائد رہا تاہم امکان ہے کہ یہ طے شدہ 6 فیصد حد سے نیچے رہے گا۔ موجودہ مالی سال کے آنے والے دنوں میں تیل کے عالمی نرخوں کے بڑھتے ہوئے رجحان میں کمی اور افراط زر میں کمی کی توقعات کے باعث اسٹیٹ بینک آف پاکستان کے اندازے کے مطابق اوسط سی پی آئی 4.5 سے 5.5 فیصد کے درمیان رہے گی۔ پیداوار اور نجی شعبہ کے قرضہ جات میں حالیہ اضافے کے باعث مقامی طلب میں مزید استحکام کی توقع ہے۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ بینک کے ایڈوائسز اور سرمایہ کاری بڑھ کر بالترتیب 168,559 ملین روپے اور 329,415 ملین روپے ہو گئیں جبکہ ڈپازٹس بڑھ کر 455,158 ملین روپے ہو گئے۔

30 جون 2017 کو ختم ہونے والی ششماہی میں بینک کا منافع بعد از ٹیکس 2,241 ملین روپے رہا جو کہ فی حصص آمدنی کی مناسبت سے 2.14 روپے بنتا ہے۔ 30 جون 2017 کے اختتام پر بینک کی خالص ایکویٹی 36,251 ملین روپے رہی جس کے ساتھ کیپٹل ایڈیلیٹی 16.62 فیصد کی اطمینان بخش سطح پر رہی۔

بینک مستقل طور پر مسلسل سترہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (ایون پلس) برائے قلیل مدتی ریٹنگ حاصل کر رہا ہے جو اعلیٰ کریڈٹ کے معیار، کریڈٹ رسک کی کمی اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

پاکستان بھر میں 88 شہروں میں 308 شاخوں بشمول 25 اسلامک بینکنگ کی شاخوں اور 213 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکاری خدمات اور پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس فراہم کرتا ہے۔ مزید برآں، بہت سے دوسرے پروڈکٹس اور ایڈوائس ٹیکنالوجی سے مزین خدمات جیسے محفوظ SMS اور ویب بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کیلئے ATM نیٹ ورک فراہم کرتا ہے۔

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

منجانب بورڈ

سراج الدین عزیز

صدر چیف ایگزیکٹو آفیسر

کراچی: 17 اگست 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**Introduction**

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2017 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the quarter ended 30 June 2017 and 30 June 2016 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi: 17 August 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		37,228,556	35,561,885
Balances with other banks	6	1,833,778	2,259,974
Lendings to financial institutions	7	11,074,246	16,750,886
Investments	8	329,415,305	314,619,011
Advances	9	168,558,534	142,962,103
Operating fixed assets	10	3,218,713	3,246,376
Deferred tax assets	11	2,801,099	2,458,685
Other assets	12	10,942,754	8,747,497
		565,072,985	526,606,417
LIABILITIES			
Bills payable		12,886,927	8,108,633
Borrowings	13	47,341,280	37,205,175
Deposits and other accounts	14	455,157,625	430,888,036
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		11,181,550	10,734,123
		526,567,382	486,935,967
NET ASSETS			
		38,505,603	39,670,450
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		14,382,085	13,933,875
Unappropriated profit		11,390,914	12,753,139
		36,251,314	37,165,329
Surplus on revaluation of assets - net of tax	15	2,254,289	2,505,121
		38,505,603	39,670,450
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 Quarter ended	30 June 2017 Half year ended	30 June 2016 Quarter ended	30 June 2016 Half year ended
Rupees in '000					
Mark-up / return / interest earned		8,078,708	15,971,423	8,530,643	16,727,141
Mark-up / return / interest expensed		(4,580,833)	(9,076,558)	(5,507,926)	(10,825,295)
Net mark-up / interest income		3,497,875	6,894,865	3,022,717	5,901,846
Provision against non-performing loans and advances - net	9.3	397,510	645,437	547,608	971,345
Provision for diminution in the value of investments - net	8.1	81,143	81,143	37,170	31,906
Bad debts written-off directly		-	-	-	-
		(478,653)	(726,580)	(584,778)	(1,003,251)
Net mark-up / interest income after provisions		3,019,222	6,168,285	2,437,939	4,898,595
Non mark-up / interest income					
Fee, commission and brokerage income		832,011	1,675,833	798,125	1,530,185
Dividend income		321,826	348,151	12,534	42,732
Income from dealing in foreign currencies - net		192,354	378,963	258,869	555,175
Gain on sale / redemption of securities - net		534,671	712,312	839,592	1,903,805
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		-	-	-	-
Other income		59,922	129,536	106,224	187,589
Total non mark-up / interest income		1,940,784	3,244,795	2,015,344	4,219,486
		4,960,006	9,413,080	4,453,283	9,118,081
Non mark-up / interest expenses					
Administrative expenses		2,707,905	5,120,092	2,371,804	4,588,475
Other provisions / write offs		103,000	103,000	-	(172,048)
Other charges		50,895	98,983	64,890	130,945
Total non mark-up / interest expenses		(2,861,800)	(5,322,075)	(2,436,694)	(4,547,372)
		2,098,206	4,091,005	2,016,589	4,570,709
Extraordinary / unusual items		-	-	-	-
Profit before taxation		2,098,206	4,091,005	2,016,589	4,570,709
Taxation - Current		880,019	1,638,082	805,527	1,911,624
- Prior years		413,000	413,000	581,308	581,308
- Deferred		(147,546)	(201,125)	(92,638)	(303,686)
		(1,145,473)	(1,849,957)	(1,294,197)	(2,189,246)
Profit after taxation		952,733	2,241,048	722,392	2,381,463
Basic and diluted earnings per share (Rupees)	17	0.91	2.14	0.69	2.27

