

HABIBMETRO

ANNUAL REPORT 2015



[Subsidiary of Habib Bank AG Zurich]

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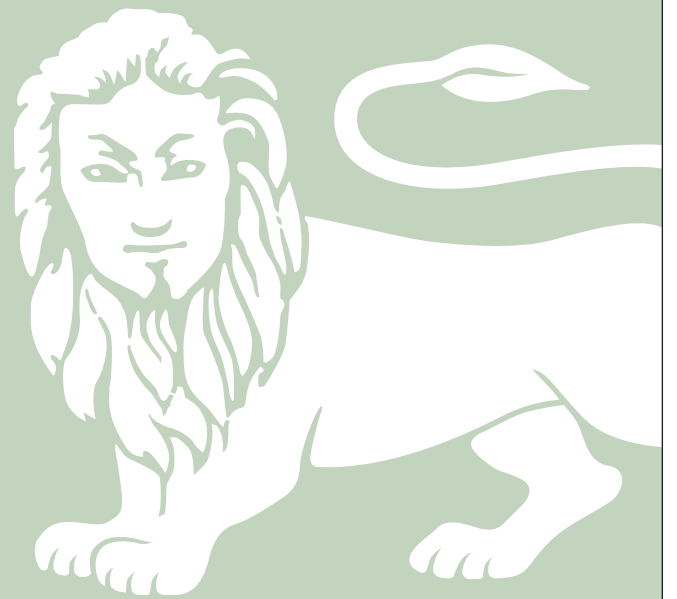


هَذَا مِنْ فَضْلِ رَبِّي



[Subsidiary of Habib Bank AG Zurich]

Our Vision



Based on a foundation of trust,
to be the most respected financial institution,
delighting customers with excellence,
enjoying the loyalty of a dedicated team,
meeting the expectations of regulators and
participating in social causes while
providing superior returns to shareholders

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Kassim Parekh

PRESIDENT & CHIEF EXECUTIVE OFFICER

Sirajuddin Aziz

DIRECTORS

Ali S. Habib

Firasat Ali

Mohamedali R. Habib

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

Mohamedali R. Habib

Sirajuddin Aziz

Sohail Hasan

COMPANY SECRETARY

Muhammad Imran

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fourth Annual General Meeting of the shareholders of Habib Metropolitan Bank Ltd. will be held at the Moosa D. Dessai Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi on Tuesday, 29 March 2016 at 9:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts, standalone as well as consolidated, of the Bank for the year ended 31 December 2015 together with the Directors' and Auditors' reports thereon.
2. To approve, as recommended by the Board of Directors, final dividend @ 20% (Rs. 2/- per share) in the form of cash for the year ended 31 December 2015, in addition to already paid 20% interim dividend (Rs. 2/- per share) in the form of cash for the year ended 31 December 2015.
3. To appoint Auditors for the financial year ending 31 December 2016 and fix their remuneration. The present Auditors, Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4. To approve provision of appropriate office premises and support staff to the Chairman for carrying out his duties in his capacity as the Chairman of the Bank.
5. To approve remuneration paid to the directors during the year ended 31 December 2015.

A statement of material fact under section 160(1) (b) of the Companies Ordinance, 1984 relating to the aforesaid special business to be transacted at the said Annual General Meeting is appended below.

ANY OTHER BUSINESS

6. To consider any other business with the permission of the Chair.

By order of the Board

MUHAMMAD IMRAN
Company Secretary

Karachi: 26 February 2016

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxy form is enclosed. A proxy must be a member of the Bank. In order to be effective, proxies must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty-eight) hours before the meeting.
2. CDC account holders and sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) or Passport along with the participants ID numbers and their account numbers in order to facilitate identification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee is also required.

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3. Members are requested to notify the change of addresses, if any.
 4. The share transfer book of the Bank will remain closed from 18 March 2016 to 29 March 2016 (both days inclusive).

STATEMENT OF MATERIAL FACT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Bank to be held on 29 March 2016.

Approval of the shareholders will be sought for the following:

1. To approve expenses of Rs. 8,498 thousand incurred for provision of appropriate office premises and support staff by the Bank to the Chairman for carrying out his duties in his capacity as the Chairman of the Bank and pass the following resolution as an ordinary resolution, with or without modification, addition or deletion:

“Resolved that the expense of Rs. 8,498 thousand incurred for providing office premises and support staff to the Chairman of the Board of Directors during the year ended 31 December 2015 be and is hereby approved.”

2. To approve remuneration paid to the directors during the year ended 31 December 2015 and pass the following resolution as an ordinary resolution, with or without modification, addition or deletion:

“Resolved that the remuneration paid to the Directors of the Bank during the year ended 31 December 2015, as disclosed in the note 36 to the Annual Accounts of the Bank, be and is hereby approved.”

None of the Directors are interested except to the extent stated above in the special business.

CHAIRMAN'S REVIEW



Dear Shareholders,

On behalf of the directors of Habib Metropolitan Bank, it gives me immense pleasure to present this report, together with the financial statements of the Bank for the year ended 31 December 2015. The operating financial results and appropriations, as recommended by the Board of Directors, are summarized below:

	Rupees in '000
Profit before provisions and tax	14,779,862
Provision for non-performing loans, investments & other assets	(2,240,951)
Profit before tax	12,538,911
Taxation - Current	(4,963,851)
- Prior years	(476,000)
- Deferred	556,873
	(4,882,978)
Profit after tax	7,655,933
Un-appropriated profit brought forward	8,543,116
Other comprehensive income	(20,987)
Profit available for appropriation	16,178,062
Appropriations:	
- Transfer to Statutory Reserve	(1,531,187)
- Cash dividend (Rs. 2.50 per share) - 2014	(2,619,579)
- Interim cash dividend (Rs. 2.00 per share) - June 2015	(2,095,663)
	(6,246,429)
Un-appropriated profit carried forward	9,931,633

The Directors are pleased to propose a final cash dividend of Rs. 2/- per share (20%) in addition to already paid 20% (Rs. 2/- per share) interim cash dividend for the year under review.

By Allah's grace, your Bank continued to make steady progress and achieved new milestones during the year. The Bank's deposits increased by 26% to Rs. 403.35 billion as compared to Rs. 320.02 billion at end of previous year. Meanwhile gross advances remained at Rs. 150.08 billion whereas total assets stood at Rs. 490 billion.

HabibMetro's profit after tax increased by 55% during the year 2015, which demonstrates the bank's robust earning capacity. This performance translates into an earning per share of Rs. 7.31 per share.

At year-end, HabibMetro's equity stands at Rs. 33.12 billion, with a capital adequacy level of 18.4% against the required 10%.

This review forms an integral part of the Directors' Report to the Shareholders.

I would like to take this opportunity to place on record our sincere gratitude to Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion, diligence and admirable performance.

We bow to Allah and pray for His blessings and guidance.

On behalf of the Board

KASSIM PAREKH
Chairman

Karachi: 26 February 2016

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

It gives me great pleasure to present you the annual accounts of Habib Metropolitan Bank (HabibMetro), for the financial year ended 31 December 2015.

ECONOMIC AND BANKING REVIEW

The first half of the FY16 set a good base for the economy for the remaining half of the fiscal year; major economic indicators demonstrated stable improvement and offer a promising outlook.

Inflationary pressures remained subdued, with average CPI inflation declining to 2.1 percent during the first half of the fiscal year, while year-on-year CPI inflation rose to 3.2 percent in December 2015. Average inflation is to remain between 3-4 percent in FY16, according to the SBP's projections; the decline in oil prices may exert further downward pressure.

The Country's balance of payments continued to improve in this fiscal year with the added cushion of IMF's EFF and other multilateral/bilateral disbursements. Declining oil prices and continuing growth in remittances brought down the external account deficit to almost half of the previous year's gap. Enhancement in FDI contributed to the comfortable position in the capital/financial accounts. According to projections, the current account deficit is expected to remain low in light of the depressed internal commodity prices, while an anticipated increase in Chinese FDI is expected to further boost foreign exchange reserves in the near future.

Efforts towards tax revenue generation led to the containment of fiscal deficit to 1.1 percent of GDP during July-Dec 2015. Enhancement in revenue collection also allowed the government to reduce borrowing from the banking sector.

Private sector picked up as investor confidence strengthened and Large Scale Manufacturing gained traction. Going forward, large scale manufacturing, which increased by over 4 percent during July-Nov 2015, holds greater promise that is expected by energy and infrastructure projects under the CPEC.

The credit to private sector by the banking sector posted 51.4 percent growth year-on-year due to increased economic activity. Increase in LSM, relaxed monetary regime and heightened financial performance of corporate sector are expected to drive further growth in private sector credit.

The State Bank of Pakistan, in its monetary policy statement of January 2016, decided to keep the policy rate unchanged at 6.0 percent. Earlier it had reduced policy rate by 3.50 percent during the year 2015.

The Pakistan Stock Exchange index largely remained the same and registered a growth of 2 percent during the year 2015.

BANK'S PERFORMANCE FOR THE YEAR

By Allah's grace, the Bank's profit-after-tax amounted to Rs. 7.66 billion at the end of year 2015, exhibiting an increase of 55.4 percent in year-on-year profitability. This follows a year-on-year profitability boost of over 39.8 percent exhibited in 2014. In the year 2015, the interest rate movements presented some opportunities, which enhanced the Bank's operating profitability. Going forward, lower interest rates are expected to compress margins.

Enhanced efficiency and augmented profitability contributed to a significant increase in the EPS, which marked at Rs. 7.31 at the end of 2015, as compared to Rs. 4.70 at the end of the previous year. Return on Shareholder's Equity also exhibited an increase, from 17.1 percent to 24.2 percent at the end of 2015.

During the year under review, the Bank's deposits increased by 26 percent to Rs. 403 billion. Meanwhile gross advances remained the same.

At year end, Capital Adequacy further increased to 18.4 percent.

COMMITMENTS

No material changes in commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.

CREDIT RATING

By the grace of Allah, for the fifteenth consecutive year, the credit rating of the Bank has been maintained at AA+ (double A plus) for long term and A1+ (A one plus) for short term by the Pakistan Credit Rating Agency Limited. 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.

ENHANCED REACH TO OUR CUSTOMERS

With Allah's blessings, HabibMetro enhanced its outreach by opening 36 new branches in 2015; 15 new cities were penetrated as the Bank increased its footprint to 276 branches in 77 cities across Pakistan including 20 Islamic banking branches.

Your Bank enjoys correspondent relationships with banks of repute in more than 100 countries with a large number of banks having formal credit lines for the Bank. HabibMetro provides comprehensive banking services and products, inclusive of specialized trade finance products along with technologically advanced services like secured SMS and Web Banking services, globally accepted Visa Card and nationwide ATM network to its customers across the country.

Your Bank's subsidiary company Habib Metropolitan Financial Services (HMFs), provides convenient and trusted equity brokerage and custody services. Further, during the year new subsidiary Habib Metropolitan Modaraba Management Company has also been established with a prime objective of floating and managing modarabas.

ALTERNATIVE DELIVERY CHANNELS

Maintaining exemplary service quality remains fundamental to your Bank's strategy. During the year, the Bank installed 52 new Automated Teller Machines (ATMs) including thirteen offsite ATMs taking the total number of ATMs to 268 across the country.

HUMAN RESOURCES

The total strength of the HabibMetro family has grown from 3,914 to 4,277 during the year.

Bank has been largely catering training needs internally by conducting in-house courses as well as sending staff for external trainings.

Your Bank remains an equal opportunity employer providing exciting careers and growth to prospective bankers..

CORPORATE SOCIAL RESPONSIBILITIES

Being a conscientious corporate citizen, your Bank acknowledges its corporate social responsibilities and continues to make regular contributions to a host of non-profit/social organizations. During the year, the Bank extended assistance in three major areas i.e. education, health care and welfare spending for under-privileged. These donations amount to Rs. 62.8 million.

The Citizens Foundation remains one of the larger recipients and through them, the Bank is running six schools in under privileged rural areas where more than 1,000 children are enrolled. A detail of your Bank's social contributions can be found in the notes to the accounts.

Your Bank continues to be one of the nation's leading taxpayers with more than Rs. 4.30 billion paid during 2015 to the Government of Pakistan as direct taxes. Furthermore, an additional amount of about Rs. 8.39 billion was collected through the Bank's network comprising of indirect tax deductions and recoveries for the exchequer.

CORPORATE GOVERNANCE

BOARD MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during the year 2015 and the attendance by each director/ committee member are given as under:

Name of Directors	Board of Directors	Audit Committee	Credit Committee	Human Resource & Remuneration Committee	Risk & Compliance Committee
Mr. Kassim Parekh	4/4	4/4	3/3	–	2/2
Mr. Ali S. Habib	3/4	3/4	–	–	–
Mr. Firasat Ali	4/4	–	–	–	–
Mr. Mohamedali R. Habib	4/4	–	5/5	2/2	1/1
Mr. Mohomed Bashir	3/4	–	–	–	–
Mr. Muhammad H. Habib	3/4	–	5/5	–	–
Mr. Sohail Hasan	4/4	–	–	–	3/3
Mr. Tariq Ikram	4/4	4/4	–	2/2	–
Mr. Sirajuddin Aziz	4/4	–	5/5	2/2	3/3
Meetings held	4	4	5	2	3

PATTERN OF SHAREHOLDING

The pattern of shareholdings as on 31 December 2015 is annexed to the report.

AUDITORS

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offers themselves for reappointment.

As required under the Code of Corporate Governance, the Board Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Bank for the year ending 31 December 2016.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies and estimates have been consistently applied in preparation of financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There has been no departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. The key operating and financial data of last six years of the Bank is placed below:

Rs. in million

	2015	2014	2013	2012	2011	2010
Shareholders' Equity	33,120	30,200	27,364	26,002	24,190	20,954
Paid-up capital	10,478	10,478	10,478	10,478	10,478	8,732
Total assets	489,879	397,380	311,454	304,416	291,935	252,211
Deposits	403,355	320,023	247,644	217,798	185,400	160,458
Advances	132,647	134,751	129,834	110,444	113,347	119,828
Investments	281,134	221,761	142,444	160,850	147,525	100,993
Profit pre-tax	12,539	7,312	5,112	5,044	4,630	4,026
Profit post-tax	7,656	4,927	3,526	3,406	3,281	2,818
Earnings per share (Rs)	7.31	4.70	3.37	3.25	3.13	3.23
Dividend (%)	20 (C)(F) 20 (C)(I)	25 C	20 C	20 C	15 C	20 (B)
No. of staff	4,277	3,914	3,559	3,284	3,073	2,937
No. of branches / sub branches	276	240	214	183	163	143

Value of investments of Provident Fund and Gratuity Scheme are as under:

- Provident Fund Rs. 1,854 million as at 30 June 2015.
- Gratuity Fund Rs. 458 million as at 31 December 2014.

RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT FRAMEWORK

Risk Management aspects are embedded in HabibMetro's strategy and organization structure. The Bank has devised a cohesive risk management structure for credit, operations, liquidity, market risk with an integrated approach and strengthening of internal controls. The Bank's entire branch network is on-line and its state-of-the-art processing system is secure and has adequate capacity. Separation of duties is built into the Bank's system and organization. The Internal Audit Division conducts independent, risk-based review & verification of the Bank's branches and major functions throughout the year for evaluation of control system, further supplemented by a dedicated Internal Control Unit working with the Risk Management Division. Comprehensive internal reports and MIS are additional tools for management in risk control. The Risk Management Division is staffed with seasoned professionals, covering all aspects of risks.

The Bank's Central Management Committee along with Board Risk Management Committee and Board of Directors oversee the Bank's strategy, efforts and processes related to risk management.

CREDIT RISK

HabibMetro's strategy to control credit risk is through product, geography, industry and customer diversification. The Bank extends trade & working capital financing, keeping the major portion of its exposure on a short-term and self-liquidating basis. A major portion of the Bank's credit portfolio is priced on a floating rate basis using KIBOR as a reference, which minimizes interest rate risk.

The risk inherent in extending credit is further mitigated by robust credit granting procedures, which have been structured to ensure proper evaluation, adequacy of security, and monitoring of exposures on an ongoing basis. This is further augmented by centralized trade processing and credit administration.

MARKET / LIQUIDITY RISK

The Asset & Liability Management Committee reviews, recommends and monitors limits for FX and Money market exposures. The strategy is to balance risk, liquidity & profitability. The Board approved investment policy focuses on, amongst other aspects, asset allocation and operating guidelines. Furthermore, the monitoring of market and liquidity risk is ensured in line with Board approved Market & Liquidity Risk Management Policy.

STRESS TESTING

Stress testing techniques are used to assess risk exposures across the institution and to estimate the changes in the value of the portfolio, when exposed to various risk factors. Risk factors used in stress testing models are Interest Rate, Credit, Equity Price, Exchange Rate and Liquidity. The Bank's stress testing methodology ensures adherence to SBP guidelines as well. The stress testing results depict a solid and resilient financial position of your Bank.

OPERATIONAL RISK

Operational Risk is prevalent in all banking activities and the policy addresses enterprise wide risk drivers i.e. Organizational, Technological, Policy/processes, Human and External. Internal Control Unit (ICU) working as a part of the risk management team of the Bank is responsible for implementation of controls within the business processes/ support functions as per the regulatory guidelines & good practices. The scope of ICU has been enhanced for ensuring effective controls monitoring. The Bank has a comprehensive Business Continuity Plan (BCP) in place, which includes risk management strategies to prevent interruption of critical services caused by a disaster event.

NEW CAPITAL ACCORD - BASEL III

Recent financial crises have demonstrated numerous weaknesses in the global regulatory framework and in banks' risk management practices. In response, regulatory authorities focused on strengthening global capital and liquidity rules. Basel III aims to improve risk management and governance as well as strengthen banks' transparency and disclosure.

In line with global practice, the SBP has stipulated Basel III capital adequacy guidelines for Banks in Pakistan. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019.

