

HABIBMETRO

FIRST QUARTER ACCOUNTS

2017



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هَذَا فَرْضُكَ

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
Firasat Ali
Tariq Ikram

CREDIT COMMITTEE

Mohamedali R. Habib
Muhammad H. Habib
Sirajuddin Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mohamedali R. Habib
Sirajuddin Aziz
Tariq Ikram

RISK & COMPLIANCE COMMITTEE

Anjum Z. Iqbal
Sirajuddin Aziz
Sohail Hasan

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 first quarter ended March 31, 2017.

The start of the year 2017 was marked by 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. Going forward in 2017, the GDP is expected to gain further momentum. The inflationary pressures in the economy have remained stable, however, increased economic activity and consumer confidence in the current low-interest environment heralds a possible pickup in domestic demand for credit.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's advances and investments increased to Rs. 150,015 and Rs. 319,217 million respectively while deposits stood at Rs. 427,655 million.

The Bank posted a Profit after Tax of Rs. 1,288 million for the quarter ended March 31, 2017 which translates into earnings per share of Rs. 1.23. At end of March 31, 2017 the Bank's net equity stands at Rs. 35.298 billion 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 sixteenth 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 307 branches in 87 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: April 20, 2017

آخر میں اس موقع پر میں صدقِ دل سے وزارتِ 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 قابلِ قدر کسٹمرز کا بھی ان کے اعتماد اور معاونت پر شکریہ ادا کرتا ہوں۔ میں حبیب میٹروپولیٹن بینک کے اسٹاف کا بھی مشکور ہوں جنہوں نے اپنے بینک کی کارکردگی کو بہتر بنانے کیلئے مستقل طور پر محنت اور جانفشانی سے کام کیا۔

منجانب یورڈ

سراج الدین عزیز

صدر و چیف ایگزیکٹو آفیسر

کراچی: 20 اپریل 2017

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پالیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2017 کی پہلی سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

سال 2017 کا آغاز اقتصادی سرگرمیوں میں مسلسل بہتری کے ساتھ ہوا۔ 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۔ 2017 میں آگے بڑھتے ہوئے جی ڈی پی میں ممکنہ طور پر مزید اضافے کی توقع ہے۔ معیشت میں افراط زر کا دباؤ برقرار رہتا ہے، اقتصادی سرگرمیوں میں اضافے اور موجودہ کم شرح سود کے ماحول میں صارف کے اعتماد سے ممکنہ طور پر پرائیویٹ سیکٹر کریڈٹ میں اضافہ ہو سکتا ہے۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ بینک کے ایڈوانسز اور سرمایہ کاری بڑھ کر بالترتیب 150,015 ملین روپے اور 319,217 ملین روپے ہو گئیں جبکہ ڈپازٹس 427,655 ملین روپے پر موجود ہیں۔

31 مارچ 2017 کو ختم ہونے والی سہ ماہی میں بینک کا منافع بعد از ٹیکس 1,288 ملین روپے رہا جو کہ فی حصص آمدنی کی مناسبت سے 1.23 روپے بنتا ہے۔ 31 مارچ 2017 کے اختتام پر بینک کی خالص ایکویٹی 35.298 بلین روپے رہی جس کے ساتھ کیپٹل ایڈیکسی 16.62 فیصد کی اطمینان بخش سطح پر رہی۔

بینک مستقل طور پر مسلسل سولہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (اے ون 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 87 شہروں میں 307 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 ایڈوانس 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۔