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2017

	30 June 2017 Quarter ended	30 June 2017 Half year ended	30 June 2016 Quarter ended	30 June 2016 Half year ended
	Rupees in '000			
Profit after taxation for the period	952,733	2,241,048	722,392	2,381,463
Other comprehensive income				
Items that are not to be reclassified to profit and loss account in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	9	(19,156)	22,980	(7,290)
Related deferred tax (charge) / reversal	(3)	6,705	(8,043)	2,552
	6	(12,451)	14,937	(4,738)
Comprehensive income transferred to equity	952,739	2,228,597	737,329	2,376,725
Components of Comprehensive income not reflected in equity				
Items that may be reclassified to profit and loss account in subsequent periods:				
(Deficit) / surplus on revaluation of investments	(421,071)	(384,538)	763,700	1,148,587
Related deferred tax reversal / (charge)	147,375	134,588	(267,295)	(402,006)
	(273,696)	(249,950)	496,405	746,581
Total comprehensive income for the period	679,043	1,978,647	1,233,734	3,123,306

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director

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

FOR THE HALF YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,091,005	4,570,709
Less: Dividend income	(348,151)	(42,732)
	3,742,854	4,527,977
Adjustments		
Depreciation and amortization on operating fixed assets	399,706	321,736
Depreciation on non-banking assets	12,148	—
Provision against non-performing loans and advances – net	645,437	971,345
Provision against other assets	103,000	—
Provision for diminution in the value of investments – net	81,143	31,906
Gain on sale of operating fixed assets – net	(7,080)	(15,219)
	1,234,354	1,309,768
	4,977,208	5,837,745
(Increase) / decrease in operating assets		
Lendings to financial institutions	5,676,640	(29,277,745)
Advances	(26,241,868)	(8,551,894)
Other assets (excluding dividend and taxation)	(1,876,493)	(1,389,684)
	(22,441,721)	(39,219,323)
Increase / (decrease) in operating liabilities		
Bills payable	4,778,294	6,103,871
Borrowings	9,923,048	88,093,682
Deposits and other accounts	24,269,589	26,127,949
Other liabilities (excluding dividend and taxation)	286,691	482,237
	39,257,622	120,807,739
	21,793,109	87,426,161
Income tax paid	(2,380,313)	(2,356,561)
Net cash flows from operating activities	19,412,796	85,069,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(6,524,021)	(85,921,588)
Net investments in held-to-maturity securities	(8,737,954)	(2,187,555)
Dividend income received	346,471	42,732
Investments in operating fixed assets	(372,916)	(357,332)
Proceeds from sale of operating fixed assets	7,956	77,019
Net cash flows from investing activities	(15,280,464)	(88,346,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,104,914)	(2,091,990)
Net cash flows financing activities	(3,104,914)	(2,091,990)
Increase / (decrease) in cash and cash equivalents	1,027,418	(5,369,114)
Cash and cash equivalents at beginning of the year	36,931,718	44,059,154
Cash and cash equivalents at end of the period	37,959,136	38,690,040