The Bank has carried out an assessment of its future capital requirements in accordance with Basel III regulations, which are being phased in over subsequent periods, and the existing capital structure comfortably supports future growth. The Bank's capital adequacy stands at 18.4 percent as at the year-end against requirement of 10 percent.

COMPLIANCE

Your Bank continued to strengthen compliance oversight across its network during the year that included enhancing stringent KYC/AML controls and regulatory compliance awareness. The Compliance function provides support and counsel to management and staff on compliance and regulatory issues. All new policies and procedures, initiatives, products, services, business processes etc. are reviewed from a Compliance perspective along with maintaining relationship with regulatory authorities. It is also involved in developing and maintaining a regulatory library that includes circulars issued by State Bank of Pakistan and other relevant regulatory authorities. Furthermore, facilitation and liaison with State Bank of Pakistan and its on-site Inspection teams is a key role played by this unit to ensure smooth conduct of SBP inspection.

With the highly challenging and demanding global AML/CFT environment, Bank's AML function is fully committed towards implementation of highest standards of compliance within the Bank and ensures management and employees adhere to these standards for prevention of Bank's channels, products and services for money laundering activities through bank's state-of-the-art Transaction Monitoring System (TMS). The TMS monitors out of pattern transactions and reviews different transaction activity through multiple AML scenarios embedded in it. In addition, the Bank has a robust Customer Due Diligence (CDD) process in place that allows the Bank to document / update each profile of customer and conduct comprehensive CDD as per regulatory requirements. Being a trade oriented Bank, Cross Border Transactions are screened and pre-approved by Compliance to ensure that no business is conducted with sanctioned entities or countries. In addition, AML Unit in collaboration with Regulatory Risk & Compliance unit reviews products and policies from AML perspective.

Your Bank has also participated as a Foreign Financial Institution (FFI) and is fully compliant with the Foreign Account Tax Compliance Act (FATCA) by collecting additional information and documentation from prospective clients, in order to determine whether or not they have any US tax reporting responsibilities. FATCA is a US legislation aimed at preventing tax evasion by US persons and companies that came into effect on 1 July 2014. To ensure compliance with the FATCA legislation, Compliance Division facilitates coordination, training, development and monitoring of FATCA requirements.

Compliance Division also assures identification, monitoring and resolution of regulatory issues (including follow-up) through on-site reviews by Area Compliance Officers (ACOs), who also provide training to the branch staff. Furthermore, ACOs also play a key role in enhancing the compliance culture in the Bank by ensuring improving standards of adherence with regulations at branch level.

Whilst focusing on creativity and innovation, Compliance function will continue to increase its effectiveness through professional development of its staff and strengthening of functional solutions.

CONTROLS

The Bank's operating system contains control aspects embedded into all processes and functions.

The Bank's organization structure and lines of authority are well-defined and processes throughout the Bank are governed by policies and procedures approved by the Board. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors.

SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of overall set of internal controls. The Bank has implemented a comprehensive Internal Control process and a stage wise roadmap for its implementation across the Bank considering an internationally accepted Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control - Integrated Framework, as envisaged under the SBP Internal Control Guidelines for Financial Reporting. SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of internal controls. The Bank has devised a well-defined and comprehensive Internal Control Program and a staged roadmap for implementation.

The Bank's operational model relies on a state-of-the-art, award winning, technology which has built-in risk mitigating features such as access controls, segregation of duties, necessary maker-checker concept and extensive monitoring / MIS tools keeping the overall operational risks to an acceptable level. Please refer to "The Statement of Internal Controls" annexed to this report.

INTERNAL AUDIT

While broadening risk awareness and assuring regulatory compliance, Internal Audit at HabibMetro is an important, independent pillar of the Bank's controls infrastructure. The department performs continuous reviews to improve the quality of the Bank's internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the Bank's risk mitigation endeavors.

HabibMetro has active Board Audit Committee functioning under the Code of Corporate Governance as stipulated by SECP and as adopted by SBP. The members of Board Audit Committee are Non-Executive Directors and its Chairman is an Independent Director.

Reporting directly to the Board Audit Committee, Internal Audit employs a risk-based, proactive approach to branches, operational areas and key activities of the Bank with a significant emphasis on corrective actions and elimination of control lapses. These reviews are focused on related key risk indicators, system weaknesses and to identify control, cost & revenue efficiencies.

FUTURE OUTLOOK

The year 2016 holds promise and challenges with lower interest rate environment and lower spreads, while maintaining asset quality and margins will be prime focus of the Bank. Inshallah, with continued dedication and rejuvenated resolve, your Bank will meet year 2016 with stronger focus upon maintaining the growth momentum for low cost deposit mobilization and to enhance market share, diversify product spectrum, enhanced internal controls, cost reduction and efficiency and improvement of human capital in the Bank. Simultaneously, HabibMetro will focus on its core business activity while strengthening transaction banking, cross sell and new products to enhance fee income base.

In order to ensure long-term sustainability and maintain success, core competitiveness and efficiency remains the foremost agenda of HabibMetro.

With Allah's blessings and continued patronage of our loyal stakeholders, HabibMetro is geared to accelerated progress despite the competitive operating environment.

ACKNOWLEDGEMENTS

In the end, I would like to take this opportunity to place on record our sincere gratitude to the Board, Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion, diligence and commendable performance.

On behalf of the Board

SIRAJUDDIN AZIZ
President & Chief Executive

Karachi: 26 February 2016

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Chapter XI of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Tariq Ikram
	Mr. Sohail Hasan
Non-Executive Directors	Mr. Kassim Parekh
	Mr. Ali S. Habib
	Mr. Firasat Ali
	Mr. Mohamedali R. Habib
	Mr. Mohamed Bashir
	Mr. Muhammad H. Habib

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year 2015.
5. The Bank has developed a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedure.
6. The Bank has placed a mechanism for an annual evaluation of board's own performance.
7. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
8. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executives and non-executive directors, have been taken by the board / shareholders.
9. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Bank is compliant with the requirement of directors training program provided in code.

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11. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
 12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
 13. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.
 14. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
 15. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
 16. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
 17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
 18. The board has formed a Human Resource & Remuneration Committee. It comprises three members, of whom two are non-executive including an independent director.
 19. The board has set up an effective internal audit function.
 20. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
 21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
 23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
 24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

SIRAJUDDIN AZIZ
President & Chief Executive Officer

Karachi: 26 February 2016

AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Habib Metropolitan Bank Limited ("the Bank") for the year ended 31 December 2015 to comply with the requirements of Listing Rule book number 5.19 of the Pakistan Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2015.

Karachi: 26 February 2016

KPMG Taseer Hadi & Co
Chartered Accountants
Mazhar Saleem

STATEMENT OF INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No. 7 dated 27 May 2004.

MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

The management of Habib Metropolitan Bank (HabibMetro) remains responsible for implementing strategies and policies as approved by the Board of Directors, maintaining an effective organization structure, instituting appropriate control procedures and monitoring the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The Bank's fundamental policy is to embed controls in each process and make controls an important part of all business activities. Each member of the staff is also responsible for ensuring that the Bank always operates in a controlled manner and inordinate risks are not taken in any activity.

The Bank's organization structure and lines of authority are well-defined and processes throughout the Bank are largely governed by policies and procedures approved by the Board. However, their review and updating to meet regulatory requirements & changing practices remains a continued activity to achieve effective control objectives. The Bank's best practices operation manual for key areas are set in place to improve the quality of service, training and product knowledge across the organization. Further, the Bank did not incur any material losses arising from operational risk exposures. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors and there have been no material disputes thereon.

Effectiveness of Internal Controls is independently reviewed on a regular basis by Internal Audit, and Board Audit Committee is updated accordingly. The Internal Audit framework incorporates extensive risk-based auditing throughout the year. Views expressed by External Auditors and Regulatory Inspectors are also provided utmost importance and corrective actions on all audit / inspection observations are followed-up rigorously. For operating effectiveness, compliance to laws and regulations and reliability of financial reporting, in addition to other control functions, an Internal Control Unit has also been established within Risk Management Division. The Unit provides an ongoing mechanism for establishing and maintaining a sound system and apt control environment duly backed by independent internal audit regime. This would give reasonable assurance to achieve the internal control objectives for continuously evaluating the nature and extent of the significant risks and to manage them effectively and efficiently.

SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of overall set of internal controls including financial reporting controls which are required to be independently reviewed by the external auditors. As part of this exercise, the Bank has formulated a comprehensive Internal Control process and a stage wise roadmap for its implementation across the bank considering an internationally accepted COSO Internal Control - Integrated Framework, as envisaged under the SBP Internal Control Guidelines for Financial Reporting (ICFR). In accordance with this process, the Bank has completed the detailed stages of the existing processes, together with a comprehensive gap analysis of the control design. Further, the Bank institutes remediation plans to address the gaps identified by the external auditors and necessary steps have been undertaken to ensure timely implementation of planned initiatives. In addition, comprehensive management testing plans and framework have been developed and implemented for ensuring ongoing operating effectiveness of key controls.

It is pertinent to note that although effective remediation of the gaps identified will further strengthen the Bank's existing control environment, management is confident that these gaps do not carry a significant bearing on the Bank's existing operations and related controls. Further, the Bank's operational model relies primarily on a state-of-the-art, award winning technology solution which has strong built-in risk mitigating features such as access controls, segregation of duties, necessary maker-checker concept and extensive monitoring / MIS tools keeping the overall operational risks to an acceptable level.

While concerted efforts were made to follow SBP Guidelines on Internal Controls, the identification, evaluation and management of risks within each of the Bank's activities; and evaluation and change of procedures remains an ongoing process.

Internal Controls always manage rather than eliminate possibility of process failures to achieve their objectives and hence, can only provide reasonable assurance against material misstatements or loss.

On an overall basis, Internal Controls at HabibMetro were operating with reasonable adequacy throughout the year ended 31 December 2015 and reflect improvement from last year in organization structure; effective adherence with lines of authority; automation and effectiveness of processes.

BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

Keeping in view the feedback received by the Board of Directors from the Audit Committee; reports submitted as to the business policies and major risks related decision taken by the Management, the Board of Directors endorses Management's evaluation of internal control.

On behalf of the Board

SIRAJUDDIN AZIZ

President & Chief Executive Officer

Karachi: 26 February 2016

Shari'ah Board's Report

FOR THE YEAR ENDED 31 DECEMBER 2015

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Management are solely responsible to ensure that the operations of HabibMetro Sirat are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of HabibMetro Sirat.
2. Although the Chairman Shari'ah Board and Member Shari'ah Board recently joined the Bank, the Resident Shari'ah Board Member and the Shari'ah Compliance Department of the Bank have carried out Shari'ah reviews on test check basis of each class of transactions, the relevant documentation and process flows. Further, the Shari'ah Board reviewed the report of the internal Shari'ah audit. Based on the above, we are of the view that:
 - i. HabibMetro Sirat has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board and Resident Shari'ah Board member.
 - ii. HabibMetro Sirat has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
 - iii. HabibMetro Sirat has a comprehensive mechanism in place to ensure Shari'ah compliance in their overall operations.
 - iv. HabibMetro Sirat has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized.
 - v. HabibMetro Sirat has complied with the SBP instructions on profit and loss distribution and pool management.
 - vi. The level of awareness, capacity and sensitization of the staff, management and the Board of Directors in appreciating the importance of Shari'ah compliance in the products and processes of the Bank, is quite satisfactory.
 - vii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.
3. Further, we recommend that the employee facilities / benefits such as house building finance, car finance, life / health insurance, etc. be provided under Shari'ah compliant modes.

May Allah accept our efforts and grant us success in the field of Islamic Finance. We also pray to Allah Almighty and seek His guidance and blessings for further progress, development, and prosperity of HabibMetro Sirat.

MUFTI MUHAMMAD ZUBAIR USMANI

Chairman Shari'ah Board

MUFTI ABDUL SATTAR LAGHARI

Resident Shari'ah Board Member

MUFTI MUHAMMAD IBRAHIM ESSA

Shari'ah Board Member

Karachi: 26 February 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 31 December 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended 31 December 2015, in which are incorporated the unaudited certified returns from the branches except for eighteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the unconsolidated statement of financial position and the unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change in accounting policies as stated in note 5.18 to the accompanying financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: 26 February 2016

KPMG Taseer Hadi & Co
Chartered Accountants
Mazhar Saleem

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	30,645,728	18,640,853
Balances with other banks	9	13,806,513	1,869,735
Lendings to financial institutions	10	14,444,641	3,408,776
Investments	11	281,134,589	221,761,162
Advances	12	132,646,839	134,750,646
Operating fixed assets	13	3,124,779	3,024,588
Deferred tax assets	14	1,938,628	1,268,527
Other assets	15	12,137,391	12,655,795
		489,879,108	397,380,082
LIABILITIES			
Bills payable	16	6,344,461	5,201,482
Borrowings	17	31,462,822	24,883,982
Deposits and other accounts	18	403,354,957	320,023,460
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities	19	11,889,064	12,520,456
		453,051,304	362,629,380
NET ASSETS		36,827,804	34,750,702
REPRESENTED BY			
Share capital	20	10,478,315	10,478,315
Reserves		12,710,010	11,178,823
Unappropriated profit		9,931,633	8,543,116
		33,119,958	30,200,254
Surplus on revaluation of assets - net of tax	21	3,707,846	4,550,448
		36,827,804	34,750,702
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

UNCONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		Rupees in '000	
Mark-up / return / interest earned	24	36,850,013	32,272,905
Mark-up / return / interest expensed	25	(22,466,055)	(21,085,545)
Net mark-up / interest income		14,383,958	11,187,360
Provision against non-performing loans and advances	12.6	2,116,885	1,767,199
Provision for diminution in the value of investments	11.3	109,077	11,380
Bad debts written off directly	12.8.1	–	–
		(2,225,962)	(1,778,579)
Net mark-up / interest income after provisions		12,157,996	9,408,781
Non mark-up / interest income			
Fee, commission and brokerage income		2,829,879	2,402,017
Dividend income		147,918	51,047
Income from dealing in foreign currencies		1,083,300	1,039,545
Gain on sale / redemption of securities - net	26	4,778,513	1,875,821
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		–	–
Other income	27	342,130	342,293
Total non mark-up / interest income		9,181,740	5,710,723
		21,339,736	15,119,504
Non mark-up / interest expenses			
Administrative expenses	28	8,445,940	7,352,918
Other provisions / write offs	19.1 & 15.2	14,989	299,000
Other charges	29	339,896	155,266
Total non-mark-up / interest expenses		(8,800,825)	(7,807,184)
		12,538,911	7,312,320
Extra ordinary / unusual items		–	–
Profit before taxation		12,538,911	7,312,320
Taxation – Current	30	(4,963,851)	(2,756,587)
– Prior years		(476,000)	–
– Deferred	14.1	556,873	370,827
		(4,882,978)	(2,385,760)
Profit after taxation		7,655,933	4,926,560
Unappropriated profit brought forward		8,543,116	6,692,612
Profit available for appropriation		16,199,049	11,619,172
Basic and diluted earnings per share (Rupees)	31	7.31	4.70

The annexed notes 1 to 45 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		Rupees in '000	
Profit after taxation for the year		7,655,933	4,926,560
Other comprehensive income			
Items that are not to be reclassified to profit & loss account in subsequent periods:			
Actuarial (loss) / gain on defined benefit plan	34.8	(32,288)	7,568
Related deferred tax reversal / (charge)		11,301	(2,649)
		(20,987)	4,919
Comprehensive income transferred to equity		7,634,946	4,931,479
Items that may be reclassified to profit & loss account in subsequent periods and not to be reflected in equity:			
(Deficit) / surplus arising on revaluation of available for sale securities		(944,529)	5,977,512
Related deferred tax reversal / (charge)		101,927	(2,046,802)
		(842,602)	3,930,710
Total comprehensive income		6,792,344	8,862,189

The annexed notes 1 to 45 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,538,911	7,312,320
Less: Dividend income		(147,918)	(51,047)
		<u>12,390,993</u>	<u>7,261,273</u>
Adjustments			
Depreciation	13.2	565,932	525,659
Provision against non-performing loans and advances - net	12.6	2,116,885	1,767,199
Provision against off-balance sheet obligation	19.1	14,989	-
Provision against other assets	15.2	-	299,000
Provision for diminution in the value of investments - net	11.3	109,077	(30,804)
Net gain on sale of fixed assets	27	(59,186)	(17,447)
		<u>2,747,697</u>	<u>2,543,607</u>
		<u>15,138,690</u>	<u>9,804,880</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(11,035,865)	(3,408,776)
Advances		(13,078)	(6,410,757)
Other assets (excluding advance taxation)		85,586	(4,702,928)
		<u>(10,963,357)</u>	<u>(14,522,461)</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,142,979	1,219,269
Borrowings		7,061,268	1,470,763
Deposits and other accounts		83,331,497	72,379,873
Other liabilities (excluding current taxation)		(1,398,871)	3,738,638
		<u>90,136,873</u>	<u>78,808,543</u>
		<u>94,312,206</u>	<u>74,090,962</u>
Income tax paid		(4,302,168)	(2,845,885)
Net cash generated from operating activities		<u>90,010,038</u>	<u>71,245,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(60,146,399)	(64,862,107)
Net investments in held-to-maturity securities		(273,134)	(8,447,057)
Net investments in a subsidiary		(7,500)	-
Dividend received		150,266	48,699
Investments in operating fixed assets		(668,601)	(551,325)
Proceeds from sale of fixed assets		61,664	53,089
Net cash used in investing activities		<u>(60,883,704)</u>	<u>(73,758,701)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(4,702,253)	(2,093,344)
Net cash used in financing activities		<u>(4,702,253)</u>	<u>(2,093,344)</u>
Increase / (decrease) in cash and cash equivalents		<u>24,424,081</u>	<u>(4,606,968)</u>
Cash and cash equivalents at the beginning of the year		<u>19,635,073</u>	<u>24,242,041</u>
Cash and cash equivalents at the end of the year	32	<u>44,059,154</u>	<u>19,635,073</u>

The annexed notes 1 to 45 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		Reserves					
	Share Capital	Share Premium	Statutory Reserve	Special Reserve	Revenue Reserve	Un-appropriated Profit	Total
	Rupees in '000						
Balance as at 1 January 2014	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,692,612	27,364,438
Changes in equity for the year ended 31 December 2014							
Total comprehensive income for the year ended 31 December 2014 – profit for the year	–	–	–	–	–	4,926,560	4,926,560
Other comprehensive income – net of tax	–	–	–	–	–	4,919	4,919
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for year ended 31 December 2013	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	985,312	–	–	(985,312)	–
Balance as at 31 December 2014	10,478,315	2,550,985	6,887,477	240,361	1,500,000	8,543,116	30,200,254
Changes in equity for the year ended 31 December 2015							
Total comprehensive income for the year ended 31 December 2015 – profit for the year	–	–	–	–	–	7,655,933	7,655,933
Other comprehensive income – net of tax	–	–	–	–	–	(20,987)	(20,987)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.50 per share) for year ended 31 December 2014	–	–	–	–	–	(2,619,579)	(2,619,579)
Interim dividend (Rs. 2.00 per share) for year ended 31 December 2015	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	1,531,187	–	–	(1,531,187)	–
Balance as at 31 December 2015	10,478,315	2,550,985	8,418,664	240,361	1,500,000	9,931,633	33,119,958

The annexed notes 1 to 45 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 237 (2014: 201) branches, including 20 (2014: 10) Islamic banking branches and 39 (2014: 39) 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, I.I. Chundrigar Road, Karachi.