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		35,876,086	35,561,885
Balances with other banks	6	2,103,915	2,259,974
Lendings to financial institutions	7	14,178,406	16,750,886
Investments	8	319,126,572	314,619,011
Advances	9	150,014,963	142,962,103
Operating fixed assets	10	3,223,156	3,246,376
Deferred tax assets	11	2,506,185	2,458,685
Other assets		7,990,403	8,747,497
		535,019,686	526,606,417
LIABILITIES			
Bills payable		9,310,644	8,108,633
Borrowings	12	46,407,273	37,205,175
Deposits and other accounts	13	427,654,842	430,888,036
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		13,820,367	10,734,123
		497,193,126	486,935,967
NET ASSETS			
		37,826,560	39,670,450
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		14,191,538	13,933,875
Unappropriated profit		10,628,279	12,753,139
		35,298,132	37,165,329
Surplus on revaluation of assets - net of tax	14	2,528,428	2,505,121
		37,826,560	39,670,450
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 2017

	Note	31 March 2017	31 March 2016
		Rupees in '000	
Mark-up / return / interest earned		7,892,715	8,196,498
Mark-up / return / interest expensed		(4,495,725)	(5,317,369)
Net mark-up / interest income		3,396,990	2,879,129
Provision against non-performing loans and advances	9.3	247,927	423,737
Provision for diminution in the value of investments	8.1	—	(5,264)
Bad debts written-off directly		—	—
		(247,927)	(418,473)
Net mark-up / interest income after provisions		3,149,063	2,460,656
Non mark-up / interest income			
Fee, commission and brokerage income		843,822	732,060
Dividend income		26,325	30,198
Income from dealing in foreign currencies		186,609	296,306
Gain on sale / redemption of securities - net		177,641	1,064,213
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—
Other income		69,614	81,365
Total non mark-up / interest income		1,304,011	2,204,142
		4,453,074	4,664,798
Non mark-up / interest expenses			
Administrative expenses		2,412,187	2,216,671
Other provisions / write offs		—	(172,048)
Other charges		48,088	66,055
Total non mark-up / interest expenses		(2,460,275)	(2,110,678)
		1,992,799	2,554,120
Extra ordinary / unusual items		—	—
Profit before taxation		1,992,799	2,554,120
Taxation - Current		758,063	1,106,097
- Prior years		—	—
- Deferred		(53,579)	(211,048)
		(704,484)	(895,049)
Profit after taxation		1,288,315	1,659,071
Basic and diluted earnings per share (Rupee)	16	1.23	1.58

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MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 2017

	31 March 2017	31 March 2016
	Rupees in '000	
Profit after taxation for the period	1,288,315	1,659,071
Other comprehensive income		
Items not to be reclassified to profit and loss account in subsequent periods:		
Actuarial loss on defined benefit plan	(19,165)	(30,270)
Related deferred tax reversal	6,708	10,595
	(12,457)	(19,675)
Comprehensive income transferred to equity	1,275,858	1,639,396
Items that may be reclassified to profit or loss in subsequent periods and not to be reflected in equity:		
Surplus on revaluation of investments	36,533	384,887
Related deferred tax charge	(12,787)	(134,711)
	23,746	250,176
Total comprehensive income	1,299,604	1,889,572

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 2017

	31 March 2017	31 March 2016
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,992,799	2,554,120
Less: Dividend income	(26,325)	(30,198)
	1,966,474	2,523,922
Adjustments		
Depreciation and amortization (including non-banking assets)	201,928	152,206
Provision against non-performing loans and advances – net	247,927	423,737
Provision for diminution in the value of investments – net	–	(5,264)
Net gain on sale of fixed assets	(1,720)	(12,991)
	448,135	557,688
	2,414,609	3,081,610
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,572,480	(9,719,951)
Advances	(7,300,787)	(12,479,909)
Other assets (excluding current taxation and dividend receivable)	737,489	6,102,462
	(3,990,818)	(16,097,398)
Increase / (decrease) in operating liabilities		
Bills payable	1,202,011	1,581,093
Borrowings	8,929,294	19,804,626
Deposits and other accounts	(3,233,194)	11,264,369
Other liabilities (excluding current taxation)	(76,167)	(306,072)
	6,821,944	32,344,016
	5,245,735	19,328,228
Income tax paid	(734,818)	(949,618)
Net cash flows from operating activities	4,510,917	18,378,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(274,558)	(31,305,628)
Net investments in held-to-maturity securities	(4,196,470)	(319,446)
Dividend received	16,644	30,198
Net investments in intangibles and operating fixed assets	(173,331)	(122,762)
Proceeds from sale of fixed assets	2,384	74,322
Net cash flows from investing activities	(4,625,331)	(31,643,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(248)	(1,093,942)
Net cash flows from financing activities	(248)	(1,093,942)
Decrease in cash and cash equivalents	(114,662)	(14,358,648)
Cash and cash equivalents at beginning of the period	36,931,718	44,059,154
Cash and cash equivalents at end of the period	36,817,056	29,700,506