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director

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

FOR THE HALF YEAR ENDED 30 JUNE 2017

	Reserves					Unappropriated profit	Total
	Share Capital	Share premium	Statutory reserve	Special reserve	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	9,931,633	33,119,958
Total comprehensive income for the six months ended 30 June 2016							
Profit after taxation	–	–	–	–	–	2,381,463	2,381,463
Other comprehensive income - net of tax	–	–	–	–	–	(4,738)	(4,738)
	–	–	–	–	–	2,376,725	2,376,725
Transactions with owners, recognised directly in equity							
Cash dividend (Rs. 2.00 per share) for year ended - 31 December 2015	–	–	–	–	–	(2,095,663)	(2,095,663)
Transferred from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	–	–	–	–	–	1,003	1,003
Transferred to statutory reserve	–	–	476,293	–	–	(476,293)	–
Balance as at 30 June 2016	10,478,315	2,550,985	8,894,957	240,361	1,500,000	9,737,405	33,402,023
Total comprehensive income for the six months ended 31 December 2016							
Profit after taxation	–	–	–	–	–	3,737,861	3,737,861
Other comprehensive income - net of tax	–	–	–	–	–	24,426	24,426
	–	–	–	–	–	3,762,287	3,762,287
Transactions with owners, recognised directly in equity							
Transferred from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	–	–	–	–	–	1,019	1,019
Transferred to statutory reserve	–	–	747,572	–	–	(747,572)	–
Balance as at 31 December 2016	10,478,315	2,550,985	9,642,529	240,361	1,500,000	12,753,139	37,165,329
Total comprehensive income for the six months ended 30 June 2017							
Profit after taxation	–	–	–	–	–	2,241,048	2,241,048
Other comprehensive income - net of tax	–	–	–	–	–	(12,451)	(12,451)
	–	–	–	–	–	2,228,597	2,228,597
Transactions with owners, recognised directly in equity							
Cash dividend (Rs. 3.00 per share) for year ended - 31 December 2016	–	–	–	–	–	(3,143,494)	(3,143,494)
Transferred from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	–	–	–	–	–	882	882
Transferred to statutory reserve	–	–	448,210	–	–	(448,210)	–
Balance as at 30 June 2017	<u>10,478,315</u>	<u>2,550,985</u>	<u>10,090,739</u>	<u>240,361</u>	<u>1,500,000</u>	<u>11,390,914</u>	<u>36,251,314</u>

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director

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

FOR THE HALF YEAR ENDED 30 JUNE 2017

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited ("the Bank") was incorporated in Pakistan on 3 August 1992 as a public limited company, under the 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.

2. BASIS OF PRESENTATION AND MEASUREMENT

2.1 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are being separately issued.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic 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 deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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

2.4 Basis of measurement

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

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the 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 press release dated 20 July 2017, these unconsolidated condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3.2 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 unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Moreover, segment information is being disclosed in accordance with the SBP's prescribed format as per BSD Circular No. 4 dated 17 February 2006 which prevails over the requirements specified in IFRS 8.

3.3 The disclosures made in these unconsolidated 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 BPRD Circular Letter No. 5 dated 29 February 2016 and (IAS) 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2016.

4. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of annual unconsolidated financial statements of the Bank for the year ended 31 December 2016.

4.2 The basis for accounting estimates and judgements adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2016.

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	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
		Rupees in '000	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		82,007	181,268
Deposit accounts	6.1	129,869	44,415
		211,876	225,683
Outside Pakistan			
Current accounts		1,621,902	2,034,291
		1,833,778	2,259,974

6.1 These carry mark-up rate of 3.75% (31 December 2016 : 3.75%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7.1	3,000,000	2,500,000
Repurchase agreement lendings (Reverse repo)	7.2	506,331	637,421
Bai - Muajjal receivable from State Bank of Pakistan	7.3	3,567,915	5,113,465
Islamic Placement - Musharika	7.4	4,000,000	8,500,000
		11,074,246	16,750,886

7.1 This carries mark-up rate of 6.50% (31 December 2016: 6.65%) per annum with maturity upto 7 July 2017 (31 December 2016: 3 March 2017).

7.2 These carry mark-up rate of 6.20% (31 December 2016: 5.99% to 6.04%) per annum with maturity upto 25 July 2017 (31 December 2016: 1 February 2017).

7.3 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).

7.4 These carry profit rate ranging from 5.15% to 5.60% (31 December 2016: 4.50% to 5.25%) per annum with maturity upto 7 August 2017 (31 December 2016: 6 March 2017).