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiaries 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 its 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 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 43 to these unconsolidated financial statements.

2.4 Basis of measurement

Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value and derivative financial instruments are carried at fair value as disclosed in notes 5.3 and 5.6 respectively.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

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) through S.R.O. No. 411 (1) / 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading", the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as "held-to-maturity", the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as held-for-trading or held-to-maturity are classified as "available-for-sale".

ii) Provision against non performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the forced sale value of the securities, etc. as per the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer and SME advances, the Bank follows the general provision requirement set out in Prudential Regulations. In addition the Bank also maintain a general provision against its loan portfolio discussed in note 5.4.

iii) Valuation and impairment of available for sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Impairment of non-financial assets (excluding deferred tax asset)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible

asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognised as it arises provided the increased carrying value does not exceed which it would have been had no impairment loss been recognised.

v) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Actuarial Cost Method, as fully disclosed in note 34 to these unconsolidated financial statements.

viii) Compensated Absences

The bank uses actuarial valuation for the determination of its compensated absences liability. This method makes certain assumptions, which may change, thereby effecting the profit and loss account of future period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Bank are as follows:

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks less overdrawn nostros and local bank accounts.

5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments and

counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is amortised as an expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued as income over the term of the agreement.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark up on such borrowings' is charged to the profit and loss account on a time proportion basis.

Bai Muajjal

The securities sold under Bai Muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight-line basis.

5.3 Investments

5.3.1 Investments in subsidiaries are stated at cost less provision for impairment, if any.

5.3.2 Other investments are classified as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the positive intention and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

5.3.3 Investments (other than held-for-trading) include transaction costs associated with the investments. In case of held-for-trading investments transaction costs are charged to profit and loss account.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held-to-maturity and investment in subsidiaries, are carried at market value. Investments classified as held-to-maturity are carried at amortised cost whereas investments in subsidiaries are carried at cost less impairment losses, if any.

Unrealised surplus / deficit arising on the revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. Surplus / deficit arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the statement of financial position below equity. Surplus / deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent decrease in the carrying value are charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of term finance and Sukuk certificates are made as per the criteria prescribed under Prudential Regulations issued by State Bank of Pakistan.

Provision for impairment in the value of available for sale and held-to-maturity securities (other than bonds and term finance and Sukuk certificates) is made after considering objective evidence of impairment, if any, in their value (as a result of one or more events that may have an impact on the estimated future cash flows of the investments). A significant or prolonged decline in the fair value of an equity investment below its cost is also considered an objective evidence of impairment. Impairment losses are taken to profit and loss account.

All "regular way" purchases and sales of investments are recognised on the trade date, i.e., the date that the Bank commits the purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.4 Advances (including net investment in finance lease and ijarah arrangements)

Loans and advances

Loans and advances and net investments in finance lease are stated net of provision for loan losses against non-performing advances. Provision for loan losses is made in accordance with the Prudential Regulations issued by the SBP and is charged to profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's assessment of credit risk characteristics and general banking risk such as nature of credit, collateral type, industry sector and other relevant factors. Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

Finance lease receivables

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

Ijarah

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) 2 for the accounting and financial reporting of "Ijarah", Ijarah arrangements by the Islamic Banking branches are accounted for as 'Assets held under Ijarah' and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly assets subject to Ijarah have been reflected in note 12 to these unconsolidated financial statements under "Advances". Rental income on these Ijarah is recognised in the Bank's profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of Ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of Ijarah agreement and is charged to the profit and loss account. The classification and provisioning of Ijarah assets is done in line with the requirements laid down in the Prudential Regulations and are recognised in the profit and loss account.

Diminishing Musharakah

In Diminishing Musharakah based financing, the Bank enters into a Musharakah based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement for the utilization of the Bank's Musharaki share by the customer. Income from these transactions are recorded on an accrual basis.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is paid back to the Bank.

Al-Bai

The product is based on the Islamic Mode "Musawamah". Musawamah is a general kind of sale in which price of the commodity to be traded is agreed between seller and the buyer without any reference to the cost incurred and profit charged by the former.

Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are recorded at the lower of carrying value of the related advances and the current fair value of such assets.

Advances are written off when there are no realistic prospects of recovery.

5.5 Fixed assets

Tangible - owned (operating)

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which are stated at cost less accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 13.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets referred to in note 12.3 is calculated on a straight line basis over the period of Ijarah from the date of delivery of respective assets to the mustajir (lessee) up to the date of maturity / termination of ijarah agreed.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each statement of financial position date.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. The cost of intangible assets are amortised from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

Capital work-in-progress

These are stated at cost less impairment losses, if any.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

5.7 Provisions

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gain / losses recognised in 'Other Comprehensive Income', which is adjusted against the related deficit / surplus.

5.9 Employees' benefits

5.9.1 Retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using "Projected Unit Credit Actuarial Cost Method".

All actuarial gains and losses are recognised in "Other Comprehensive Income" as they occur.

Past service cost resulting from changes to defined benefit plan is recognised in the profit and loss account.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Bank and its employees, to the fund at the rate of 10% of basic salary.

5.9.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the 'Projected Unit Credit Actuarial Cost Method' has been carried out by the Bank for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Bank.

5.10 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

a) Advances and investments

Mark-up / return on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognised as permitted under the Prudential Regulations of the State Bank of Pakistan.

Dividend income is recognised when the Bank's right to receive the dividend is established.

Gains and losses on sale of investments are recognised in the profit and loss account.

Income on bills discounted are recognised over the period of the bill.

b) Lease financing / Ijarah contracts

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognised on receipt basis.

Rental income on ijarah executed by the Islamic Banking branches and accounted for under IFAS 2 (refer note 5.4) is recognised in the profit and loss account on a time proportion basis.

Gains / losses on termination of lease contracts and other lease income are recognised when realised.

c) Fees, commission and brokerage

Fees, commission and brokerage except income from letters of guarantee is accounted for on receipt basis. Income from letter of guarantee is recognised on an accrual basis over the period of the guarantee.

5.11 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

5.12 Foreign currencies

Foreign currencies transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Exchange gains or losses are included in income currently.

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date.

5.13 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on the following business segments.

Business segments

a) Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

b) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs). It includes loans, deposits and other transactions with retail customers.

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers; and SME customers other than those included in retail banking.

Geographical segments

The Bank conducts all its operations in Pakistan.

5.14 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to statement of financial position date are considered as non-adjusting event and are not recorded in unconsolidated financial statements of the current year. These are recognised in the period in which these are declared / approved.

5.15 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.16 Impairment of assets (other than loans and advances and investments)

At each statement of financial position date, the Bank reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.

5.17 Financial instruments

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.18 The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

New, amended and revised standards and interpretations of IFRSs

- IFRS 10 'Consolidated Financial Statements' replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the Bank.

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- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures'. It requires all joint ventures to apply equity method of accounting thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept to jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.
 - IFRS 12 'Disclosure of Interests in Other Entities' prescribes additional disclosures around significant judgments and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The application of IFRS 12 does not have an impact on the unconsolidated financial statements of the Bank.
 - IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the unconsolidated financial statements of the Bank except for certain disclosures as mentioned in note 37.

6. FUNCTIONAL AND PRESENTATION CURRENCY

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of Approved Accounting Standards will be effective for accounting periods on or after 1 January 2016:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Bank's unconsolidated financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures' is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 34 'Interim Financial Reporting' is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The Bank expects that the above mentioned improvements will not have a material impact on the Bank's financial statements in the period of initial application.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2015	2014
		Rupees in '000	
In hand			
Local currency		4,957,548	3,893,745
Foreign currencies		1,639,651	1,184,734
		6,597,199	5,078,479
With State Bank of Pakistan in			
Local currency current accounts	8.1	12,639,136	3,886,122
Foreign currency current accounts	8.2	113,817	102,111
Foreign currency deposit accounts			
– cash reserve accounts	8.3	2,668,068	2,330,002
– special cash reserve accounts	8.4	7,635,515	6,865,407
		23,056,536	13,183,642
With National Bank of Pakistan in			
Local currency current accounts		978,717	366,118
National Prize Bonds		13,276	12,614
		30,645,728	18,640,853

8.1 These accounts are maintained to comply with the statutory cash reserve requirements and include Rs. 3,022,097 thousand (2014: Rs. 1,191,445 thousand) in respect of the Islamic Banking branches of the Bank.

8.2 This represents US Dollar collection / settlement account with SBP.

8.3 This represents account maintained with the SBP to comply with the Cash Reserve requirement against foreign currencies deposits and include amount of Rs. 206,654 thousand (2014: Rs. 69,132 thousand) in respect of the Islamic Banking branches of the Bank.

8.4 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement against foreign currencies deposits. The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2015, carries mark-up at the rate of 0.00% (2014: 0.00%) per annum and include amount of Rs. 251,274 thousand (2014: Rs. 82,798 thousand) in respect of the Islamic Banking branches of the Bank.

9. BALANCES WITH OTHER BANKS

In Pakistan			
On current accounts		177,508	345,083
On deposit accounts	9.1	10,480,666	548,662
		10,658,174	893,745
Outside Pakistan			
On current accounts	9.2	3,148,339	975,990
		13,806,513	1,869,735

9.1 These carry mark-up rate ranging from 4.00% to 7.00% (2014: 6.50% to 9.00%) per annum.

9.2 These include balances in current accounts of Rs. 122,080 thousand (2014: Rs. 33,711 thousand) with branches of the holding company.

10. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2015	2014
		Rupees in'000	
Call money lendings	10.2	2,800,000	1,500,000
Bai - Muajjal	10.3	11,644,641	—
Repurchase agreement lendings (Reverse Repo)	10.4	—	1,908,776
		<u>14,444,641</u>	<u>3,408,776</u>
10.1 Particulars of lendings			
In local currency		<u>14,444,641</u>	<u>3,408,776</u>

10.2 These carry mark-up rate ranging from 6.25% to 7.25% (2014: 10.75%) per annum, with maturity upto 13 January 2016 (2014: 14 January 2015).

10.3 This represents Bai Muajjal agreement entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank has sold GOP Ijarah Sukuks on deferred payment basis. The average return on these balances is 6.00% (2014: Nil) per annum and these are due to mature by 17 November 2016 (2014: Nil).

10.4 Securities held as collateral against lending to financial institutions (Reverse repo)

	Note	2015			2014		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		Rupees in'000					
Market treasury bills	10.4.2	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,908,776</u>	<u>—</u>	<u>1,908,776</u>

10.4.1 These lendings carry mark-up rate ranging from 9.75% to 10.00% per annum, and having maturity upto 2 January 2015 as at 31 December 2014.

10.4.2 Market value of securities held as collateral against these lendings is Rs. 1,908,776 thousand.

11. INVESTMENTS

11.1 Investments by types

	Note	2015			2014		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in'000							
Available-for-sale securities							
Market treasury bills	11.5	72,360,324	3,558,874	75,919,198	85,129,747	–	85,129,747
Pakistan investment bonds	11.6	152,462,898	2,054,088	154,516,986	77,467,150	–	77,467,150
Ordinary shares of listed companies		1,062,338	–	1,062,338	973,924	–	973,924
Ordinary shares of unlisted companies		106,991	–	106,991	104,205	–	104,205
Listed term finance certificates		1,938,933	–	1,938,933	1,094,653	–	1,094,653
Unlisted term finance certificates		440,305	–	440,305	440,395	–	440,395
Sukuk certificates and bonds		12,626,088	–	12,626,088	17,314,358	–	17,314,358
Open end mutual funds		5,532,227	–	5,532,227	9,856,828	–	9,856,828
Close end mutual funds		416,409	–	416,409	31,816	–	31,816
		246,946,513	5,612,962	252,559,475	192,413,076	–	192,413,076
Held-to-maturity securities							
Pakistan investment bonds	11.7	19,532,493	–	19,532,493	22,559,359	–	22,559,359
Certificates of investments	11.8	3,300,000	–	3,300,000	–	–	–
		22,832,493	–	22,832,493	22,559,359	–	22,559,359
Subsidiaries							
Habib Metropolitan Financial Services Limited - 29,999,997 (2014: 29,999,997) ordinary shares of Rs. 10/- each		300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited- 749,998 (2014: Nil) ordinary shares of Rs. 10/- each	11.9	7,500	–	7,500	–	–	–
		307,500	–	307,500	300,000	–	300,000
Investments at cost		270,086,506	5,612,962	275,699,468	215,272,435	–	215,272,435
Provision for diminution in the value of investments	11.3	(269,257)	–	(269,257)	(160,180)	–	(160,180)
Investments – net of provisions		269,817,249	5,612,962	275,430,211	215,112,255	–	215,112,255
Surplus / (deficit) on revaluation of available-for-sale securities - net	21	5,708,836	(4,458)	5,704,378	6,648,907	–	6,648,907
Investments after revaluation of available-for-sale securities		275,526,085	5,608,504	281,134,589	221,761,162	–	221,761,162

	Note	2015	2014
		Rupees in '000	
11.2 Investments by segments			
Federal government securities			
Market treasury bills		75,919,198	85,129,747
Pakistan investment bonds		174,049,479	100,026,509
GOP ijarah sukuk		11,130,788	15,519,169
		<u>261,099,465</u>	<u>200,675,425</u>
Fully paid up ordinary shares			
Listed companies		1,062,338	973,924
Unlisted companies		106,991	104,205
		<u>1,169,329</u>	<u>1,078,129</u>
Term finance certificates, sukuk certificates and bonds			
Listed term finance certificates		1,938,933	1,094,653
Unlisted term finance certificates		440,305	440,395
Sukuk certificates / bonds		1,495,300	1,795,189
		<u>3,874,538</u>	<u>3,330,237</u>
Mutual funds			
Open end		5,532,227	9,856,828
Close end		416,409	31,816
		<u>5,948,636</u>	<u>9,888,644</u>
Certificates of investments		3,300,000	—
Subsidiaries			
Habib Metropolitan Financial Services Limited - 29,999,997 (2014: 29,999,997) ordinary shares of Rs.10/- each		300,000	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited - 749,998 (2014: Nil) ordinary shares of Rs. 10/- each		7,500	—
		<u>275,699,468</u>	<u>215,272,435</u>
Investments at cost			
Provision for diminution in the value of investments	11.3	(269,257)	(160,180)
		<u>275,430,211</u>	<u>215,112,255</u>
Investments - net of provisions			
Surplus on revaluation of available-for-sale securities – net	21	5,704,378	6,648,907
Investments after revaluation of available-for-sale securities		<u><u>281,134,589</u></u>	<u><u>221,761,162</u></u>

	2015	2014
	Rupees in '000	
11.3 Particulars of provision for diminution in the value of investments		
Opening balance	160,180	190,984
Charge for the year	118,089	24,482
Reversal for the year	(9,012)	(13,102)
Net charge for the year	109,077	11,380
Reversal of provision on disposal of investments	—	(42,184)
Closing balance	269,257	160,180

11.3.1 Provision for diminution in respect of type and segment

Available-for-sale securities

Fully paid-up ordinary shares

Listed companies	82,502	—
Unlisted companies	75,487	74,353

Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	41,279	22,486
Unlisted term finance certificates	28,840	23,063
Sukuk certificates / bonds	31,267	40,278

Mutual funds

Close end	9,882	—
	269,257	160,180

11.4 Information relating to investments in federal government securities, ordinary shares of listed and unlisted companies, listed and unlisted term finance certificates, sukuk certificates / bonds and open and close end mutual funds required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4, dated 17 February 2006, is given in Annexure "I" and is an integral part of these unconsolidated financial statements.

11.5 These carry mark-up rates ranging from 6.39% to 8.50% (2014: 9.43% to 10.10%) per annum, with maturity upto 1 September 2016 (2014: 24 December 2015).

11.6 These carry mark-up rates ranging from 8.75% to 12.00% (2014: 11.25% to 12.00%) per annum and will mature up to 19 July 2022 (2014: 17 July 2024). These includes Rs. 132,000 thousand (2014: Rs. 158,500 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

11.7 These carry mark-up rates ranging from 11.50% to 12.00% (2014: 11.25% to 12.00%) per annum and will mature up to 19 July 2022 (2014: 19 July 2022).

11.8 These carry mark-up rates ranging from 6.40% to 7.50% (2014: Nil) per annum and will mature up to 28 March 2016 (2014: Nil).