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 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
Changes in equity for the period ended 31 March 2016							
Total comprehensive income							
- profit for the period	-	-	-	-	-	1,659,071	1,659,071
Other comprehensive income							
- net of tax	-	-	-	-	-	(19,675)	(19,675)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	331,814	-	-	(331,814)	-
Balance as at 31 March 2016	10,478,315	2,550,985	8,750,478	240,361	1,500,000	9,143,552	32,663,691
Changes in equity for the period ended 31 December 2016							
Total comprehensive income							
- profit for the period	-	-	-	-	-	4,460,253	4,460,253
Other comprehensive income							
- net of tax	-	-	-	-	-	39,363	39,363
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	2,022	2,022
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	-	-	892,051	-	-	(892,051)	-
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
Changes in equity for the period ended 31 March 2017							
Total comprehensive income							
- profit for the period	-	-	-	-	-	1,288,315	1,288,315
Other comprehensive income							
- net of tax	-	-	-	-	-	(12,457)	(12,457)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	439	439
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2016	-	-	-	-	-	(3,143,494)	(3,143,494)
Transfer to statutory reserve	-	-	257,663	-	-	(257,663)	-
Balance as at 31 March 2017	<u>10,478,315</u>	<u>2,550,985</u>	<u>9,900,192</u>	<u>240,361</u>	<u>1,500,000</u>	<u>10,628,279</u>	<u>35,298,132</u>

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

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER ENDED 31 MARCH 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. Its shares are listed on Pakistan Stock Exchange. The Bank operates 273 (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) 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

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

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

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO

411(I)/2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The disclosures made in these unconsolidated condensed interim financial statements have been 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 the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2016.

3.4 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiaries are presented separately.

4. ACCOUNTING POLICIES AND ESTIMATES

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

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

5. FINANCIAL RISK MANAGEMENT

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

HABIBMETRO

	Note	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
		Rupees in '000	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		86,511	181,268
Deposit accounts	6.1	98,977	44,415
		185,488	225,683
Outside Pakistan			
Current accounts		1,918,427	2,034,291
		2,103,915	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	2,378,406	637,421
Bai - Muajjal receivable from State Bank of Pakistan		—	5,113,465
Islamic Placement - Musharika	7.3	8,800,000	8,500,000
		14,178,406	16,750,886

7.1 This carry mark-up rate of 6.60% (31 December 2016 : 6.65%) per annum with maturity upto 2 June 2017 (31 December 2016 : 3 March 2017).

7.2 These carry mark-up rates ranging from 5.97% to 6.20% (31 December 2016 : 5.99% to 6.04%) per annum with maturity upto 6 June 2017 (31 December 2016 : 1 February 2017).

7.3 These carry mark-up rates ranging from 5.25% to 5.60% (31 December 2016 : 4.50% to 5.25%) per annum with maturity upto 1 June 2017 (31 December 2016 : 6 March 2017).