8. INVESTMENTS

	Note	30 June 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		130,918,904	6,560,761	137,479,665	158,277,735	12,042,862	170,320,597
Pakistan investment bonds	8.2	99,840,835	13,858,144	113,698,979	83,538,877	–	83,538,877
Ordinary shares of listed companies		2,006,218	–	2,006,218	1,572,398	–	1,572,398
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		2,088,301	–	2,088,301	2,088,703	–	2,088,703
Unlisted term finance certificates		235,350	–	235,350	314,828	–	314,828
Sukuk certificates and bonds		26,452,485	–	26,452,485	18,542,294	–	18,542,294
Open end mutual funds		4,849,476	–	4,849,476	3,908,757	–	3,908,757
Close end mutual funds		419,686	–	419,686	419,685	–	419,685
		266,918,246	20,418,905	287,337,151	268,770,268	12,042,862	280,813,130
Held-to-maturity securities							
Pakistan investment bonds	8.2	36,329,990	–	36,329,990	27,642,036	–	27,642,036
Certificates of investments	8.3	2,250,000	–	2,250,000	2,200,000	–	2,200,000
		38,579,990	–	38,579,990	29,842,036	–	29,842,036
Subsidiaries							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Modaraba Management Company Private Limited		350,000	–	350,000	350,000	–	350,000
		650,000	–	650,000	650,000	–	650,000
Investments at cost		306,148,236	20,418,905	326,567,141	299,262,304	12,042,862	311,305,166
Provision for diminution in the value of investments	8.1	(383,364)	–	(383,364)	(302,221)	–	(302,221)
Investments – net of provisions		305,764,872	20,418,905	326,183,777	298,960,083	12,042,862	311,002,945
Surplus / (deficit) on revaluation of available-for-sale securities – net	15.2	3,669,320	(437,792)	3,231,528	3,622,581	(6,515)	3,616,066
Investments after revaluation of available-for-sale securities		309,434,192	19,981,113	329,415,305	302,582,664	12,036,347	314,619,011

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	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
		Rupees in '000	
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		302,221	269,257
Charge for the period / year		81,143	45,156
Reversal for the period / year		—	(12,192)
Net charge		81,143	32,964
Closing balance		383,364	302,221
8.2	These carry mark-up rates ranging from 7.00% to 12.00% (31 December 2016: 7.00% to 12.00%) per annum and will mature 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 the State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.		
8.3	This represents certificates of investment issued by First Habib Modaraba, a modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited, wholly owned subsidiary of the Bank.		
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		144,441,436	125,075,780
Islamic financing and related assets - gross	21.6	13,744,244	8,802,424
Net investments in finance lease			
In Pakistan		486,253	568,510
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		8,052,176	6,961,624
Payable outside Pakistan		19,346,001	18,484,814
		27,398,177	25,446,438
Advances - gross		186,070,110	159,893,152
Provision against non-performing advances			
— specific		(16,357,934)	(16,796,939)
— general		(1,153,642)	(134,110)
	9.3	(17,511,576)	(16,931,049)
Advances - net of provisions		168,558,534	142,962,103

- 9.1** Advances include Rs. 18,857,918 thousand (31 December 2016: Rs. 19,873,142 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2017 (Un-Audited)			31 December 2016 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	80,238	–	–	238,382	53,736	53,736
Doubtful	252,452	93,427	93,427	118,393	21,945	21,945
Loss	18,525,228	16,264,507	16,264,507	19,516,367	16,721,258	16,721,258
	18,857,918	16,357,934	16,357,934	19,873,142	16,796,939	16,796,939

- 9.2** As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs. 2,313,580 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 June 2017 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs. 1,503,827 thousand (31 December 2016: Rs. 1,844,846 thousand).

9.3 Particulars of specific provision against non-performing advances:

	30 June 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	561,123	1,019,532	1,580,655	2,670,552	–	2,670,552
Reversals for the period / year	(935,218)	–	(935,218)	(1,096,262)	(762,639)	(1,858,901)
Net charge / (reversal) for the period / year	(374,095)	1,019,532	645,437	1,574,290	(762,639)	811,651
Amount written off	(64,910)	–	(64,910)	(1,310,188)	–	(1,310,188)
Closing balance	16,357,934	1,153,642	17,511,576	16,796,939	134,110	16,931,049

- 9.4** General provision includes provision of Rs. 3,243 thousand (31 December 2016: Rs. 3,387 thousand) made against consumer portfolio and Rs. 19,968 thousands (31 December 2016: Rs. 16,814 thousand) made against Small Enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

- 9.5** Exposure amounting to Rs. 4,169,987 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 August 2017.

10. OPERATING FIXED ASSETS

Additions and disposals made during the period in operating fixed assets amounted to Rs. 372,916 thousand (30 June 2016: Rs. 357,332 thousand) and Rs. 876 thousand (30 June 2016: Rs. 61,800 thousand), respectively.

11. DEFERRED TAX ASSETS

As per the Seventh Schedule of the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of the Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,876,952 thousand (31 December 2016: Rs. 3,761,929 thousand).