11.9 This represents investment made in wholly owned subsidiary incorporated during the year.

	Note	2015	2014
		Rupees in '000	
12. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		123,466,791	115,546,063
Net investment in finance lease / ijarah financing			
In Pakistan	12.2	701,908	476,918
Net book value assets in Ijarah under IFAS 2	12.3	171,908	247,988
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		7,297,027	8,089,663
Payable outside Pakistan		18,438,791	26,378,556
		25,735,818	34,468,219
Advances – gross		150,076,425	150,739,188
Provision against non-performing advances			
- specific		(16,532,837)	(15,661,846)
- general		(896,749)	(326,696)
	12.6	(17,429,586)	(15,988,542)
Advances – net of provisions	12.10	132,646,839	134,750,646

12.1 Particulars of advances – gross

12.1.1 In local currency	120,399,542	110,106,076
In foreign currencies	29,676,883	40,633,112
	150,076,425	150,739,188
12.1.2 Short term (for upto one year)	133,240,123	137,652,551
Long term (for over one year)	16,836,302	13,086,637
	150,076,425	150,739,188

12.2 Net investment in finance lease / ijarah financing

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	176,290	496,010	12,118	684,418	186,556	232,770	30,764	450,090
Residual value	28,719	78,493	476	107,688	32,066	64,487	476	97,029
Minimum lease payments	205,009	574,503	12,594	792,106	218,622	297,257	31,240	547,119
Financial charges for future periods	(23,488)	(63,730)	(2,980)	(90,198)	(25,419)	(36,127)	(8,655)	(70,201)
Present value of minimum lease payments	181,521	510,773	9,614	701,908	193,203	261,130	22,585	476,918

12.2.1 These finance lease receivables include the Ijarah contracts executed before the promulgation of IFAS 2 and written up to 31 December 2008.

12.3 Net book value of investments in Ijarah under IFAS 2 is net of depreciation of Rs. 143,395 thousand (2014: Rs. 144,141 thousand).

12.4 Advances include Rs. 18,486,982 thousand (2014 : Rs.19,325,134 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2015			2014		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	57,324	14,331	14,331	593,749	89,580	89,580
Doubtful	286,353	127,376	127,376	1,408,214	664,454	664,454
Loss	18,143,305	16,391,130	16,391,130	17,323,171	14,907,812	14,907,812
	<u>18,486,982</u>	<u>16,532,837</u>	<u>16,532,837</u>	<u>19,325,134</u>	<u>15,661,846</u>	<u>15,661,846</u>

12.5 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

During the current year, the Bank availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 211,627 thousand. Further, as of 31 December 2015, had the benefit of FSVs (including those availed in previous years) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 1,767,976 thousand (2014: Rs. 2,513,871 thousand) and accumulated profit would have been lower by Rs. 1,149,184 thousand (2014: Rs. 1,634,016 thousand). This amount of Rs. 1,149,184 thousand is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

12.6 Provision against non-performing advances

Note	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,661,846	326,696	15,988,542	13,455,861	854,152	14,310,013
Charge for the year	2,657,575	570,053	3,227,628	3,244,544	—	3,244,544
Reversals for the year	(1,110,743)	—	(1,110,743)	(949,889)	(527,456)	(1,477,345)
Net charge for the year	1,546,832	570,053	2,116,885	2,294,655	(527,456)	1,767,199
Amount written off	12.8 (675,841)	—	(675,841)	(88,670)	—	(88,670)
Closing balance	12.7 <u>16,532,837</u>	<u>896,749</u>	<u>17,429,586</u>	<u>15,661,846</u>	<u>326,696</u>	<u>15,988,542</u>

12.6.1 General provision includes provision of Rs. 1,824 thousand (2014: Rs. 2,178 thousand) made against consumer portfolio maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan. Moreover, general provision also includes provision of Rs. 28,806 thousand (2014: Rs. 31,041 thousand) made against small enterprises maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

12.7 Particulars of provision against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Against local currency exposure	16,153,105	896,749	17,049,854	15,257,998	326,696	15,584,694
Against foreign currencies exposure	379,732	–	379,732	403,848	–	403,848
	<u>16,532,837</u>	<u>896,749</u>	<u>17,429,586</u>	<u>15,661,846</u>	<u>326,696</u>	<u>15,988,542</u>

	Note	2015	2014
		Rupees in '000	
12.8 Particulars of write-offs			
12.8.1 Against provisions	12.6	675,841	88,670
Directly charged to profit and loss account		–	–
		<u>675,841</u>	<u>88,670</u>
12.8.2 Write offs of Rs. 500,000/- and above		675,841	87,931
Write offs of below Rs. 500,000/-		–	739
		<u>675,841</u>	<u>88,670</u>

12.9 Details of loan write offs of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2015 is enclosed as Annexure II.

12.10 These include Islamic financing and related assets amounting to Rs.7,897,667 thousand (2014: Rs. 6,729,141 thousand).

12.11 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

Balance at beginning of year	1,758,827	1,216,421
Loans granted during the year	912,573	953,395
Repayments	(493,776)	(410,989)
Balance at end of year	<u>2,177,624</u>	<u>1,758,827</u>

Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members

Balance at beginning of year	1,840,385	2,020,013
Loans granted during the year	44,364,667	38,405,253
Repayments	(42,237,247)	(38,584,881)
Balance at end of year	<u>3,967,805</u>	<u>1,840,385</u>

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	Note	2015	2014
		Rupees in '000	
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	57,679	6,996
Property and equipment	13.2	3,067,100	3,017,592
Intangible assets	13.3	—	—
		<u>3,124,779</u>	<u>3,024,588</u>
13.1 Capital work-in-progress			
Civil works	13.1.1	40,076	6,996
Equipments, etc.		<u>17,603</u>	<u>—</u>
		<u>57,679</u>	<u>6,996</u>

13.1.1 This represents advance against renovation being carried out at various locations.

13.2 PROPERTY AND EQUIPMENT

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 1 January 2015	Additions / (deletions)	As at 31 December 2015	As at 1 January 2015	Charge for the year / (deletions)	As at 31 December 2015	As at 31 December 2015	
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,341	112	1,453	6,035	1.49
Buildings / office premises on freehold land	634,313	4,620	638,933	180,198	23,018	203,216	435,717	4
Buildings / office premises on leasehold land	1,922,797	19,106	1,941,903	616,290	69,301	685,591	1,256,312	4
Furniture and fixtures, office and computer equipment	1,499,933	350,118 (18,695)	1,831,356	940,080	238,531 (18,227)	1,160,384	670,972	15 & 25
Vehicles	15,776	2,959 (6,373)	12,362	12,570	1,206 (4,363)	9,413	2,949	20
Leasehold improvements	1,746,352	241,115	1,987,467	1,058,588	233,764	1,292,352	695,115	20
2015	<u>5,826,659</u>	<u>617,918 (25,068)</u>	<u>6,419,509</u>	<u>2,809,067</u>	<u>565,932 (22,590)</u>	<u>3,352,409</u>	<u>3,067,100</u>	

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 1 January 2014	Additions / (deletions)	As at 31 December 2014	As at 1 January 2014	Charge for the year/ (deletions)	As at 31 December 2014	As at 31 December 2014	
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,229	112	1,341	6,147	1.49
Buildings / office premises on freehold land	634,313	–	634,313	156,775	23,423	180,198	454,115	4
Buildings / office premises on leasehold land	1,922,797	–	1,922,797	547,502	68,788	616,290	1,306,507	4
Furniture and fixtures, office and computer equipment	1,246,325	336,039 (82,431)	1,499,933	782,455	209,331 (51,706)	940,080	559,853	15 & 25
Vehicles	16,742	845 (1,811)	15,776	12,202	1,800 (1,432)	12,570	3,206	20
Leasehold improvements	1,503,345	247,545 (4,538)	1,746,352	836,383	222,205 –	1,058,588	687,764	20
2014	5,331,010	584,429 (88,780)	5,826,659	2,336,546	525,659 (53,138)	2,809,067	3,017,592	

13.2.1 The cost of fully depreciated assets still in use is Rs. 1,486,446 thousand (2014: Rs. 1,120,518 thousand).

13.2.2 Carrying amount of idle properties held as at 31 December 2015 is Rs. 265,213 thousand (2014: Rs. 278,386 thousand). These properties have been temporarily kept idle.

13.2.3 Details of fixed assets disposed with original cost or book value in excess of Rs. 1,000 thousand or Rs. 250 thousand respectively, whichever is lower are as follows:

Particulars	Cost	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Office Equipment	1,327	–	429	Insurance Claim	Adamjee Insurance Co.
Vehicle	1,485	–	570	As per the Bank's policy	Mr. Abdul Aziz Memon
Vehicle	1,491	1,485	1,828	Best available quotation	Toyota Central Motors
	4,303	1,485	2,827		

13.3 Intangible assets

The cost of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2014: Rs. 27,875 thousand).

	Note	2015	2014
		Rupees in '000	
14. DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
– Provision against diminution in the value of investments		94,240	56,063
– Provisions against non-performing advances (including off-balance sheet obligations)	30.3	3,878,902	3,408,971
– Provision against other assets		200,900	200,900
– Deferred liability on defined benefit plan		80,850	69,549
		<u>4,254,892</u>	<u>3,735,483</u>
Deferred tax credits arising due to:			
– Surplus on revaluation of investment securities		(1,996,532)	(2,098,459)
– Accelerated depreciation		(319,732)	(368,497)
		<u>(2,316,264)</u>	<u>(2,466,956)</u>
Net deferred tax asset	14.1	<u>1,938,628</u>	<u>1,268,527</u>

14.1 Reconciliation of deferred tax

	Balance as at 1 January 2014	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2014	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2015
	Rupees in '000						
Deferred tax debits arising in respect of							
Provision against diminution in value of investments	57,255	(1,192)	–	56,063	38,177	–	94,240
Provision against non-performing advances (including off-balance sheet obligations) - note 30.3	3,131,045	277,926	–	3,408,971	469,931	–	3,878,902
Provision against other assets	96,250	104,650	–	200,900	–	–	200,900
Deferred liability on defined benefit plan	105,333	(33,135)	(2,649)	69,549	–	11,301	80,850
	<u>3,389,883</u>	<u>348,249</u>	<u>(2,649)</u>	<u>3,735,483</u>	<u>508,108</u>	<u>11,301</u>	<u>4,254,892</u>
Deferred tax credits arising due to							
Surplus on revaluation of investment	(51,657)	–	(2,046,802)	(2,098,459)	–	101,927	(1,996,532)
Accelerated depreciation	(391,075)	22,578	–	(368,497)	48,765	–	(319,732)
	<u>(442,732)</u>	<u>22,578</u>	<u>(2,046,802)</u>	<u>(2,466,956)</u>	<u>48,765</u>	<u>101,927</u>	<u>(2,316,264)</u>
Net deferred tax asset	<u>2,947,151</u>	<u>370,827</u>	<u>(2,049,451)</u>	<u>1,268,527</u>	<u>556,873</u>	<u>113,228</u>	<u>1,938,628</u>

	Note	2015	2014
		Rupees in '000	
15. OTHER ASSETS			
Income / mark-up / profit accrued in local currency		9,582,577	8,567,025
Income / mark-up / profit accrued in foreign currencies		31,788	68,851
Advances, deposits, advance rent and other prepayments		480,444	409,047
Advance tax (payments less provisions)		–	430,470
Branch adjustment account		53	11,550
Unrealised gain on forward foreign exchange contracts		624,018	2,029,943
Receivable from the SBP against encashment of government securities		19,648	146,833
Stationery and stamps on hand		37,848	33,783
Dividend receivable		–	2,348
Non-banking assets acquired in satisfaction of claims	15.1	1,558,077	1,211,976
Others		376,938	317,969
		<u>12,711,391</u>	<u>13,229,795</u>
Provision against other assets	15.2	<u>(574,000)</u>	<u>(574,000)</u>
		<u>12,137,391</u>	<u>12,655,795</u>
15.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,882,980</u>	<u>1,406,928</u>
15.2 Provision held against other assets			
Opening balance		574,000	275,000
Charge for the year		–	299,000
Closing balance		<u>574,000</u>	<u>574,000</u>
16. BILLS PAYABLE			
In Pakistan		<u>6,344,461</u>	<u>5,201,482</u>
17. BORROWINGS			
In Pakistan		28,515,900	20,125,035
Outside Pakistan		2,946,922	4,758,947
		<u>31,462,822</u>	<u>24,883,982</u>
17.1 Particulars of borrowings in respect of currencies			
In local currency		28,515,900	20,125,035
In foreign currencies		2,946,922	4,758,947
		<u>31,462,822</u>	<u>24,883,982</u>

	Note	2015	2014
		Rupees in '000	
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan			
– under export refinance scheme		21,274,506	17,605,949
– under long term financing - export oriented projects		19,413	63,689
– under long term financing facility - locally manufactured plant and machinery		1,423,239	1,394,143
	17.2.1	22,717,158	19,063,781
Repurchase agreement borrowings (Repo)	17.2.2	5,603,311	–
Due against bills re-discounting	17.2.3	2,749,266	4,032,088
		31,069,735	23,095,869
Unsecured			
Bai Muajjal		–	912,598
Overdrawn nostro accounts		197,656	726,859
Overdrawn local bank accounts		195,431	148,656
		393,087	1,788,113
		31,462,822	24,883,982

17.2.1 These carry mark-up rates ranging between 5.00% to 10.10% (2014: 5.00% to 11.00%) per annum payable quarterly or upon maturity of loans, whichever is earlier.

17.2.2 These carry mark-up rates ranging between 6.05% to 6.20% (2014: Nil) per annum having maturity upto 11 January 2016 (2014: Nil).

17.2.3 This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rate at 1% (2014: 1.00% to 1.25%) per annum having maturity upto 1 June 2016 (2014: 9 June 2015).

	Note	2015	2014
		Rupees in '000	
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		169,177,912	130,176,879
Savings deposits		116,432,300	93,481,501
Current accounts (non-remunerative)		101,487,138	86,881,170
Others		2,761,126	2,268,708
		<u>389,858,476</u>	<u>312,808,258</u>
Financial institutions			
Remunerative deposits		12,508,420	5,716,190
Non-remunerative deposits		988,061	1,499,012
		<u>13,496,481</u>	<u>7,215,202</u>
		<u>403,354,957</u>	<u>320,023,460</u>
18.1 Particulars of deposits			
In local currency		351,941,625	272,604,833
In foreign currencies		51,413,332	47,418,627
		<u>403,354,957</u>	<u>320,023,460</u>
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		6,723,356	7,523,558
Mark-up / return / interest payable in foreign currencies		151,557	246,452
Unearned commission and income on bills discounted		117,364	133,893
Accrued expenses		616,256	479,536
Current taxation (provisions less payments)		707,213	–
Provision against off-balance sheet obligation	19.1	113,716	98,727
Unclaimed dividend		21,770	8,781
Unrealised loss on forward foreign exchange contracts		793,645	2,140,816
Workers' welfare fund	29.1	513,501	213,501
Excise duty payable		3,912	3,901
Locker deposits		599,952	541,928
Advance against diminishing musharakah		66,466	88,987
Advance rental for ijarah		9,070	25,979
Security deposits against leases / ijarah		164,523	166,854
Sundry creditors		390,587	171,681
Withholding tax / duties		165,970	124,434
Provision for compensated absences		89,311	77,312
Deferred liability on defined benefit plan	34.3	228,105	198,712
Others		412,790	275,404
		<u>11,889,064</u>	<u>12,520,456</u>
19.1 Provision against off-balance sheet obligations			
Opening balance		98,727	98,727
Charge for the year		14,989	–
Closing balance		<u>113,716</u>	<u>98,727</u>

20. SHARE CAPITAL

20.1 Authorised capital

2015 (Number of shares)	2014		2015 Rupees in '000	2014
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

20.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs. 10/- each		
30,000,000	30,000,000	- issued for cash	300,000	300,000
92,500,000	92,500,000	- issued upon amalgamation	925,000	925,000
925,331,480	925,331,480	- issued as bonus shares	9,253,315	9,253,315
<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u>	<u>10,478,315</u>

20.3 As of the date of statement of financial position, the holding company held 534,394 thousand (2014: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities

Federal government securities

Market treasury bills	176,303	138,751
Pakistan investment bonds	5,214,298	5,435,982
GOP ijarah sukuk	41,461	28,753

Fully paid-up ordinary shares and mutual funds

Listed shares and mutual funds	290,872	1,016,261
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Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	(6,813)	(11,332)
Unlisted term finance certificates	4,645	9,554
Sukuk certificates / bonds	(16,388)	30,938
	<u>5,704,378</u>	<u>6,648,907</u>
Related deferred tax liability - net	(1,996,532)	(2,098,459)
	<u>3,707,846</u>	<u>4,550,448</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of:		
- Banking companies and other financial institutions	<u>2,286</u>	<u>16,472</u>

	2015	2014
	Rupees in '000	
22.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	17,163,286	14,820,687
ii) Banking companies and other financial institutions	436,358	36,395
iii) Others	10,077,952	6,035,569
	<u>27,677,596</u>	<u>20,892,651</u>
22.3 Trade-related contingent liabilities		
Letters of credit	<u>63,545,499</u>	<u>58,279,685</u>
Acceptances	<u>12,554,226</u>	<u>12,513,947</u>
22.4 Commitments in respect of forward exchange contracts		
Purchase	<u>80,770,251</u>	<u>100,046,711</u>
Sale	<u>73,381,353</u>	<u>102,295,035</u>
22.5 Commitments in respect of operating leases		
Not later than one year	20,757	16,371
Later than one year and not later than five years	18,890	18,732
	<u>39,647</u>	<u>35,103</u>
The Bank has entered into non-cancellable lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijarah transactions. The monthly rental installments are spread over a period of 36 months. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.		
22.6 Commitments for the acquisition of operating fixed assets	<u>57,582</u>	<u>9,972</u>
22.7 Claims against bank not acknowledged as debt	<u>1,348,358</u>	<u>2,184,916</u>
22.8 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.		
22.9 Commitments in respect of syndicate financing	<u>1,210,595</u>	<u>1,765,188</u>
22.10 Commitments in respect of term finance certificate	<u>—</u>	<u>113,043</u>

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).