8. INVESTMENTS

	Note	31 March 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		139,225,332	8,823,028	148,048,360	158,277,735	12,042,862	170,320,597
Pakistan investment bonds		92,258,837	13,555,734	105,814,571	83,538,877	–	83,538,877
Ordinary shares of listed companies		1,796,671	–	1,796,671	1,572,398	–	1,572,398
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		2,088,391	–	2,088,391	2,088,703	–	2,088,703
Unlisted term finance certificates		306,268	–	306,268	314,828	–	314,828
Sukuk certificates and bonds		18,413,086	–	18,413,086	18,542,294	–	18,542,294
Open end mutual funds		4,093,665	–	4,093,665	3,908,757	–	3,908,757
Close end mutual funds		419,685	–	419,685	419,685	–	419,685
		258,708,926	22,378,762	281,087,688	268,770,268	12,042,862	280,813,130
Held-to-maturity securities							
Pakistan investment bonds		32,188,506	–	32,188,506	27,642,036	–	27,642,036
Other federal government securities		–	–	–	–	–	–
Certificates of investments		1,850,000	–	1,850,000	2,200,000	–	2,200,000
		34,038,506	–	34,038,506	29,842,036	–	29,842,036
Subsidiaries							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Modaraba Management Private Limited		350,000	–	350,000	350,000	–	350,000
		650,000	–	650,000	650,000	–	650,000
Investments at cost		293,397,432	22,378,762	315,776,194	299,262,304	12,042,862	311,305,166
Less: Provision for diminution in the value of investments	8.1	(302,221)	–	(302,221)	(302,221)	–	(302,221)
Investments – net of provisions		293,095,211	22,378,762	315,473,973	298,960,083	12,042,862	311,002,945
Surplus / (deficit) on revaluation of available-for-sale securities – net	14	4,580,892	(928,293)	3,652,599	3,622,581	(6,515)	3,616,066
Investments after revaluation of available-for-sale securities		297,676,103	21,450,469	319,126,572	302,582,664	12,036,347	314,619,011

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	Note	31 March 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		—	45,156
Reversal during the period / year		—	(12,192)
Net charge for the period / year		—	32,964
Closing balance		302,221	302,221
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		129,642,657	125,075,780
Islamic financing and related assets (gross)	18.6	12,058,337	8,802,424
Net investments in finance lease			
In Pakistan		526,244	568,510
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		6,587,584	6,961,624
Payable outside Pakistan		18,379,117	18,484,814
		24,966,701	25,446,438
Advances - gross		167,193,939	159,893,152
Provision against non-performing advances			
— specific		(16,694,893)	(16,796,939)
— general		(484,083)	(134,110)
	9.3	(17,178,976)	(16,931,049)
Advances - net of provisions		150,014,963	142,962,103

- 9.1** Advances include Rs. 19,485,889 thousand (31 December 2016: Rs. 19,873,142 thousand) which have been placed under non-performing status as detailed below:

Category of classification	31 March 2017 (Un-Audited)			31 December 2016 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	93,528	–	–	238,382	53,736	53,736
Doubtful	280,711	116,859	116,859	118,393	21,945	21,945
Loss	19,111,650	16,578,034	16,578,034	19,516,367	16,721,258	16,721,258
	19,485,889	16,694,893	16,694,893	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 collateral held as security of Rs. 2,580,495 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 31 March 2017 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,677,322 thousand (31 December 2016: Rs. 1,844,846 thousand).

9.3 Particulars of specific provision against non-performing advances:

	31 March 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	288,212	349,973	638,185	2,670,552	–	2,670,552
Reversals	(390,258)	–	(390,258)	(1,096,262)	(762,639)	(1,858,901)
Net charge for the period / year	(102,046)	349,973	247,927	1,574,290	(762,639)	811,651
Amount written off	–	–	–	(1,310,188)	–	(1,310,188)
Closing balance	16,694,893	484,083	17,178,976	16,796,939	134,110	16,931,049

- 9.4** General provision includes provision of Rs. 3,353 thousand (31 December 2016: Rs. 3,387 thousand) made against consumer portfolio and Rs. 24,676 thousand (31 December 2016: Rs. 16,814 thousand) against Small Enterprise (SEs) portfolio as required by the Prudential Regulations issued by SBP.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 173,331 thousand (31 March 2016: Rs. 122,762 thousand) and Rs. 664 thousand (31 March 2016: Rs. 84,332 thousand) respectively.