12. OTHER ASSETS

- 12.1** Other assets include non-banking assets acquired in satisfaction of claims amounting to Rs. 1,652,723 thousand. The Bank has entered into agreements to sell with buyers against four properties having carrying value of Rs. 955,430 thousand.
- 12.2** Other assets include subscription money paid by the Bank amounting to Rs. 180,000 thousand, for purchase of 18 million modaraba certificates of Habib Metro Modaraba (new modaraba being launched by Habib Metropolitan Modaraba Management Company (Private) Limited - Subsidiary). The legal requirements in relation to floatation of modaraba are currently in process.

13. 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

Overdrawn nostro accounts

Overdrawn local bank accounts

	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
	20,300,568	18,749,236
	5,075,771	3,616,963
	25,376,339	22,366,199
	19,950,975	12,032,715
	910,768	1,916,120
	46,238,082	36,315,034
	868,327	773,124
	234,871	117,017
	1,103,198	890,141
	47,341,280	37,205,175

	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
		Rupees in '000	
14. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		189,522,371	180,348,374
Saving deposits		113,645,519	110,647,888
Current deposits (non-remunerative)		128,770,819	120,721,112
Others		9,780,399	4,320,917
		441,719,108	416,038,291
Financial Institutions			
Remunerative deposits		12,020,940	13,191,894
Non-remunerative deposits		1,417,577	1,657,851
		13,438,517	14,849,745
		455,157,625	430,888,036
15. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	15.1	153,796	154,678
Available-for-sale securities	15.2	2,100,493	2,350,443
		2,254,289	2,505,121
15.1 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 disposal and incremental depreciation charged during the period / year - net of deferred tax		(882)	(13,170)
Related deferred tax liability on incremental depreciation charged during the period / year		(475)	(7,091)
		(1,357)	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		(475)	(7,091)
Related deferred tax liability		(82,813)	(83,288)
Surplus on revaluation of non-banking assets at the end of the period / year		153,796	154,678

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	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
15.2 Available-for-sale securities:		
Federal government securities		
Market treasury bills	960	8,896
Pakistan investment bonds	2,940,609	2,476,838
GOP ijarah sukuk	461,714	387,580
Fully paid-up ordinary shares and mutual funds		
Listed shares and mutual funds	(207,913)	712,299
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	22,663	18,123
Unlisted term finance certificates	409	1,342
Sukuk certificates / bonds	13,086	10,988
	3,231,528	3,616,066
Related deferred tax liability - net	(1,131,035)	(1,265,623)
	<u>2,100,493</u>	<u>2,350,443</u>
16. CONTINGENCIES AND COMMITMENTS		
16.1 Direct credit substitutes		
Bank guarantees of indebtedness favouring:		
Banking companies and other financial institutions	17,136	872
16.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	30,760,155	21,036,923
ii) Banking companies and other financial institutions	2,756,509	499,127
iii) Others	10,671,641	16,022,300
	<u>44,188,305</u>	<u>37,558,350</u>
16.3 Trade-related contingent liabilities		
Letters of credit	60,326,774	61,829,418
Acceptances	13,410,593	11,400,550
16.4 Commitments in respect of forward exchange contracts		
Purchase	73,008,242	76,832,902
Sale	64,977,009	66,117,312

	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
16.5 Commitments in respect of operating leases		
Not later than one year	38,511	41,488
Later than one year and not later than five years	31,087	43,205
	<u>69,598</u>	<u>84,693</u>
16.6 Commitments for the acquisition of operating fixed assets	<u>127,477</u>	<u>61,774</u>
16.7 Claims against bank not acknowledged as debt	<u>23,071,676</u>	<u>23,071,676</u>
16.8 Commitments in respect of forward lendings		
The Bank 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.		
16.9 Commitments in respect of syndicate financing	<u>238,491</u>	<u>628,948</u>

16.10 Taxation

Income tax assessments of the Bank 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 Bank.

16.11 Foreign Exchange repatriation case

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

17. BASIC AND DILUTED EARNINGS PER SHARE

	30 June 2017		30 June 2016	
	(Un-Audited)			
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation	952,733	2,241,048	722,392	2,381,463
	Number in '000			
Weighted average number of ordinary shares	1,047,831	1,047,831	1,047,831	1,047,831
	Rupees			
Basic and diluted earnings per share	0.91	2.14	0.69	2.27

18. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiaries, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