24. MARK-UP / RETURN / INTEREST EARNED

	2015	2014
	Rupees in '000	
On loans and advances to:		
Customers	9,565,369	11,157,916
Financial institutions	121,503	204,330
	<u>9,686,872</u>	<u>11,362,246</u>
On investments in:		
Available-for-sale securities	23,843,992	17,741,889
Held-to-maturity securities	2,731,671	2,470,273
	<u>26,575,663</u>	<u>20,212,162</u>
On Bai-Muajjal	84,224	—
On deposits with financial institutions	276,436	283,937
On securities purchased under resale agreements (reverse repo)	226,818	414,560
	<u>36,850,013</u>	<u>32,272,905</u>

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	16,652,269	16,638,637
Securities sold under repurchase agreements	3,006,435	1,334,443
Short term borrowings	2,677,616	2,977,392
Long term borrowings	129,735	135,073
	<u>22,466,055</u>	<u>21,085,545</u>

26. GAIN / (LOSS) ON SALE / REDEMPTION OF SECURITIES – NET

Federal government securities		
Market treasury bills	277,186	96,839
Pakistan investment bonds	3,187,060	448,634
GOP ijarah sukuk	(16,282)	4,017
Fully paid-up ordinary shares		
Listed companies	83,110	50,249
Term finance certificates, sukuk certificates and bonds	—	129,369
Mutual funds	<u>1,247,439</u>	<u>1,146,713</u>
	<u>4,778,513</u>	<u>1,875,821</u>

27. OTHER INCOME	Note	2015	2014
		Rupees in '000	
Rent on properties		82,284	32,596
Net gain on sale of fixed assets		59,186	17,447
Recovery of charges from customers	27.1	127,913	196,715
Incidental and service charges		65,449	72,397
Gain on sale of ijarah assets		604	1,090
Income from non-banking assets and gain on sale of such assets		4,500	2,705
Bad debts recovered previously written off		16	18,200
Staff notice period and other recoveries		2,178	1,143
		<u>342,130</u>	<u>342,293</u>

27.1 Includes courier, telephone and swift charges etc. recovered from customers.

28. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.		4,256,657	3,489,337
Charge for defined benefit plan	34.5	123,765	132,810
Contribution to defined contribution plan		138,495	124,833
Non-executive directors' fees, allowances and other expenses		8,775	9,000
Brokerage and commission		110,093	102,530
Rent, taxes, insurance, electricity etc.		1,202,962	1,093,289
Legal and professional charges		114,107	127,605
Communication		238,526	231,481
Repairs and maintenance		281,015	266,440
Rentals of operating leases		23,124	20,587
Stationery and printing		152,731	136,821
Management fee		246,524	206,297
Advertisement and publicity		102,711	81,946
Donations	28.2	62,845	44,800
Auditors' remuneration	28.3	9,872	8,746
Depreciation	13.2	565,932	525,659
Security charges		299,372	265,673
Travelling and conveyance		151,967	135,214
Computer software maintenance		68,319	49,735
Subscriptions		113,750	103,594
Others		174,398	196,521
		<u>8,445,940</u>	<u>7,352,918</u>

28.1 The administrative expenses includes Rs. 8,497 thousand (2014: Rs. 7,454 thousand) incurred for providing office premises and support staff to the Chairman for carrying out his duties as chairman of the Board.

	2015	2014
	Rupees in '000	
28.2	Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:	
DONEE		
The Citizens Foundation	12,000	10,625
Habib University Foundation	12,000	6,000
Patients' Aid Foundation	10,300	300
Memon Health and Education Foundation	5,000	5,000
Sindh Institute of Urology and Transplantation Trust (SIUT)	3,000	2,500
Mohamedali Habib Welfare Trust	2,000	2,000
Masoomen Hospital Trust	1,700	—
Fatimiyah Education Network	1,000	1,000
Zehra Homes	1,000	210
Aziz Tabba Foundation	1,000	—
RahmatBai Habib Widows & Orphans Trust	960	960
Habib Medical Trust	960	960
Habib Poor Fund	960	960
Al-Sayyeda Benevolent Trust	960	960
RahmatBai Habib Food & Clothing Trust	960	960
Pakistan Memon Educational & Welfare Society	600	600
Panah Trust	500	—
M.B.J. Health Association	500	—
Abdul Sattar Edhi Foundation	500	500
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
Afzaal Memorial Thalassemia Foundation	500	—
Habib Girls School Trust	500	—
Abbas-e-Alamdar Hostel	300	1,020
Vocational Welfare Society For Mentally Retarded, Markaz-e-Umeed	300	—
Dhoraji Youth Services Foundation	300	600
Marie Adelaide Leprosy Centre	300	250
Professional Education Foundation	300	—
Dhoraji Association	250	300
Al-Umeed Rehabilitation Association	250	250
Anjuman Behbood-e-Samat-e-Atfal	250	250
Bantva Memon Jamat	250	250
Dar-ul-Khushnud	250	—
Bantva Memon Rahat Committee	250	250
Publican Alumni Trust	250	250
True Worth Foundation	250	—
Caravan of Life (Pak) Trust	250	—
Pak Medical and Welfare Trust	250	—
Ahmed Abdullah Foundation	200	200
Kashmir Education Foundation	200	200
Special Children Educational Institute	150	—
Bantva Anjuman Himayat-e-Islam	150	150
Academy of Quranic Studies	120	120
Habib Charitable Trust	—	1,000
The Society for the Rehabilitation of Special Children	—	800
Institute of Business Administration	—	750

	2015	2014
	Rupees in '000	
DONEE		
Habib Education Trust	—	700
Bait-ul-Sukoon	—	500
Child Aid Association	—	500
Rotary Club of Karachi Continental	—	300
Ahmed E.H. Jaffer Foundation	—	300
Dow 86 Children Critical Care Foundation	—	290
Dar-ul-Sukun	—	250
The Indus Hospital	—	250
Al-Mustafa Welfare Society Trust	—	250

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2015 and 2014, except for donations paid to :

Name of Donee	Directors	Interest in Donee as
Habib Education Trust	Mr. Ali S. Habib Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Trustees Member of the Board of Trustees Member of the Board of Trustees
Habib Medical Trust	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib Poor Fund	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib University Foundation	Mr. Ali S. Habib Mr. Mohamedali R. Habib Mr. Mohomed Bashir Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
Mohamedali Habib Welfare Trust	Mr. Ali S. Habib	Member of the Board of Trustees
RahmatBai Habib Food & Clothing Trust	Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Trustees Member of the Board of Trustees
RahmatBai Habib Widows & Orphans Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees

28.3 Auditors' remuneration

	2015	2014
	Rupees in '000	
Audit fee	2,000	1,850
Review of half-yearly financial statements	650	600
Certifications and agreed upon procedures engagements	6,178	5,045
Out-of-pocket expenses	1,044	1,251
	<u>9,872</u>	<u>8,746</u>

29. OTHER CHARGES

	Note	2015	2014
		Rupees in '000	
Penalties imposed by the SBP		39,896	(14,734)
Workers' welfare fund	29.1	300,000	170,000
		<u>339,896</u>	<u>155,266</u>

29.1 Under the Workers' Welfare Fund Ordinance (WWF) 1971, the Bank is liable to pay workers' welfare fund @ 2% of accounting profit before tax or taxable income, whichever is higher.

30. TAXATION

For the year			
Current		4,963,851	2,756,587
Deferred		(556,873)	(370,827)
		<u>4,406,978</u>	<u>2,385,760</u>
For prior years			
Current		476,000	–
	30.2	<u>4,882,978</u>	<u>2,385,760</u>

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

30.2 Relationship between tax expense and accounting profit

Profit before tax	12,538,911	7,312,320
Tax at the applicable tax rate of 35% (2014: 35%)	4,388,619	2,559,312
Tax effect of income taxed at reduced rates	–	(180,617)
Prior years taxation	476,000	–
Others	18,359	7,065
Tax charge for the year	<u>4,882,978</u>	<u>2,385,760</u>

30.3 Through Finance Act, 2010 certain amendments have been introduced in 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 at period end 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. 3,878,902 thousand (2014: Rs. 3,408,971 thousand).

	Note	2015	2014
		Rupees in '000	
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>7,655,933</u>	<u>4,926,560</u>
		(Number in '000)	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		(Rupees)	
Basic and diluted earnings per share		<u>7.31</u>	<u>4.70</u>
32. CASH AND CASH EQUIVALENTS			
		Rupees in '000	
Cash and balances with treasury banks	8	30,645,728	18,640,853
Balances with other banks	9	13,806,513	1,869,735
Overdrawn nostro accounts	17.2	(197,656)	(726,859)
Overdrawn local bank accounts	17.2	(195,431)	(148,656)
		<u>44,059,154</u>	<u>19,635,073</u>
33. STAFF STRENGTH			
		(Number)	
Permanent		3,331	2,986
Temporary / on contractual basis		279	303
Bank's own staff strength at end of the year		3,610	3,289
Outsourced		667	625
Total staff strength		<u>4,277</u>	<u>3,914</u>

34. DEFINED BENEFIT PLAN

34.1 General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

34.2 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2015 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	Note	2015	2014
Discount rate - percent (per annum)		10.00	11.50
Expected rate of return on plan assets - percent (per annum)		10.00	11.50
Long term rate of salary increase - percent (per annum)		9.50	10.50
Mortality rates (for death in service)		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Rate of employees turnover		Moderate	Moderate

————— Rupees in '000 —————

34.3 Reconciliation of payable to defined benefit plan

Fair value of plan assets	34.6	915,700	762,904
Present value of defined benefit obligations	34.7	(1,143,805)	(961,616)
Amount payable to the plan (deficit)		<u>(228,105)</u>	<u>(198,712)</u>

The above balance includes actuarial loss of Rs. 32,288 thousand (2014: actuarial gain of Rs. 7,568 thousand).

34.4 Movement in payable to defined benefit plan

Opening balance (actuarial losses)		198,712	297,624
Defined benefit charge to profit and loss account	34.5	123,765	132,810
Defined benefit charged to other comprehensive income - actuarial loss / (gain) for the year	34.8	32,288	(7,568)
Contribution to the fund	34.6	(126,660)	(224,154)
Closing balance		<u>228,105</u>	<u>198,712</u>

34.5 Charge for defined benefit plan

Current service cost	34.7	103,808	100,056
Net interest cost	34.7	107,691	103,419
Expected return on plan assets	34.6	(87,734)	(70,665)
Total charge recognised in the profit and loss account		<u>123,765</u>	<u>132,810</u>

The expected gratuity cost for the year 2016 is Rs. 142,253 thousand as per actuarial valuation.

	Note	2015	2014
		Rupees in '000	
34.6 Movement in fair value of plan assets			
Opening balance		762,904	518,394
Expected return on plan assets	34.5	87,734	70,665
Actuarial loss recognised in 'Other Comprehensive Income'	34.8	(11,253)	(9,327)
Benefits paid	34.7	(50,345)	(40,982)
Contribution to the fund	34.4	126,660	224,154
Closing balance		915,700	762,904
34.7 Movement in present value of defined benefit obligation			
Opening balance		961,616	816,018
Current service cost	34.5	103,808	100,056
Interest cost	34.5	107,691	103,419
Actuarial loss / (gain) recognised in 'Other Comprehensive Income'	34.8	21,035	(16,895)
Benefits paid	34.6	(50,345)	(40,982)
Closing balance		1,143,805	961,616
34.8 Annual actuarial loss / (gain) recognised in 'Other Comprehensive Income'			
Experience loss / (gain) on obligation	34.7	21,035	(16,895)
Experience loss on plan assets	34.6	11,253	9,327
Total loss / (gain) recognised during the year	34.4	32,288	(7,568)
34.9 Actual return on plan assets		76,481	61,338
34.10 Plan assets comprise the following:			
		2015	2014
		(Rupees in '000)	(Rupees in '000)
Bank deposits	34.10.1	290,300	450,404
Federal government securities (Pakistan Investment Bonds)		625,401	312,500
		915,701	762,904
		31.70	59.03
		68.30	40.97
		100.00	100.00

34.10.1 The amount represents balance which is deposited with the Bank.

34.11 Re-measurements recognised in 'Other Comprehensive Income' during the year

	Note	2015	2014
		Rupees in '000	
Actuarial gain / (loss) on obligation			
– Demographic assumption		–	–
– Financial assumptions		51,619	(9,613)
– Experience adjustment		(30,584)	(7,282)
Return on plan assets over interest income		(76,481)	(61,338)
Adjustment for mark-up		87,734	70,665
Total re-measurements recognised in Other Comprehensive Income	34.8	<u>32,288</u>	<u>(7,568)</u>

34.12 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2015
	Rupees in '000
Increase in Discount Rate by 1 %	(109,385)
Decrease in Discount Rate by 1 %	129,051
Increase in expected future increment in salary by 1%	133,948
Decrease in expected future increment in salary by 1%	(115,239)
Increase in expected withdrawal rate by 10%	458
Decrease in expected withdrawal rate by 10%	(457)
Increase in expected mortality rate by 1%	229
Decrease in expected mortality rate by 1%	(114)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

34.13 Historical information

	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	1,143,805	961,616	816,018	613,972	506,845
Fair value of plan assets	(915,700)	(762,904)	(518,394)	(512,140)	(436,189)
Deficit	<u>228,105</u>	<u>198,712</u>	<u>297,624</u>	<u>101,832</u>	<u>70,656</u>
Actuarial loss / (gain) on obligation	<u>21,035</u>	<u>(16,895)</u>	<u>80,322</u>	<u>27,416</u>	<u>(2,470)</u>
Actuarial loss / (gain) on assets	<u>11,253</u>	<u>9,327</u>	<u>24,126</u>	<u>7,089</u>	<u>(4,071)</u>

35. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee each contribute 10% of the basic salary to the funded scheme every month. Investment made out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984.

35.1 Following information relates to provident fund scheme based on audited accounts as of June 2015:

	Note	2015	2014
		Rupees in '000	
Size of the fund		2,277,064	1,900,536
Cost of investments made	35.1.1	1,854,256	1,785,177
Percentage of investments made		81%	94%
Fair value of investments		1,932,145	1,753,146

35.1.1 Breakup of investments made

Pakistan Investment Bond	1,254,256	1,260,177
Term Deposits Receipts	600,000	525,000
	<u>1,854,256</u>	<u>1,785,177</u>

Number of the members participating in the fund at the end of the year as per audited accounts are 2,806 (2014: 2,526).

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Fees	—	—	8,775	9,000	—	—
Managerial remuneration	55,500	48,300	—	—	2,118,271	1,989,340
Charge for defined benefit plan	2,575	2,718	—	—	81,987	91,361
Contribution to defined contribution plan	3,120	2,760	—	—	88,063	80,500
Utilities	—	—	783	1,832	—	—
Bonus	10,400	6,900	—	—	327,963	228,553
Others	—	—	4,136	6,675	—	—
	<u>71,595</u>	<u>60,678</u>	<u>13,694</u>	<u>17,507</u>	<u>2,616,284</u>	<u>2,389,754</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>1,083</u>	<u>1,060</u>

36.1 The Chief Executive, Executive Director and certain executives are provided with free use of car and household equipment in accordance with their terms of employment. The Chief Executive is also provided with leave fare assistance.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable and willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices except for tradable securities classified by the Bank as "held-to-maturity". These securities are being carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004, and have been disclosed in "Annexure I".

Fair values of unlisted equity investments is determined on the basis of breakup value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 42.5 and 42.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

37.1 Off-balance sheet financial instruments

	2015		2014	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	<u>80,770,251</u>	<u>80,490,986</u>	<u>100,046,711</u>	<u>97,978,022</u>
Forward sale of foreign exchange contracts	<u>73,381,353</u>	<u>73,490,991</u>	<u>102,295,035</u>	<u>100,337,219</u>

37.2 The following table depicts 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:

	2015				
	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	246,999,034	-	246,999,034	-	246,999,034
Sukuk certificates and bonds	1,447,645	-	1,447,645	-	1,447,645
Ordinary shares of listed companies	1,081,361	1,081,361	-	-	1,081,361
Ordinary shares of unlisted companies	31,504	-	31,504	-	31,504
Mutual funds	6,128,101	6,128,101	-	-	6,128,101
Listed term finance certificates	1,890,841	1,890,841	-	-	1,890,841
Unlisted term finance certificates	416,110	-	416,110	-	416,110
- Subsidiaries					
Ordinary shares of unlisted companies	307,500	-	307,500	-	307,500
Financial assets not measured at fair value					
- Cash and balances with treasury banks	30,645,728	-	-	-	-
- Balances with other banks	13,806,513	-	-	-	-
- Lending to financial institutions	14,444,641	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	19,532,493	-	-	-	-
Certificates of investments	3,300,000	-	-	-	-
- Advances	132,646,839	-	-	-	-
- Other assets	10,359,969	-	-	-	-
	483,038,279	9,100,303	249,201,793	-	258,302,096
Financial liabilities not measured at fair value					
- Bills Payable	6,344,461	-	-	-	-
- Borrowings	31,462,822	-	-	-	-
- Deposits and other accounts	403,354,957	-	-	-	-
- Other liabilities	10,840,843	-	-	-	-
	452,003,083	-	-	-	-
	31,035,196	9,100,303	249,201,793	-	258,302,096

	2014				
	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	183,719,552	–	183,719,552	–	183,719,552
Sukuk certificates and bonds	1,785,849	–	1,785,849	–	1,785,849
Ordinary shares of listed companies	1,063,439	1,063,439	–	–	1,063,439
Ordinary shares of unlisted companies	29,852	–	29,852	–	29,852
Mutual funds	10,815,390	10,815,390	–	–	10,815,390
Listed term finance certificates	1,060,835	1,060,835	–	–	1,060,835
Unlisted term finance certificates	426,886	–	426,886	–	426,886
- Subsidiary					
Ordinary shares of unlisted company	300,000	–	300,000	–	300,000
Financial assets not measured at fair value					
- Cash and balances with treasury banks	18,640,853	–	–	–	–
- Balances with other banks	1,869,735	–	–	–	–
- Lending to financial institutions	3,408,776	–	–	–	–
- Investments					
- Held-to-maturity securities					
Federal government securities	22,559,359	–	–	–	–
- Advances	134,750,646	–	–	–	–
- Other assets	10,857,969	–	–	–	–
	391,289,141	12,939,664	186,262,139	–	199,201,803
Financial liabilities not measured at fair value					
- Bills Payable	5,201,482	–	–	–	–
- Borrowings	24,883,982	–	–	–	–
- Deposits and other accounts	320,023,460	–	–	–	–
- Other liabilities	11,760,657	–	–	–	–
	361,869,581	–	–	–	–
	29,419,560	12,939,664	186,262,139	–	199,201,803

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

38 TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2015			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	31,661,506	6,044,141	25,058,381	62,764,028
Total expenses *	(23,875,914)	(4,069,849)	(22,279,354)	(50,225,117)
Net income	7,785,592	1,974,292	2,779,027	12,538,911
Segment assets	318,305,369	2,274,418	169,299,321	489,879,108
Segment non performing loans	–	5,614	18,481,368	18,486,982
Segment provision required	–	5,614	16,527,223	16,532,837
Segment liabilities	9,539,309	91,433,517	352,078,478	453,051,304
Segment return on net assets (%)	9.95%	6.61%	7.12%	
Segment cost of funds (%)	7.50%	4.45%	6.33%	

	2014			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	21,317,629	6,317,928	22,457,425	50,092,982
Total expenses *	(17,126,562)	(5,324,416)	(20,329,684)	(42,780,662)
Net income	4,191,067	993,512	2,127,741	7,312,320
Segment assets	234,994,035	1,881,161	160,504,886	397,380,082
Segment non performing loans	–	4,385	19,320,749	19,325,134
Segment provision required	–	4,106	15,657,740	15,661,846
Segment liabilities	5,820,201	95,126,419	261,682,760	362,629,380
Segment return on net assets (%)	9.08%	6.64%	8.58%	
Segment cost of funds (%)	7.29%	5.60%	7.77%	

* Includes Rs. 16,732,275 thousand (2014: Rs. 12,109,354 thousand) of inter-segment revenues and expenses.