11. DEFERRED TAX ASSETS

As per Seventh Schedule to the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,782,986 thousand (31 December 2016: Rs. 3,761,929 thousand).

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan
 – under export refinance scheme
 – under long term financing facility – locally manufactured plant and machinery

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

18,390,023
4,590,265
22,980,288
21,435,807
828,233
45,244,328

18,749,236
 3,616,963
 22,366,199
 12,032,715
 1,916,120
 36,315,034

Unsecured

Overdrawn nostro accounts
 Overdrawn local bank accounts

876,367
286,578
1,162,945
46,407,273

773,124
 117,017
 890,141
 37,205,175

	Note	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
		Rupees in '000	
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		179,442,617	180,348,374
Saving deposits		116,852,302	110,647,888
Current deposits (non-remunerative)		111,654,469	120,721,112
Others		5,981,146	4,320,917
		413,930,534	416,038,291
Financial Institutions			
Remunerative deposits		11,900,832	13,191,894
Non-remunerative deposits		1,823,476	1,657,851
		13,724,308	14,849,745
		427,654,842	430,888,036
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Non-banking assets	14.1	154,239	154,678
Available for sale securities	14.2	2,374,189	2,350,443
		2,528,428	2,505,121
14.1 Surplus on revaluation of non-banking assets - opening balance		237,966	—
Revaluation of non-banking assets during the period		—	258,227
Transferred to unappropriated profit in respect of disposal and incremental depreciation during the period / year - net of deferred tax		(439)	(13,170)
Related deferred tax liability on disposal and incremental depreciation during the period / year		(236)	(7,091)
		(675)	237,966
Surplus on revaluation of non banking assets		237,291	237,966
Less: Related deferred tax liability on:			
Revaluation as at 1 January		83,288	—
Revaluation of non-banking assets during the period		—	90,379
Disposal and incremental depreciation during the period		(236)	(7,091)
Related deferred tax liability		(83,052)	(83,288)
		154,239	154,678

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

14.2 Available-for-sale securities:

Federal Government Securities

Market Treasury Bills	(5,067)	8,896
Pakistan Investment Bonds	2,790,966	2,476,838
GOP Ijarah Sukuk	254,606	387,580

Fully paid-up ordinary shares and mutual funds

581,910 712,299

Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	15,541	18,123
Unlisted term finance certificates	1,885	1,342
Sukuk certificates / bonds	12,758	10,988

3,652,599 3,616,066

Related deferred tax liability - net (1,278,410) (1,265,623)

2,374,189 2,350,443

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of banking companies and other financial institutions	872	872
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15.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	21,650,799	21,036,923
ii) Banking companies and other financial institutions	1,355,013	499,127
iii) Others	15,210,071	16,022,300
	<u>38,215,883</u>	<u>37,558,350</u>

15.3 Trade-related contingent liabilities

Letters of credit	73,607,989	61,829,418
Acceptances	<u>15,047,402</u>	<u>11,400,550</u>

	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>78,378,170</u>	<u>76,832,902</u>
Sale	<u>64,167,990</u>	<u>66,117,312</u>
15.5 Commitments in respect of operating leases		
Not later than one year	<u>41,057</u>	<u>41,488</u>
Later than one year and not later than five years	<u>38,661</u>	<u>43,205</u>
	<u>79,718</u>	<u>84,693</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>50,784</u>	<u>61,774</u>
15.7 Claims against the Bank not acknowledged as debt	<u>23,071,676</u>	<u>23,071,676</u>
15.8 Commitments in respect of forward lendings		
The Bank has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.		
15.9 Commitments in respect of syndicate financing	<u>582,240</u>	<u>628,948</u>
15.10 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 Inland Revenue (ATIR). However, adequate provisions are being held by the Bank.		
16. BASIC AND DILUTED EARNINGS PER SHARE	31 March 2017 (Un-Audited)	31 March 2016
	Rupees in '000	
Profit after taxation	<u>1,288,315</u>	<u>1,659,071</u>
	Numbers in '000	
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>
	Rupee	
Basic and diluted earnings per share	<u>1.23</u>	<u>1.58</u>

17. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 March 2017 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the year	503,799	444,329	19,992,444	129,686	538,535	1,666,278
Received during the period	3,212,472	11,760,981	355,329,066	160,312	780,344	308,618
Repaid during the period	(3,079,977)	(11,952,067)	(355,206,616)	(148,888)	(624,808)	(447,438)
At end of the period	636,294	253,243	20,114,894	141,110	694,071	1,527,458
Advances						
At beginning of the year	-	10,937	3,184,499	144,644	-	-
Disbursed during the period	-	-	13,428,746	9,926	-	-
Recovered during the period	-	(10,937)	(14,685,979)	(5,516)	-	-
At end of the period	-	-	1,927,266	149,054	-	-
Leading to Financial Institution	-	-	1,850,000	-	-	-
Bank balances held by the Bank	238,281	-	24,452	-	-	-
Mark-up/return/interest receivable	-	-	17,015	-	-	-
Mark-up/return/interest payable	-	383	379,520	4,655	1,886	394,216
Management fee payable for technical and consultancy services*	262,204	-	-	-	-	-
Prepayments /Advance deposits	-	-	19,253	-	-	-
Insurance premium and other payable	-	-	4,600	-	-	-
Transaction-related contingent liabilities	-	-	4,422,326	-	-	-
Trade-related contingent liabilities	-	-	5,281,212	-	-	-
Commitments in respect of operating leases	-	-	79,718	-	-	-

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

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

Transactions during the period	For the period ended 31 March 2016 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up/return/interest earned	–	–	52,415	1,465	–	–
Mark-up/return/interest expensed	–	1,207	320,761	528	6,134	38,486
Commission/brokerage/bank charges recovered	1,622	83	35,656	–	12	–
Commission/brokerage/bank charges paid	51	81	261	–	–	–
Rent income	1,404	300	–	–	–	–
Salaries and allowances	–	–	–	78,676	–	–
Directors' fees	–	–	–	–	2,175	–
Contribution to defined benefit plan	–	–	–	–	–	37,273
Contribution to defined contribution plan	–	–	–	–	–	37,111
Rent expenses	–	–	2,860	–	–	–
Insurance premium expenses	–	–	2,678	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	–	18,991	–	–	–
Management fee expense for technical and consultancy services*	58,744	–	–	–	–	–
Donation paid	–	–	1,960	–	–	–
Professional/ other charges paid	–	–	186	–	–	–

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

18. KEY ISLAMIC BANKING OPERATIONS

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 31 March 2017 are as follows:

18.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,906,704	2,723,811
Balances with other banks		—	—
Due from financial institutions		8,800,000	13,613,465
Investments		20,502,805	20,540,621
Islamic financing and related assets	18.5	11,680,084	8,429,751
Operating fixed assets		84,466	79,530
Deferred tax assets		—	—
Other assets		1,099,574	1,414,567
		44,073,633	46,801,745
LIABILITIES			
Bills payable		451,554	304,581
Due to financial institutions		835,756	860,517
Deposits and other accounts		40,060,958	43,154,644
- Current accounts		6,449,497	7,660,817
- Saving accounts		11,521,338	10,641,554
- Term deposits		16,559,048	16,415,145
- Others		110,753	111,661
- Deposits from financial institutions - remunerative		5,224,017	8,321,653
- Deposits from financial institutions - non remunerative		196,305	3,814
Due to head office		—	—
Other liabilities		416,677	506,326
		41,764,945	44,826,068
NET ASSETS		2,308,688	1,975,677
REPRESENTED BY			
Islamic banking fund		2,002,621	1,402,615
Reserves		—	—
Unappropriated profit		38,548	191,936
		2,041,169	1,594,551
Surplus on revaluation of assets		267,519	381,126
		2,308,688	1,975,677