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

	30 June 2017 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the period	503,799	444,329	19,992,444	129,686	538,535	1,666,278
Received during the period	10,686,635	23,923,463	786,239,320	277,977	2,901,194	401,001
Repaid during the period	(10,534,250)	(23,635,401)	(785,103,841)	(276,357)	(2,707,605)	(485,238)
At end of the period	656,184	732,391	21,127,923	131,306	732,124	1,582,041
Advances						
At beginning of the period	-	10,937	3,184,499	144,644	-	-
Disbursed during the period	-	10,534,399	21,688,009	45,252	-	-
Recovered during the period	-	(10,388,232)	(22,033,748)	(11,128)	-	-
At end of the period	-	157,104	2,838,760	178,768	-	-
Certificate of investment	-	2,250,000	-	-	-	-
Bank balances held by the Bank	160,156	-	52,156	-	-	-
Mark-up / return / interest receivable	-	19,869	6,138	-	-	-
Mark-up / return / interest payable	-	1,082	252,175	4,413	2,147	427,162
Management fee payable for technical and consultancy services*	333,989	-	-	-	-	-
Prepayments / Advance deposits	-	-	19,253	-	-	-
Insurance premium and other payable	-	-	4,168	-	-	-
Transaction-related contingent liabilities	-	-	7,024,098	-	-	-
Trade-related contingent liabilities	-	-	5,089,096	-	-	-
Commitments in against operating leases	-	69,598	-	-	-	-

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

	31 December 2016 (Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the year	304,504	152,334	17,875,031	66,322	498,364	1,121,035
Received during the year	22,750,934	68,102,830	1,433,239,459	758,702	2,016,849	2,406,913
Repaid during the year	(22,551,639)	(67,810,835)	(1,431,122,046)	(695,338)	(1,976,678)	(1,861,670)
At end of the year	503,799	444,329	19,992,444	129,686	538,535	1,666,278
Advances						
At beginning of the year	–	–	3,967,805	128,974	–	–
Disbursed during the year	–	10,937	63,535,889	61,857	–	–
Recovered during the year	–	–	(64,319,195)	(46,187)	–	–
At end of the year	–	10,937	3,184,499	144,644	–	–
Bank balances held by the Bank	292,215	–	29,364	–	–	–
Overdrawn bank balances held by the Bank	–	–	6,472	–	–	–
Mark-up / return / interest receivable	–	–	1,457	–	–	–
Mark-up / return / interest payable	–	94	325,084	4,954	2,169	351,899
Management fee payable for technical and consultancy services*	180,265	–	–	–	–	–
Prepayments / Advance deposits	–	–	26,265	–	–	–
Insurance premium and other payable	–	–	830	–	–	–
Transaction-related contingent liabilities	–	–	4,670,305	–	–	–
Trade-related contingent liabilities	–	–	5,041,474	–	–	–

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

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Transactions during the period	For the period ended 30 June 2017 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	-	56,116	32,583	3,179	-	-	91,878
Mark-up / return / interest expensed	-	3,769	551,103	2,863	13,053	80,393	651,181
Commission / brokerage / bank charges recovered	3,136	63	102,646	-	160	-	106,005
Commission / brokerage / bank charges paid	516	61	533	-	-	-	1,110
Rent income	2,808	600	-	-	-	-	3,408
Salaries and allowances	-	-	-	186,923	-	-	186,923
Directors' fees	-	-	-	-	1,600	-	1,600
Contribution to defined benefit plan	-	-	-	-	-	69,486	69,486
Contribution to defined contribution plan	-	-	-	-	-	83,979	83,979
Rent expenses	-	11,383	6,096	-	-	-	17,479
Insurance premium expenses	-	-	37,251	-	-	-	37,251
Maintenance, electricity, stationery & entertainment expenses	-	-	31,236	-	-	-	31,236
Management fee expense for technical and consultancy services*	132,770	-	-	-	-	-	132,770
Donation	-	-	38,920	-	-	-	38,920

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

Transactions during the period	For the period ended 30 June 2016 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	-	-	84,037	2,750	-	-	86,787
Mark-up / return / interest expensed	-	2,355	589,477	1,234	11,987	79,379	684,432
Commission / brokerage / bank charges recovered	2,908	88	79,343	-	15	-	82,354
Commission / brokerage / bank charges paid	211	103	352	-	-	-	666
Rent income	2,808	600	-	-	-	-	3,408
Salaries and allowances	-	-	-	159,790	-	-	159,790
Directors' fees	-	-	-	-	4,725	-	4,725
Contribution to defined benefit plan	-	-	-	-	-	75,866	75,866
Contribution to defined contribution plan	-	-	-	-	-	75,103	75,103
Rent expenses	-	-	5,721	-	-	-	5,721
Insurance premium expenses	-	-	10,097	-	-	-	10,097
Maintenance, electricity, stationery & entertainment expenses	-	-	30,480	-	-	-	30,480
Management fee expense for technical and consultancy services*	117,181	-	-	-	-	-	117,181
Donation	-	-	3,920	-	-	-	3,920
Professional / other charges paid	-	-	186	-	-	-	186