40. 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 December 2015						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the year	294,869	81,605	19,676,536	49,180	385,250	1,098,520	21,585,960
Received during the year	23,579,657	83,342,253	1,346,712,261	601,770	3,069,135	1,180,760	1,458,767,419
Repaid during the year	(23,570,022)	(83,271,524)	(1,348,513,766)	(584,628)	(2,956,021)	(1,158,245)	(1,460,335,783)
At end of the year	304,504	152,334	17,875,031	66,322	498,364	1,121,035	20,017,596
Advances							
At beginning of the year	-	-	1,840,385	163,281	-	-	2,003,666
Disbursed during the year	-	281,577	44,364,667	69,149	-	-	44,433,816
Recovered during the year	-	(281,577)	(42,237,247)	(103,456)	-	-	(42,340,703)
At end of the year	-	-	3,967,805	128,974	-	-	4,096,779
Bank balances held by the Bank	122,080	-	59,632	-	-	-	181,712
Mark-up / return / interest receivable	-	-	3,898	-	-	-	3,898
Mark-up / return / interest payable	-	415	322,640	856	2,352	194,406	520,669
Management fee payable for technical and consultancy services *	283,577	-	-	-	-	-	283,577
Prepayments / advance deposits	-	-	2,563	-	-	-	2,563
Insurance premium and other payable	30,200	-	4,371	-	-	-	34,571
Transaction-related contingent liabilities	-	-	2,598,280	-	-	-	2,598,280
Trade-related contingent liabilities	-	-	4,342,731	-	-	-	4,342,731

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

31 December 2014

	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the year	179,325	136,023	5,220,156	49,351	306,775	1,077,055	6,968,685
Received during the year	22,255,937	63,314,318	1,046,264,405	401,490	1,368,482	3,990,102	1,137,594,734
Repaid during the year	(22,140,393)	(63,368,736)	(1,031,808,025)	(401,661)	(1,290,007)	(3,968,637)	(1,122,977,459)
At end of the year	<u>294,869</u>	<u>81,605</u>	<u>19,676,536</u>	<u>49,180</u>	<u>385,250</u>	<u>1,098,520</u>	<u>21,585,960</u>
Advances							
At beginning of the year	-	-	2,020,013	108,388	-	-	2,128,401
Disbursed during the year	-	-	38,405,253	64,877	-	-	38,470,130
Recovered during the year	-	-	(38,584,881)	(9,984)	-	-	(38,594,865)
At end of the year	<u>-</u>	<u>-</u>	<u>1,840,385</u>	<u>163,281</u>	<u>-</u>	<u>-</u>	<u>2,003,666</u>
Bank balances held by the Bank	<u>33,711</u>	<u>-</u>	<u>33,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,430</u>
Over drawn bank balances held by the Bank	<u>34,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,661</u>
Mark-up / return / interest receivable	<u>-</u>	<u>-</u>	<u>8,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,617</u>
Mark-up / return / interest payable	<u>-</u>	<u>463</u>	<u>295,011</u>	<u>1,309</u>	<u>3,136</u>	<u>159,094</u>	<u>459,013</u>
Management fee payable for technical and consultancy services *	<u>213,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,255</u>
Prepayments / advance deposits	<u>-</u>	<u>-</u>	<u>4,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,797</u>
Insurance premium and other payable	<u>30,200</u>	<u>-</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,670</u>
Transaction-related contingent liabilities	<u>-</u>	<u>-</u>	<u>2,479,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,479,183</u>
Trade-related contingent liabilities	<u>-</u>	<u>-</u>	<u>5,637,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,637,701</u>

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

Transactions during the year

	For the year ended 31 December 2015					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up / return / interest earned	–	851	68,824	10,200	–	–
Mark-up / return / interest expensed	–	5,349	1,440,674	3,913	27,301	162,386
Commission / brokerage / bank charges recovered	7,670	22	135,810	–	137	–
Commission / brokerage / bank charges paid	703	242	825	–	–	–
Rent income	21,440	1,200	–	–	–	–
Salaries and allowances	–	–	–	328,119	–	–
Directors' fees	–	–	–	–	8,775	–
Charge for defined benefit plan	–	–	–	–	–	123,765
Charge for defined contribution plan	–	–	–	–	–	138,495
Rent expenses	–	–	12,990	–	–	–
Insurance premium expenses	–	–	6,215	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	–	53,104	–	–	–
Management fee expense for technical and consultancy services*	246,524	–	–	–	–	–
Donation paid	–	–	17,840	–	–	–
Professional / other charges paid	–	–	2,087	–	–	–

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

Transactions during the year

	For the year ended 31 December 2014					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up / return / interest earned	–	–	126,371	10,685	–	–
Mark-up / return / interest expensed	–	6,919	1,111,616	2,879	30,031	118,182
Commission / brokerage / bank charges recovered	6,764	30	120,529	–	–	–
Commission / brokerage / bank charges paid	419	502	1,240	–	–	–
Rent income	–	1,200	–	–	–	–
Salaries and allowances	–	–	–	268,840	–	–
Directors' fees	–	–	–	–	9,000	–
Charge for defined benefit plan	–	–	–	–	–	132,810
Charge for defined contribution plan	–	–	–	–	–	124,833
Rent expenses	–	–	16,613	–	–	–
Insurance premium expenses	6,000	–	6,470	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	–	47,887	–	–	–
Management fee expense for technical and consultancy services*	206,297	–	–	–	–	–
Donation paid	–	–	12,540	–	–	–
Professional / other charges paid	–	–	1,881	–	–	–

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

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated 15 August 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from 31 December 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019. This Capital Adequacy framework is applicable to the Bank.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirement of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral.

41.1.1 Capital management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern. It is the policy of the Bank to maintain a strong capital base so as to maintain investors, depositors and market confidence and to sustain future development of the business. The Bank aims to maintain an optimum level of capital along with maximizing shareholders' return.

Statutory minimum capital requirement and capital adequacy ratio

The SBP through its BSD Circular No. 07 dated 15 April 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ended 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2015 stood at Rs. 10,478 million (2014: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.50% and 7.00% respectively, as at 31 December 2015. As at 31 December 2015, the Bank is fully compliant with prescribed ratios as the Bank's CAR was 18.35% whereas CET 1 and Tier 1 ratios both stood at 16.66%. The Bank has complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly;

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of assets - net of tax, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly;

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

41.2 Capital Structure

Capital Structure		Note	2015	2014	Source based on reference number from Note 41.3.2
			Rupees in '000		
Common Equity Tier 1 capital (CET1): Instruments and reserves					
Fully Paid-up Capital / Capital deposited with SBP			10,478,315	10,478,315	(s)
Balance in Share Premium Account			2,550,985	2,550,985	
Reserve for issue of Bonus Shares			—	—	
Discount on Issue of shares			—	—	
General / Statutory Reserves			10,159,025	8,627,838	(u)
Gain / (losses) on derivatives held as Cash Flow Hedge			—	—	
Unappropriated profits			9,931,633	8,543,116	(w)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)			—	—	(x)
CET 1 before Regulatory Adjustments			33,119,958	30,200,254	
Total regulatory adjustments applied to CET1	41.2.1		614,812	405,387	
Common Equity Tier 1			32,505,146	29,794,867	
Additional Tier 1 (AT 1) Capital					
Qualifying Additional Tier-1 instruments plus any related share premium			—	—	
of which: Classified as equity			—	—	(t)
of which: Classified as liabilities			—	—	(m)
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)			—	—	
of which: instrument issued by subsidiaries subject to phase out			—	—	(y)
AT1 before regulatory adjustments			—	—	
Total regulatory adjustment applied to AT1 capital	41.2.2		—	—	
Additional Tier 1 capital after regulatory adjustments			—	—	
Additional Tier 1 capital recognized for capital adequacy			—	—	
Tier 1 Capital (CET1 + admissible AT1) (A)			32,505,146	29,794,867	

	Note	2015	2014	Source based on reference number from Note 41.3.2
Rupees in '000				
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-	(n)
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III Rules		-	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-	-	(z)
of which: instruments issued by subsidiaries subject to phase out		-	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		896,749	326,696	(g)
Revaluation Reserves (net of taxes)		-	-	
of which: Revaluation reserves on fixed assets		-	-	
of which: Unrealized Gains / Losses on AFS		2,484,257	2,548,251	(aaa)
Foreign Exchange Translation Reserves		-	-	(v)
Undisclosed / Other Reserves (if any)		-	-	
T2 before regulatory adjustments		3,381,006	2,874,947	
Total regulatory adjustment applied to T2 capital	41.2.3	(92,250)	(120,000)	
Tier 2 capital (T2) after regulatory adjustments		3,288,756	2,754,947	
Tier 2 capital recognized for capital adequacy		3,288,756	2,754,947	
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-	
Total Tier 2 capital admissible for capital adequacy (B)		3,288,756	2,754,947	
TOTAL CAPITAL (T1 + admissible T2) (A+B)		35,793,902	32,549,814	
Total Risk Weighted Assets (RWA)	41.5	195,063,432	188,266,814	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA		16.66%	15.83%	
Tier-1 capital to total RWA		16.66%	15.83%	
Total capital to total RWA		18.35%	17.29%	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		6.00%	5.50%	
of which: capital conservation buffer requirement		-	-	
of which: countercyclical buffer requirement		-	-	
of which: D-SIB or G-SIB buffer requirement		-	-	
CET1 available to meet buffers (as a percentage of risk weighted assets)		10.66%	10.33%	
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		6.00%	5.50%	
Tier 1 minimum ratio		7.50%	7.00%	
Total capital minimum ratio		10.00%	10.00%	

41.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	2015	Amounts subject to Pre-Basel III treatment	2014	Source based on reference number from Note 41.3.2
	Rupees in '000			
Goodwill (net of related deferred tax liability)	-	-	-	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	-	-	-	(k) - (p)
Shortfall in provisions against classified assets	-	-	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	{(h) - (r)} * x%
Defined-benefit pension fund net assets	-	-	-	{(l) - (q)} * x%
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	522,562	-	285,387	(d)
Cash flow hedge reserve	-	-	-	
Investment in own shares/ CET1 instruments	-	-	-	
Securitization gain on sale	-	-	-	
Capital shortfall of regulated subsidiaries	-	-	-	
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	(ab)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	(a) - (ac) - (ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	(i)
Amount exceeding 15% threshold	-	-	-	
of which: significant investments in the common stocks of financial entities	-	-	-	
of which: deferred tax assets arising from temporary differences	-	-	-	
National specific regulatory adjustments applied to CET1 capital	-	-	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	
Any other deduction specified by SBP	-	-	-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	92,250	92,250	120,000	
Total regulatory adjustments applied to CET1	614,812	92,250	405,387	

41.2.2 Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	
Investment in own AT1 capital instruments	-	-	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	(ad)
Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital I based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 capital	-	-	-	
Adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	

	2015	Amounts subject to Pre-Basel III treatment	2014	Source based on reference number from Note 41.3.2
	Rupees in '000			
41.2.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	92,250	92,250	120,000	
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	
Investment in own Tier 2 capital instrument	-	-	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	(af)
Amount of Regulatory Adjustment applied to T2 capital	92,250	92,250	120,000	

41.2.4 Additional Information

Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)

of which: deferred tax assets

of which: Defined-benefit pension fund net assets

of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity

of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities	2,577,212	1,775,729
Significant investments in the common stock of financial entities	123,000	60,000
Deferred tax assets arising from temporary differences (net of related tax liability)	1,938,628	1,268,527

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	896,749	326,696
Cap on inclusion of provisions in Tier 2 under standardized approach	1,971,683	1,869,496
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.3 Capital Structure Reconciliation

41.3.1 Step 1

The accounting consolidation is identical to the scope of regulatory consolidation.

41.3.2 Step 2

0.2 Step 2

	2015		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	Rupees in '000		
ASSETS			
Cash and balances with treasury banks	30,645,728	30,645,728	
Balances with other banks	13,806,513	13,806,513	
Lendings to financial institutions	14,444,641	14,444,641	
Investments	281,134,589	281,134,589	
of which: Non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	–	–	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	–	–	b
of which: Mutual Funds exceeding regulatory threshold	–	–	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	522,562	522,562	d
of which: others	–	–	e
Advances	132,646,839	132,646,839	
Shortfall in provisions / excess of total EL amount over eligible provisions under IRB	–	–	f
General provisions reflected in Tier 2 capital	896,749	896,749	g
Fixed Assets	3,124,779	3,124,779	
Deferred Tax Assets	1,938,628	1,938,628	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	–	–	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	–	–	i
Other assets	12,137,391	12,137,391	
of which: Goodwill	–	–	j
of which: Intangibles	–	–	k
of which: Defined-benefit pension fund net assets	–	–	l
Total assets	489,879,108	489,879,108	

	2015		Ref.
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	Rupees in '000		
LIABILITIES & EQUITY			
Bills payable	6,344,461	6,344,461	
Borrowings	31,462,822	31,462,822	
Deposits and other accounts	403,354,957	403,354,957	
Sub-ordinated loans	-	-	m
of which: eligible for inclusion in AT1	-	-	n
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	o
of which: DTLs related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	-	q
of which: DTLs related to defined pension fund net assets	-	-	r
of which: other deferred tax liabilities	-	-	
Other liabilities	11,889,064	11,889,064	
Total liabilities	453,051,304	453,051,304	
Share capital	13,029,300	13,029,300	s
of which: amount eligible for CET1	13,029,300	13,029,300	t
of which: amount eligible for AT1	-	-	
Reserves	10,159,025	10,159,025	u
of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)	10,159,025	10,159,025	v
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profit / (loss)	9,931,633	9,931,633	w
Minority Interest	-	-	x
of which: portion eligible for inclusion in CET1	-	-	y
of which: portion eligible for inclusion in AT1	-	-	z
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	3,707,846	3,707,846	aa
of which: Revaluation reserves on Fixed Assets	-	-	
of which: Unrealized gain / loss on AFS - Recognised	2,484,257	2,484,257	aaa
of which: Unrealized gain / loss on AFS - Unrecognised	1,223,589	1,223,589	
In case of deficit on revaluation (deduction from CET1)	-	-	
Total Equity	36,827,804	36,827,804	
Total liabilities and Equity	489,879,108	489,879,108	

41.4 Main features template of regulatory capital instruments

1	Issuer	Habib Metropolitan Bank Ltd.
2	Unique identifier (e.g PSX Symbol or Bloomberg identifier etc.)	HMB
3	Governing law(s) of the instrument	Capital Market Law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Group & standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousand, as of reporting date)	35,793,902
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	1992
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

41.5 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy is as follows:

Credit risk	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
Portfolios subject to standardised approach (Simple)	Rupees in '000			
On-balance sheet				
Cash and cash equivalents	—	—	—	—
Government of Pakistan and SBP	—	—	—	—
Public sector entities	189,604	123,341	1,896,038	1,233,414
Banks	867,766	667,426	8,677,659	6,674,260
Corporate	8,939,024	9,025,234	89,390,240	90,252,344
Retail	320,244	315,192	3,202,441	3,151,916
Residential mortgage finance	61,222	49,234	612,217	492,344
Past due loans	194,565	347,433	1,945,650	3,474,325
Operating fixed assets	312,478	302,459	3,124,779	3,024,589
Other assets	697,534	572,312	6,975,336	5,723,121
	11,582,437	11,402,631	115,824,360	114,026,313
Off-balance sheet				
Non market related	3,808,163	3,124,160	38,081,626	31,241,595
Market related	97,895	174,474	978,954	1,744,740
	3,906,058	3,298,634	39,060,580	32,986,335
Equity Exposure Risk in the Banking Book				
Under simple risk weight method e.g. Listed, Unlisted	284,969	254,702	2,849,691	2,547,024
Under Internal models approach	—	—	—	—
	284,969	254,702	2,849,691	2,547,024
Total Credit Risk	15,773,464	14,955,967	157,734,631	149,559,672
Market risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk	149,566	371,785	1,869,575	4,647,313
Equity position risk	506,991	552,266	6,337,388	6,903,325
Foreign exchange risk	13,929	161,439	174,112	2,017,988
Total Market risk	670,486	1,085,490	8,381,075	13,568,626
Operational risk				
Capital requirement for operational risks subject to Basic Indicator Approach	2,315,818	2,011,081	28,947,726	25,138,516
Total Risk Weighted Assets	18,759,768	18,052,538	195,063,432	188,266,814
Capital adequacy ratio	2015		2014	
	Required	Actual	Required	Actual
	%		%	
CET1 to total RWA	6.00	16.66	5.50	15.83
Tier-1 capital to total RWA	7.50	16.66	7.00	15.83
Total capital to total RWA	10.00	18.35	10.00	17.29

41.6 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numerical scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of exposures and ECAI's used

Exposures	2015				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	✓
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–
Securitisation	–	–	–	–	–
Others	–	–	–	–	–

41.7 Credit Exposures subject to Standardised Approach

Exposures	Rating category	2015			2014		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	8,444,231	37,503	8,406,728	4,981,054	747,080	4,233,974
	2	4,001,131	830,135	3,170,996	4,532,043	47,104	4,484,939
	3,4	—	—	—	968,327	—	968,327
	5,6	—	—	—	—	—	—
Claims on banks with original maturity of 3 months or less		8,671,285	—	8,671,285	9,287,755	786,811	8,500,944
Retail		8,576,628	2,502,144	6,074,484	8,099,938	1,855,982	6,243,956
Public sector entities	1	12,653,222	13,638	12,639,584	14,567,858	5,744,866	8,822,992
	2,3	—	—	—	—	—	—
Others		359,339,797	9,407,000	349,932,797	256,472,644	—	256,472,644
Unrated		128,990,387	13,823,401	115,166,986	125,491,115	9,828,968	115,662,148

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

41.8 Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. As at 31 December 2015 the Bank's Leverage ratio stood at 5.46% (2014: 6.05%) which is well above the minimum requirement of 3.0%.