**18.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2017**

	31 March 2017	31 March 2016
	Rupees in '000	
Profit / return on financing, investments and placements earned	538,032	711,717
Profit / return on deposit and other dues expensed	(407,349)	(601,491)
Net spread earned	130,683	110,226
Provision against non performing financing	5,580	5,426
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	(5,580)	(5,426)
Net spread after provisions	125,103	104,800
Other income		
Fee, commission and brokerage income	21,642	9,554
Dividend income	—	—
Income from dealing in foreign currencies	5,083	4,594
Gain on sale / redemption of securities	1,608	12,971
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	2,757	10,227
Total other income	31,090	37,346
	156,193	142,146
Other expenses		
Administrative expenses	117,602	105,216
Other provisions / write offs	—	—
Other charges	43	—
Total other expenses	117,645	105,216
	38,548	36,930
Extra ordinary / unusual items	—	—
Profit before taxation	38,548	36,930
18.3 Remuneration to Shariah Advisor/ Board	2,092	1,016
	31 March 2017	31 December 2016
	(Un-Audited)	(Audited)
	Rupees in '000	
18.4 Charity fund		
Opening balance	327	491
Additions during the period		
Received from customer on delayed payments	11	550
Payments / utilization during the period		
Education	—	(148)
Health	—	(566)
	—	(714)
Closing balance	338	327

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	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
	Rupees in '000	
18.5 Financings / investments / receivables		
Murabaha financing		
Murabaha receivable - gross	4,502,149	4,257,445
Less: Deferred murabaha income	(128,436)	(125,683)
Advance against murabaha	111,939	109,071
	4,485,652	4,240,833
Provision against murabaha financing	(351,354)	(345,550)
	4,134,298	3,895,283
Ijarah		
Asset held for ijarah	358,389	367,292
Less: Accumulated depreciation	(98,393)	(115,788)
Advance against ijarah	26,836	32,218
	286,832	283,722
Provision against ijarah financing	(23,683)	(23,796)
	263,149	259,926
Diminishing musharakah		
Diminishing musharakah - gross	6,501,430	3,477,592
Less: Unrealised income on diminishing musharakah	(1,139,006)	(779,718)
Advance against diminishing musharakah	521,135	146,306
	5,883,559	2,844,180
Provision against diminishing musharakah	(3,216)	(3,327)
	5,880,343	2,840,853
Export refinance murabaha		
Export refinance murabaha receivable - gross	126,117	95,142
Less: Deferred export refinance murabaha income	(1,606)	(1,247)
Advance against murabaha IERF	8,200	6,673
	132,711	100,568
Istisna financing		
Istisna financing - gross	58,838	44,645
Less: Deferred istisna income	(23,357)	(13,394)
Advance against istisna	194,548	146,308
	230,029	177,559
Al-Bai financing	9,868	—
Al-Bai goods	77,286	55,081
Istisna goods	—	29,500
Working capital musharaka	238,000	306,000
Export refinance istisna		
Export refinance istisna receivable - gross	—	13,226
Less: Deferred export refinance istisna income	—	(2,645)
Advance against istisna IERF	714,400	754,400
	714,400	764,981

	31 March 2017 (Un-Audited)	31 December 2016 (Audited)
	———— Rupees in '000 ————	
18.6 Islamic mode of financing		
Financings / investments / receivables	10,403,993	7,522,867
Advances	1,577,058	1,194,976
Assets / inventories	77,286	84,581
Gross Islamic financing and related assets	12,058,337	8,802,424
Provision against financing	(378,253)	(372,673)
	11,680,084	8,429,751

19. GENERAL

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

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on 20 April 2017 by the Board of Directors.

MOHAMEDALI R. HABIB
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director