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

19. 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 June 2017 (Un-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	280,060,628	-	280,060,628	-	280,060,628
Sukuk certificates and bonds	939,070	-	939,070	-	939,070
Ordinary shares of listed companies	2,157,866	2,157,866	-	-	2,157,866
Ordinary shares of unlisted companies	28,130	-	28,130	-	28,130
Mutual funds	4,764,296	4,764,296	-	-	4,764,296
Listed term finance certificates	2,028,406	2,028,406	-	-	2,028,406
Unlisted term finance certificates	206,919	-	206,919	-	206,919
- Other assets					
Unrealized gain on forward foreign exchange contracts	739,537	-	739,537	-	739,537
Financial assets not measured at fair value	265,949,130	-	-	-	-
	556,873,982	8,950,568	281,974,284	-	290,924,852
Financial liabilities measured at fair value					
- Other liabilities					
Unrealized loss on forward foreign exchange contracts	(793,436)	-	(793,436)	-	(793,436)
Financial liabilities not measured at fair value	(524,439,137)	-	-	-	-
	31,641,409	8,950,568	281,180,848	-	290,131,416

On balance sheet financial instruments

31 December 2016 (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	274,117,633	-	274,117,633	-	274,117,633
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	28,962	-	28,962	-	28,962
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	739,537	-	739,537	-	739,537
Financial assets not measured at fair value	234,018,593	-	-	-	-
	518,885,105	8,543,688	276,322,824	-	284,866,512
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	(485,099,633)	-	-	-	-
	32,867,996	8,543,688	275,405,348	-	283,949,036

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Off- balance sheet financial instruments

	30 June 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>73,008,242</u>	<u>73,518,364</u>	<u>76,832,902</u>	<u>76,022,687</u>
Forward sale of foreign exchange contracts	<u>64,977,009</u>	<u>64,412,989</u>	<u>66,117,312</u>	<u>66,779,677</u>

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

Reconciliation of net assets to financial instruments

Net financial assets	31,641,409	32,867,996
Non financial assets / (liabilities)		
- Operating fixed assets	3,218,713	3,246,376
- Deferred tax asset	2,801,099	2,458,685
- Other assets	2,179,191	2,016,251
- Other liabilities	(1,334,809)	(918,858)
Net assets as per statement of financial position	<u>38,505,603</u>	<u>39,670,450</u>

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

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

	30 June 2017				30 June 2016			
	Trade & Sales	Retail Banking	Commercial Banking	Total	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000							
Total income *	<u>11,671,197</u>	<u>1,749,207</u>	<u>13,987,566</u>	<u>27,407,970</u>	14,261,685	2,852,786	13,473,014	30,587,485
Total expenses *	<u>(9,994,066)</u>	<u>(1,065,252)</u>	<u>(12,257,647)</u>	<u>(23,316,965)</u>	(11,421,398)	(1,955,450)	(12,639,928)	(26,016,776)
Net income	<u>1,677,131</u>	<u>683,955</u>	<u>1,729,919</u>	<u>4,091,005</u>	<u>2,840,287</u>	<u>897,336</u>	<u>833,086</u>	<u>4,570,709</u>
Segment assets	<u>343,659,271</u>	<u>1,980,957</u>	<u>219,432,757</u>	<u>565,072,985</u>	430,164,224	2,110,672	180,409,364	612,684,260
Segment liabilities	<u>25,127,683</u>	<u>59,628,712</u>	<u>441,810,987</u>	<u>526,567,382</u>	99,133,167	88,408,657	387,119,141	574,660,965

* Includes Rs. 8,191,752 thousands (30 June 2016: Rs. 9,640,858 thousands) of inter-segment revenues and expenses.

21. KEY ISLAMIC BANKING OPERATIONS

- 21.1** The Bank is operating 25 (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 June 2017 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,755,269	2,723,811
Balances with other banks		—	—
Due from financial institutions		7,567,915	13,613,465
Investments		28,110,285	20,540,621
Islamic financing and related assets	21.6	13,362,855	8,429,751
Operating fixed assets		79,000	79,530
Deferred tax assets - net		—	—
Other assets		684,108	1,414,567
		52,559,432	46,801,745
LIABILITIES			
Bills payable		467,333	304,581
Due to financial institutions		1,624,255	860,517
Deposits and other accounts		46,625,349	43,154,644
- Current accounts		7,813,518	7,660,817
- Saving accounts		15,737,226	10,641,554
- Term deposits		17,626,002	16,415,145
- Others		271,399	111,661
- Deposits from financial institutions - remunerative		5,166,568	8,321,653
- Deposits from financial institutions - non remunerative		10,636	3,814
Due to head office		771,778	—
Other liabilities		486,381	506,326
		49,975,096	44,826,068
NET ASSETS		2,584,336	1,975,677
REPRESENTED BY			
Islamic banking fund		2,002,621	1,402,615
Reserves		—	—
Unappropriated profit		116,368	191,936
		2,118,989	1,594,551
Surplus on revaluation of assets		465,347	381,126
		2,584,336	1,975,677