	Note	2015	2014
		Rupees in '000	
Total assets		489,879,108	397,380,082
Less: Total regulatory adjustments applied to CET1	41.2.1	614,812	405,387
Total assets net of regulatory adjustments		489,264,296	396,974,695
Commitments in respect of derivatives - off balance sheet items		1,334,860	1,782,627
Total off-balance sheet commitments excluding derivatives	22	105,097,082	93,626,061
Total exposures (A)		595,696,238	492,383,383
Tier-1 Capital (B)	41.2	32,505,146	29,794,867
Leverage Ratio (B/A)		5.46%	6.05%

42. RISK MANAGEMENT

Risk management aspects are embedded in the Bank's strategy, organization structure and processes. The Bank has adopted a cohesive risk management structure for credit, operations, liquidity, market risk with an integrated approach to strengthen the process and system as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Bank's system and organization.

42.1 Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the Bank.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 157,734,631 thousand (2014: Rs. 149,559,672 thousand) as depicted in note 41.5.

The Bank's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Bank, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the Bank's credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

Centralized credit and trade processing centres staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

The Bank's credit policy / manual defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The Bank continually assesses and monitors credit exposures. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

42.1.1 Segmental information

Segment by class of business	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Agriculture, forestry, hunting and fishing	595,349	0.40	12,151,159	3.01	472,369	0.18
Automobile and transportation equipment	1,729,006	1.15	15,598,510	3.87	4,307,884	1.65
Cement	518,797	0.35	11,267,160	2.79	4,319,477	1.66
Chemicals and pharmaceuticals	6,335,454	4.22	15,455,095	3.83	7,150,275	2.74
Construction	1,900,528	1.27	16,337,389	4.05	1,874,112	0.72
Commodity Finance	9,407,000	6.27	—	—	—	—
Electronic and electrical appliances	3,879,566	2.59	14,250,171	3.53	4,057,902	1.56
Exports / imports	6,982,747	4.65	10,810,414	2.68	14,968,324	5.74
Financial	1,343,684	0.90	11,635,488	2.88	119,086,248	45.70
Footwear and leather garments	548,067	0.37	8,632,130	2.14	165,346	0.06
Individuals	2,279,972	1.52	87,794,491	21.77	87,782	0.03
Insurance	—	—	319,013	0.08	—	—
Mining and quarrying	1,246	0.00	18,061,704	4.48	4,000	0.00
Power (electricity), gas, water, sanitary	23,388,787	15.58	15,661,485	3.88	19,550,430	7.50
Services	1,239,233	0.83	21,589,579	5.35	2,120,333	0.81
Sugar	2,052,583	1.37	1,756,469	0.44	479,643	0.18
Textile	62,253,019	41.48	27,166,567	6.74	49,992,470	19.18
Transport, storage and communication	1,460,549	0.97	14,358,598	3.56	1,804,014	0.69
Wholesale and retail trade	4,334,848	2.89	8,079,554	2.00	1,977,776	0.76
Others	19,825,990	13.21	92,429,981	22.92	28,169,008	10.81
	<u>150,076,425</u>	<u>100.00</u>	<u>403,354,957</u>	<u>100.00</u>	<u>260,587,393</u>	<u>100.00</u>

Segment by sector	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Public / Government	26,557,471	17.70	48,445,347	12.01	13,567,215	5.21
Private	123,518,954	82.30	354,909,610	87.99	247,020,178	94.79
	<u>150,076,425</u>	<u>100.00</u>	<u>403,354,957</u>	<u>100.00</u>	<u>260,587,393</u>	<u>100.00</u>

Details of non-performing advances and specific provisions by class of business segment

	2015		2014	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Automobile and transportation equipment	1,514,514	1,514,514	1,436,203	1,139,178
Chemical and pharmaceuticals	366,002	296,909	238,577	147,854
Construction	194,060	29,764	219,894	13,851
Electronics and electrical appliances	529,272	527,022	659,520	655,150
Exports / imports	981,241	864,839	1,185,080	1,024,221
Footwear and leather garments	23,428	17,668	11,907	11,907
Individuals	7,138	5,863	4,779	4,779
Power (electricity), gas, water, sanitary	245,504	52,867	245,504	41,136
Services	87,377	51,135	139,254	73,360
Textile	12,095,339	11,314,648	12,671,379	11,112,778
Transport, storage and communication	9,201	6,823	4,782	1,883
Wholesale and retail trade	778,827	471,751	897,911	492,034
Others	1,655,079	1,379,034	1,610,344	943,715
	<u>18,486,982</u>	<u>16,532,837</u>	<u>19,325,134</u>	<u>15,661,846</u>

Details of non-performing advances and specific provisions by sector

	2015		2014	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Private	18,486,982	16,532,837	19,325,134	15,661,846

Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	12,538,911	489,879,108	36,827,804	260,587,393

Total assets employed include intra group items of Rs. 122,080 thousand.

42.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

The Board of Directors oversees the Bank's strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the Bank, assesses the impact of interest rate change on Bank's investment portfolio through stress testing, and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy amongst other aspects covers the Bank asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the Bank has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system and a middle office function oversees limit adherence. Market risk can be categorised into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

42.3 Foreign exchange risk

Foreign exchange risk is the probability of loss resulting from adverse movement in exchange rates.

The Bank's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Bank is not in the business of actively trading and market making activities and all FX exposures are backed by customer's trade transaction. A conservative risk approach backed by Bank's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs.

2015				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	444,962,281	398,581,461	(9,471,367)	36,909,453
United States Dollar	41,771,205	49,348,050	7,440,081	(136,764)
Euro	1,802,589	1,173,106	(648,859)	(19,376)
Great Britain Pound	774,760	3,441,155	2,674,339	7,944
Asian Currency unit	468,845	486,817	–	(17,972)
Japanese Yen	25,726	19,005	(1,038)	5,683
Arab Emirates Dirham	30,510	17	–	30,493
Canadian Dollar	5,601	–	8,935	14,536
Australian Dollar	2,579	–	–	2,579
Saudi Riyal	9,048	–	–	9,048
Other Currencies	25,964	1,693	(2,091)	22,180
	44,916,827	54,469,843	9,471,367	(81,649)
	489,879,108	453,051,304	–	36,827,804
2014				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	345,268,885	310,400,190	74,452	34,943,147
United States Dollar	48,374,408	47,571,178	(9,030)	794,200
Euro	2,241,468	1,252,992	(7,973)	980,503
Great Britain Pound	1,015,506	2,645,638	10,453	(1,619,679)
Asian Currency Unit	365,732	721,289	–	(355,557)
Japanese Yen	63,184	835	(68,470)	(6,121)
Arab Emirates Dirham	16,859	58	–	16,801
Canadian Dollar	–	1,909	129	(1,780)
Australian Dollar	2,666	–	–	2,666
Saudi Riyal	6,357	–	–	6,357
Other currencies	25,017	35,291	439	(9,835)
	52,111,197	52,229,190	(74,452)	(192,445)
	397,380,082	362,629,380	–	34,750,702

42.4 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Duration analysis and stress testing are being carried out regularly to estimate the impact of adverse changes in the interest rates on bank's fixed income portfolio. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Bank are repriced on a periodic basis, based on interest rates scenario. Details of the interest rate profile of the Bank based on the earlier of contractual repricing or maturity date is as follows:

2015

	Effective yield/interest rate %	Exposed to yield/interest risk								Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	—	30,645,728	—	—	—	—	—	—	—	—	30,645,728
Balances with other banks	4.00% to 7.00%	13,806,513	6,830,666	3,650,000	—	—	—	—	—	—	3,325,847
Lendings to financial institutions	6.00% to 7.25%	14,444,641	2,800,000	—	—	11,644,641	—	—	—	—	—
Investments	6.39% to 12.00%	281,134,589	3,379,675	34,213,453	14,570,039	138,490,657	1,124,299	45,977,920	12,158,894	23,503,314	7,716,338
Advances	0.81% to 23.04%	132,646,839	19,742,865	90,771,215	16,755,236	1,266,613	547,502	648,447	897,877	1,456,723	560,361
Other assets	—	10,359,969	—	—	—	—	—	—	—	—	10,359,969
		483,038,279	32,753,206	128,634,668	31,325,275	151,401,911	1,671,801	46,626,367	13,056,771	24,960,037	52,047,882
Liabilities											
Bills payable	—	6,344,461	—	—	—	—	—	—	—	—	6,344,461
Borrowings	1.00% to 10.10%	31,462,822	10,509,424	10,834,254	8,353,574	76,657	171,797	221,019	371,980	531,030	393,087
Deposits and other accounts	0.25% to 16.67%	403,354,957	99,559,681	66,998,936	97,342,642	24,648,915	2,287,939	1,941,682	4,768,636	570,200	105,236,326
Other liabilities	—	10,840,843	—	—	—	—	—	—	—	—	10,840,843
		452,003,083	110,069,105	77,833,190	105,696,216	24,725,572	2,459,736	2,162,701	5,140,616	1,101,230	122,814,717
On-balance sheet gap		31,035,196	(77,315,899)	50,801,478	(74,370,941)	126,676,339	(787,935)	44,463,666	7,916,155	23,858,807	(70,766,835)
Off-balance sheet financial instruments											
Forward purchase	—	80,770,251	—	—	—	—	—	—	—	—	80,770,251
Forward sale	—	(73,381,353)	—	—	—	—	—	—	—	—	(73,381,353)
Off-balance sheet gap		7,388,898	—	—	—	—	—	—	—	—	7,388,898
Total yield / interest risk sensitivity gap		38,424,094	(77,315,899)	50,801,478	(74,370,941)	126,676,339	(787,935)	44,463,666	7,916,155	23,858,807	(70,766,835)
Cumulative yield / interest risk sensitivity gap		38,424,094	(77,315,899)	(26,514,421)	(100,885,362)	25,790,977	25,003,042	69,466,708	77,382,863	101,241,670	38,424,094

2014

	Effective yield/ interest rate %	Exposed to yield/interest risk										
		Rupees in '000										
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	18,640,853	–	–	–	–	–	–	–	–	–	18,640,853
Balances with other banks	6.50% to 9.00%	1,869,735	48,662	500,000	–	–	–	–	–	–	–	1,321,073
Lendings to financial institutions	9.75% to 10.75%	3,408,776	3,408,776	–	–	–	–	–	–	–	–	–
Investments	8.00% to 14.07%	221,761,162	1,012,067	14,533,454	37,460,704	56,044,861	35,587,570	3,846,350	14,890,620	46,176,857	–	12,208,679
Advances	1.00% to 23.00%	134,750,646	12,537,083	101,032,761	14,104,975	2,129,241	1,162,832	1,264,066	1,332,317	881,311	306,060	–
Other assets	–	10,857,969	–	–	–	–	–	–	–	–	–	10,857,969
		391,289,141	17,006,588	116,066,215	51,565,679	58,174,102	36,750,402	5,110,416	16,222,937	47,058,168	306,060	43,028,574
Liabilities												
Bills payable	–	5,201,482	–	–	–	–	–	–	–	–	–	5,201,482
Borrowings	1.00% to 11.00%	24,883,982	3,242,790	11,969,757	7,442,074	214,575	420,973	265,278	357,926	95,094	–	875,515
Deposits and other accounts	0.25% to 16.67%	320,023,460	85,814,365	41,368,132	71,897,614	17,325,907	2,196,607	2,282,169	5,614,188	2,875,590	–	90,648,888
Other liabilities	–	11,760,657	–	–	–	–	–	–	–	–	–	11,760,657
		361,869,581	89,057,155	53,337,889	79,339,688	17,540,482	2,617,580	2,547,447	5,972,114	2,970,684	–	108,486,542
On-balance sheet gap												
		29,419,560	(72,050,567)	62,728,326	(27,774,009)	40,633,620	34,132,822	2,562,969	10,250,823	44,087,484	306,060	(65,457,968)
Off-balance sheet financial instruments												
Forward purchase		100,046,711	–	–	–	–	–	–	–	–	–	100,046,711
Forward sale		(102,295,035)	–	–	–	–	–	–	–	–	–	(102,295,035)
Off-balance sheet gap		(2,248,324)	–	–	–	–	–	–	–	–	–	(2,248,324)
Total yield / interest risk sensitivity gap		27,171,236	(72,050,567)	62,728,326	(27,774,009)	40,633,620	34,132,822	2,562,969	10,250,823	44,087,484	306,060	(67,706,292)
Cumulative yield / interest risk sensitivity gap		27,171,236	(72,050,567)	(9,322,241)	(37,096,250)	3,537,370	37,970,192	40,233,161	50,483,984	94,571,468	94,877,528	27,171,236

42.4.1 Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

	2015		2014		2015		2014	
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Reconciliation to total assets								
Total financial assets	483,038,279		391,289,141		452,003,083		361,869,581	
Add: Non financial assets								
Operating fixed assets	3,124,779		3,024,588					
Deferred tax assets	1,938,628		1,268,527					
Other assets	1,777,422		1,797,826		1,048,221		759,799	
	6,840,829		6,090,941					
Balance as per statement of financial position	489,879,108		397,380,082		453,051,304		362,629,380	
Reconciliation to total liabilities								
Total financial liabilities					452,003,083		361,869,581	
Add: Non financial liabilities								
Other liabilities					1,048,221		759,799	
Balance as per statement of financial position					453,051,304		362,629,380	

42.5 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. ALCO manages the liquidity position on a continuous basis.

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. The Bank as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns. Furthermore, long term loans are generally kept at an amount lower than the Bank's capital / reserves.

The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date. Assets and liabilities that do not have contractual time / payable on demand have been classified in the first bucket, except that investments in equity securities, certain other liabilities and other assets are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

42.5.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Bank

The maturity profile set out below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the manner as explained above.

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	30,645,728	30,645,728	-	-	-	-	-	-	-	-
Balances with other banks	13,806,513	10,156,513	3,650,000	-	-	-	-	-	-	-
Lendings to financial institutions	14,444,641	2,800,000	-	-	11,644,641	-	-	-	-	-
Investments	281,134,589	9,650,978	33,249,053	9,254,735	138,593,380	5,482,770	46,596,706	12,969,364	25,030,103	307,500
Advances	132,646,839	33,635,372	38,371,992	29,820,237	13,982,936	4,170,190	3,636,952	4,995,139	3,316,462	717,559
Operating fixed assets	3,124,779	130,144	144,930	217,395	434,172	467,708	103,344	206,688	516,720	903,678
Deferred tax assets	1,938,628	1,333,883	769,881	684,120	(514,437)	21,180	(238,314)	18,051	(60,023)	(75,713)
Other assets	12,137,391	9,711,043	356,001	220,700	1,763,925	54,145	22,453	2,647	3,792	2,685
	489,879,108	98,063,661	76,541,857	40,197,187	165,904,617	10,195,993	50,121,141	18,191,889	28,807,054	1,855,709
Liabilities										
Bills payable	6,344,461	6,344,461	-	-	-	-	-	-	-	-
Borrowings	31,462,822	10,902,511	10,834,254	8,353,574	76,657	171,797	221,019	371,980	531,030	-
Deposits and other accounts	403,354,957	272,112,833	66,998,936	30,025,815	24,648,916	2,287,939	1,941,682	4,768,636	570,200	-
Other liabilities	11,889,064	5,118,520	2,192,766	1,111,805	2,084,233	85,435	74,804	775,549	445,952	-
	453,051,304	294,478,325	80,025,956	39,491,194	26,809,806	2,545,171	2,237,505	5,916,165	1,547,182	-
Net assets / (liabilities)	36,827,804	(196,414,664)	(3,484,099)	705,993	139,094,811	7,650,822	47,883,636	12,275,724	27,259,872	1,855,709
Share capital	10,478,315									
Reserves	12,710,010									
Unappropriated profit	9,931,633									
Surplus on revaluation of assets - net of tax	3,707,846									
	36,827,804									

42.5.2 Maturities of assets and liabilities - based on historical pattern of assets and liabilities of the Bank

The maturity profile set out below has been prepared by the ALCO, keeping in view the historical pattern of those current and saving deposit accounts which do not have contractual maturity.