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21.2 PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30 JUNE 2017

	30 June 2017 (Un-Audited)	30 June 2016 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,150,606	1,454,651
Profit / return on deposit and other dues expensed	(853,715)	(1,215,650)
Net spread earned	296,891	239,001
Provision against non performing financing - net	8,716	(3,448)
Provision for diminution in the value of investments	-	-
Provision for consumer financing ljarah	-	-
Bad debts written off directly	-	-
	(8,716)	3,448
Net spread after provisions	288,175	242,449
Other income		
Fee, commission and brokerage income	43,254	20,387
Dividend income	-	-
Income from dealing in foreign currencies - net	10,416	10,656
Gain on sale / redemption of securities - net	13,567	12,971
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	-	-
Other income	5,855	21,658
Total other income	73,092	65,672
	361,267	308,121
Other expenses		
Administrative expenses	242,096	199,654
Other provisions / write offs	-	-
Other charges	2,803	-
Total other expenses	(244,899)	(199,654)
	116,368	108,467
Extra ordinary / unusual items	-	-
Profit before taxation	116,368	108,467
21.3 Remuneration to Shariah Advisor / Board	4,185	3,788
	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
21.4 Charity Fund		
Opening balance	327	491
Additions during the period / year		
Received from customers on delayed payments	24	550
Payments / utilization during the period / year		
Education	-	(148)
Health	-	(566)
	-	(714)
Closing balance	351	327

21.5 Financings / investments / receivables

Murabaha financing

	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
Murabaha receivable - gross	3,620,377	4,257,445
Less: Deferred murabaha income	(99,464)	(125,683)
Advance against murabaha	135,438	109,071
	<u>3,656,351</u>	<u>4,240,833</u>
Provision against murabaha financing	(351,273)	(345,550)
	<u>3,305,078</u>	<u>3,895,283</u>

Ijarah

Asset held for ijarah	480,695	367,292
Less: Accumulated depreciation	(89,479)	(115,788)
Advance against ijarah	43,515	32,218
	<u>434,731</u>	<u>283,722</u>
Provision against ijarah financing	(23,683)	(23,796)
	<u>411,048</u>	<u>259,926</u>

Diminishing musharakah

Diminishing musharakah - gross	6,811,245	3,477,592
Less: Unrealised income on diminishing musharakah	(1,151,609)	(779,718)
Advance against diminishing musharakah	121,009	146,306
	<u>5,780,645</u>	<u>2,844,180</u>
Provision against diminishing musharakah	(6,433)	(3,327)
	<u>5,774,212</u>	<u>2,840,853</u>

Export refinance murabaha

Export refinance murabaha receivable - gross	418,074	95,142
Less: Deferred export refinance murabaha income	(5,465)	(1,247)
Advance against murabaha IERF	7,052	6,673
	<u>419,661</u>	<u>100,568</u>

Istisna financing

Istisna financing - gross	—	44,645
Less: Deferred istisna income	—	(13,394)
Advance against istisna	334,522	146,308
	<u>334,522</u>	<u>177,559</u>

Al-Bai financing

Al-Bai goods	41,917	55,081
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Istisna goods

Working capital musharaka	1,822,000	306,000
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Export refinance istisna

Export refinance istisna receivable - gross	—	13,226
Less: Deferred export refinance istisna income	—	(2,645)
Advance against istisna IERF	1,250,000	754,400
	<u>1,250,000</u>	<u>764,981</u>

Istisna goods - export refinance

	2,500	—
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30 June 2017	31 December 2016
(Un-Audited)	(Audited)
— Rupees in '000 —	

21.6 Islamic financing and related assets

Financings / investments / receivables	11,808,291	7,522,867
Advances	1,891,536	1,194,976
Assets / inventories	44,417	84,581
Gross Islamic financing and related assets	13,744,244	8,802,424
Provision against financing and related assets	(381,389)	(372,673)
	13,362,855	8,429,751

22. GENERAL

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

22.2 Figures of the profit and loss account for the quarters ended 30 June 2017 and 30 June 2016 have not been subjected to limited scope review by the auditors.

23. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 17 August 2017.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

FIRASAT ALI
Director

SOHAIL HASAN
Director