[illegible]

Rupees in '000

42.6 Operational risk

The Bank operates in a controlled manner and operational risk is generally managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Bank's strategy is to further strengthen risk management system along new industry standards.

The Bank's operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Treadway Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and I.T. security.

The Bank's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and assessment of residual risk leading to improved quality of control infrastructure and strengthening of the processes (sub processes) & management information.

The Bank's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Bank's operational risk management infrastructure has been further strengthened through a separate operational and risk control unit.

42.7 Operational risk - Disclosures Basel II specific

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 2,315,818 thousand (2014: Rs. 2,011,081 thousand).

43. KEY ISLAMIC BANKING OPERATIONS

43.1 The Bank is operating 20 (2014: 10) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2015 and for the year are as follows:

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		3,842,878	1,491,819
Balances with other banks		10,450,000	500,000
Due from financial institutions		14,552,272	7,896,317
Investments		14,949,345	16,233,976
Islamic financing and related assets	A-2	7,897,667	6,729,141
Operating fixed assets		76,730	39,502
Deferred tax assets		—	—
Other assets		3,460,038	654,199
		<u>55,228,930</u>	<u>33,544,954</u>
LIABILITIES			
Bills payable		228,456	147,596
Due to financial institutions		966,307	373,400
Deposits and other accounts			
— Current accounts		6,918,381	4,721,766
— Saving deposits		19,962,616	8,793,428
— Term deposits		15,390,612	15,077,307
— Others		84,674	64,145
— Deposits from financial institutions - remunerative		9,709,697	1,940,922
— Deposits from financial institutions - non - remunerative		1,303	122,495
		<u>52,067,283</u>	<u>30,720,063</u>
Due to head office		—	175,989
Other liabilities		575,043	678,791
		<u>53,837,089</u>	<u>32,095,839</u>
NET ASSETS		<u>1,391,841</u>	<u>1,449,115</u>
REPRESENTED BY			
Islamic banking fund		1,002,619	1,002,512
Reserves		—	—
Unappropriated profit		363,957	387,874
		<u>1,366,576</u>	<u>1,390,386</u>
Surplus on revaluation of assets		25,265	58,729
		<u>1,391,841</u>	<u>1,449,115</u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	Rupees in '000	
Profit / return on financing, investments and placements earned	2,723,686	2,305,636
Profit / return on deposit & other dues expensed	(2,116,829)	(1,800,022)
Net spread earned	606,857	505,614
Provision against non performing financing	81,577	145,932
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	(81,577)	(145,932)
Net spread after provisions	525,280	359,682
OTHER INCOME		
Fee, commission and brokerage income	33,188	30,883
Dividend income	—	—
Income from dealing in foreign currencies	14,829	13,127
Gain on sale / redemption of securities	13,803	139,370
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	61,681	45,395
Total other income	123,501	228,775
	648,781	588,457
OTHER EXPENSES		
Administrative expenses	284,824	200,583
Other provisions / write offs	—	—
Other charges	—	—
Total other expenses	(284,824)	(200,583)
	363,957	387,874
Extra-ordinary / unusual items	—	—
PROFIT BEFORE TAXATION	363,957	387,874
43.2 Remuneration to Shariah Advisor / Board	2,794	2,494
43.3 Charity Fund		
Opening balance	—	—
Additions during the year	491	23
Payments / utilization during the year	—	(23)
Closing balance	491	—

	Note	2015	2014
		Rupees in '000	
A-2 Islamic financing and related assets			
Financings / investments / receivables			
– Murabaha	A-2.2	3,721,229	4,214,607
– Ijarah		192,459	271,260
– Diminishing musharakah		2,707,767	1,271,564
– Export refinance murabaha		127,374	396,700
– Istisna		32,500	–
– Al Bai Financing		25,088	–
		<u>6,806,417</u>	<u>6,154,131</u>
Advances			
– Advance against murabaha		79,898	245,789
– Advance against ijarah		23,854	4,941
– Advance against diminishing musharika		44,324	219,544
– Advance against Istisna		102,275	85,000
– Advance against Murabaha IERF		5,899	–
– Advance against Istisna IERF		835,000	–
		<u>1,091,250</u>	<u>555,274</u>
Assets / Inventories			
– Istisna Goods		–	19,736
		<u>7,897,667</u>	<u>6,729,141</u>
A-2.1 Islamic mode of financing			
Financings / investments / receivables		6,806,417	6,154,131
Advances		1,091,250	555,274
Assets / Inventories		–	19,736
		<u>7,897,667</u>	<u>6,729,141</u>
A-2.2 Murabaha financing			
Murabaha receivable - gross		4,218,831	4,590,152
Less: Deferred murabaha income		(166,802)	(197,427)
Provision against murabaha financing		(330,800)	(178,118)
		<u>3,721,229</u>	<u>4,214,607</u>

43.4 Following pools are maintained by the Bank's Islamic Banking Division (IBD)

- **General pool - local currency and foreign currency**
Deposit accepted in general pool local and foreign currency is based on Modaraba. Profit distributed to depositors as per pre agreed weightages.
- **Specific pool**
Deposit accepted in special pools are based on Modaraba. Profit distributed to depositors as per pre agreed profit sharing ratio.
- **Islamic Export Refinance Scheme musharakah pool**
The IERS Pool caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

43.4.1 Nature of general / specific pools local and foreign currencies

- a) Consideration attached with risk and reward
- Period, return, safety, security and liquidity of investment
 - All financing proposals under process at various stages and likely to be extended in near future
 - Expected withdrawal of deposits according to the maturities affecting the deposit base
 - Maturities of funds obtained under modaraba arrangement from, HabibMetro (head office), Islamic Banking financial institutions
 - Element of risk associated with different kind of investments
 - Regulatory requirement
 - Shari'ah compliance

- b) Priority of utilization of funds

- Depositors' funds
- Equity funds
- Placement / investments of other IBI
- Modaraba placement of HabibMetro (head office)

- c) Weightages for distribution of profits

Profits are calculated on the basis of weightages assigned to different tiers and tenors (General pool). These weightages are announced at the beginning of the period, while considering weightages emphasis is given to the quantum, type and the period of risk assessed by applying following factors.

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change, if any, in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next month.

- d) Identification and allocation of pool related income and expenditure

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by HabibMetro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; HabibMetro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.

43.4.2 Islamic export refinance scheme musharakah pool

All the features and other details of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

43.5 Avenues / sectors of economy / business where modaraba based deposits have been deployed

- Agriculture, forestry, hunting and fishing
- Automobile and transportation equipment
- Chemical and pharmaceuticals
- Electronic and electrical appliances
- Financials
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Cement
- Others

43.6 Parameters used for allocation of profit, charging of expenses and provisions etc.

a) Basis of profit allocation

	From January 01, 2015 to December 31, 2015	
	Local Currency	Foreign Currency
	%	
- Rabbul Maal	50	10
- Mudarib	50	90

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment costs are borne by the Islamic Banking Division as Mudarib.

c) Provisions

Specific provision amounting to Rs. 81,577 thousand has been made during the year 2015.

43.7 Mudarib share (in amount and percentage of distributable income)

	2015		2014	
	Rupees in '000	%	Rupees in '000	%
Rabbul Maal	1,168,534	42.64	1,067,958	42.32
Mudarib	1,572,008	57.36	1,455,796	57.68
Distributable Income	2,740,542	100.00	2,523,754	100.00

43.8 Amount and percentage of mudarib share transferred to depositors through Hiba

	2015 Rupees in '000	2014
Mudarib share	1,572,008	1,455,796
Hiba	626,854	661,152
Hiba percentage of mudarib share	39.88%	45.42%

43.9 Profit rate earned vs. profit rate distributed to depositors during the year

	2015 %	2014
Profit rate earned	7.35	9.10
Profit rate distributed to depositors	5.67	6.80

44 GENERAL

44.1 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 26 February 2016 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2014: final cash dividend of Rs. 2.50 per share amounting to Rs. 2,619,579 thousand) in addition to interim - dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2014: Nil) for approval by the members of the Bank in the forthcoming Annual General Meeting.

44.2 These financial statements have been prepared in accordance with the revised forms of annual financial statements of the Banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated 17 February 2006.

44.3 Corresponding figures pertaining to "Islamic and related financing" have been reclassified from "Other assets" to "Advances".

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 26 February 2016 by the Board of Directors of the Bank.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

These securities have a maturity period of 1 year, with yield ranging between 6.39% to 8.50% (2014: 9.43% to 10.10%) per annum.

These securities have a maturity period of 3 to 10 years with interest rates ranging between 8.75% to 12.00% (2014: 11.25% to 12.00%) per annum.

	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	No. of shares of Rs. 10/- each	Paid up value	Market Value		Cost		Rating			
			Rupees in '000							
			2015	2014	2015	2014	2015	2014	2015	2014
Allied Bank Limited	640,000	6,400	60,326	75,531	73,186	76,045	AA+	AA+	AA+	AA+
Amrelli Steel Limited	1,375,000	13,750	82,596	-	71,563	-	A-	A-	-	-
Bank Al Habib Limited	2,295,737	22,957	95,503	11,357	99,235	46,987	AA+	AA+	AA+	AA+
Bank Alfalah Limited	1,382,500	13,825	39,844	22,330	37,264	60,030	AA	AA	AA	AA
Cherat Cement Company Limited	521,160	5,212	46,998	3,547	41,679	22,571	A	A	A	A-
DG Khan Cement Limited	505,000	5,050	74,533	9,080	50,506	75,569	**	**	**	**
Engro Food Limited	62,000	620	9,089	3,424	9,079	35,586	A+	A+	**	**
Engro Polymer Company Limited	-	-	-	11,745	-	17,532	-	-	A	A
Fatima Fertilizers Company Limited	1,718,500	17,185	76,869	17,850	49,499	50,352	AA-	AA-	AA-	AA-
Fauji Fertilizers Bin Qasim Limited	1,552,000	15,520	81,759	17,445	70,744	74,916	**	**	**	**
Fauji Fertilizers Company Limited	662,200	6,622	78,126	6,522	74,818	72,798	**	**	**	**
Habib Bank Limited	71,960	720	14,401	-	12,090	-	AAA	AAA	-	-
HUB Power Company Limited	1,028,625	10,286	105,537	11,771	66,072	74,563	AA+	AA+	AA+	AA+
Kot Addu Power Company Limited	1,032,500	10,325	83,632	9,335	74,084	60,632	AA+	AA+	AA+	AA+
Lucky Cement Limited	38,000	380	18,811	-	19,520	-	**	**	-	-
MCB Bank Limited	263,000	2,630	57,032	1,911	70,354	50,179	AAA	AAA	AAA	AAA
Meezan Bank Limited	8,000	80	366	3,870	337	15,844	AA	AA	AA	AA
Oil and Gas Development Corporation Limited	414,700	4,147	48,661	4,147	105,592	105,592	**	**	***	***
Pakistan Petroleum Limited	250,000	2,500	30,453	2,500	56,024	56,024	**	**	**	**
Pakistan Oilfield Limited	40,000	400	10,721	-	12,636	-	**	**	-	-
Pak Gen Power Limited	-	-	-	2,000	-	4,369	-	-	AA	AA
United Bank Limited	426,618	4,266	66,104	4,661	68,056	74,335	AA+	AA+	AA+	AA+
			1,081,361	1,063,438	1,062,338	973,924				

**Ratings are not available

4. FULLY PAID-UP ORDINARY SHARES - UNLISTED

	Percentage of holding	No. of shares held	Cost	Breakup value of investment	Based on audited financial statements	Name of Chief Executive	Credit rating
			— Rupees in '000				
Pakistan Export Finance Guarantee Limited	5.26%	1,136,088	11,361	—	—	Under liquidation	**
DHA Cogen Limited	1.77%	5,000,000	50,000	(167,594)	31 December 2014	Mr. Waqas Mohsin	**
Dawood Family Takaful Limited	4.67%	3,500,000	35,000	20,874	31 December 2014	Mr. Rizwan Ahmed Farid	**
Society for World Wide Inter Bank Fund Transfer (SWIFT)	—	43	10,630	12,906	31 December 2014	Mr. Gottfried Liebbrandt	**
			<u>106,991</u>				

** Ratings are not available

5. TERM FINANCE CERTIFICATES - LISTED

	2015	2014	2015	2014	2015	2014	2015	2014
	No. of certificates of Rs. 5,000/- each		Market Value		Cost		Rating	
			Rupees in '000					
Allied Bank Limited II	—	59,839	—	292,087	—	298,597	—	AA
Askari Bank Limited III	—	15,000	—	73,413	—	74,850	—	AA-
Askari Bank Limited V	50,000	50,000	249,350	250,000	249,900	250,000	AA-	AA-
Bank Al Habib Limited II	—	10,000	—	24,950	—	24,930	—	AA
Bank Alfalah Limited V	7,350	7,350	37,381	36,471	36,714	36,728	AA-	AA-
Engro Fertilizer Limited - Perpetual	24,000	24,000	119,904	119,400	119,787	119,708	AA	AA-
Habib Bank Limited	10,000	—	1,000,000	—	1,000,000	—	AAA	—
NIB Bank Limited	40,000	40,000	197,881	197,121	199,880	199,960	A+	A+
Soneri Bank Limited	50,000	—	244,950	—	250,000	—	A+	—
World Call Telecom Limited III	41,996	41,996	82,652	89,880	82,652	89,880	**	**
			<u>1,932,118</u>	<u>1,083,322</u>	<u>1,938,933</u>	<u>1,094,653</u>		

**Ratings are not available

5.1 Other particulars of listed term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
Askari Bank Limited V	6 months KIBOR plus 120 bps	Semi annually	30-Sep-21
Bank Alfalah Limited V	6 months KIBOR plus 125 bps	Semi annually	20-Feb-21
Engro Fertilizer Limited - Perpetual	6 months KIBOR plus 170 bps	Semi annually	18-Nov-18
Habib Bank Limited	6 months KIBOR plus 50 bps	Semi annually	21-Dec-25
NIB Bank Limited	6 months KIBOR plus 115 bps	Semi annually	19-Jun-22
Soneri Bank Limited	6 months KIBOR plus 135 bps	Semi annually	31-Mar-23
World Call Telecom Limited III	6 months KIBOR plus 160 bps	Semi annually	7-Oct-21

6. TERM FINANCE CERTIFICATES - UNLISTED

	2015	2014	2015	2014	2015	2014
	No. of certificates of Rs. 5,000/- each		Cost Rupees in '000		Rating	
New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)	10,000	10,000	21,139	21,139	**	**
Pakistan International Airlines Corporation Limited (Managing Director: Mr. Muhammad Junaid Yunus)	27,411	27,411	136,945	136,945	**	**
Bank Alfalah Limited IV (Chief Executive: Mr. Atif Bajwa)	15,000	15,000	74,820	74,850	AA-	AA-
Faysal Bank Limited III (Chief Executive: Mr. Noman Ansari)	30,000	30,000	149,700	149,760	AA-	AA-
Security Leasing Corporation Limited (Chief Executive: Mr. S. Nauman Akhtar)	10,000	10,000	7,701	7,701	**	**
Standard Chartered Bank Limited II (Chief Executive: Mr. Shahzad Dada)	10,000	10,000	50,000	50,000	AAA	AAA
			<u>440,305</u>	<u>440,395</u>		

**Ratings are not available

6.1 Other particulars of unlisted term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
New Allied Electronics Industries (Private) Limited	3 months KIBOR plus 275 bps	Quarterly	14-Feb-15
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 85 bps	Semi annually	20-Feb-20
Bank Alfalah Limited IV	6 months KIBOR plus 250 bps	Semi annually	2-Dec-17
Faysal Bank Limited III	6 months KIBOR plus 225 bps	Semi annually	27-Dec-17
Security Leasing Corporation Limited	Fixed at the rate 6% per annum	Monthly	28-Jan-22
Standard Chartered Bank Limited II	6 months KIBOR plus 75 bps	Semi annually	18-May-22

7. SUKUK CERTIFICATES AND BONDS

	2015	2014	2015	2014	2015	2014
	No. of certificates of Rs. 5,000/- each				Cost Rupees in '000	Rating
Al-Baraka Bank Limited (Sukuk Rs 1,000,000/- each)	250	250	214,285	250,000	A	**
Amreli Steel (Private) Limited	16,000	16,000	30,400	60,800	A-	A-
Engro Corporation Limited - I (formerly Engro Chemical Pakistan Limited)	-	20,000	-	100,000	-	**
Engro Corporation Limited - II (formerly Engro Chemical Pakistan Limited)	-	10,000	-	29,885	-	**
Engro Foods Limited	20,000	20,000	92,500	100,000	**	**
GOP Ijarah Sukuk - 9th Issue	-	60,000	-	300,000	-	**
GOP Ijarah Sukuk - 10th Issue	-	745,453	-	3,727,264	-	**
GOP Ijarah Sukuk - 11th Issue	-	200,000	-	1,000,000	-	**
GOP Ijarah Sukuk - 13th Issue	-	450,000	-	2,250,000	-	**
GOP Ijarah Sukuk - 14th Issue	1,452,200	1,452,200	7,261,000	7,261,000	**	**
GOP Ijarah Sukuk - 15th Issue	200,000	200,000	988,589	980,905	**	**
GOP Ijarah Sukuk - 16th Issue	570,000	-	2,881,199	-	**	-
Liberty Power Technology Limited	109,942	109,942	380,154	435,994	A+	A+
Maple Leaf Cement Limited - I	21,000	21,000	35,655	55,810	A	BB+
Pakistan Mobile Communication Limited	17,391	17,391	200,000	86,957	AA	AA
Sitara Per Oxide Limited	20,000	20,000	51,853	66,243	**	**
Three Star Hosiery Mills Limited	1,900	1,900	9,500	9,500	**	**
WAPDA Sukuk Bonds - 2nd Issue	70,000	70,000	116,667	175,000	AAA	AAA
WAPDA Sukuk Bonds - 3rd Issue	85,000	85,000	364,286	425,000	AAA	AAA
			12,626,088	17,314,358		

**Ratings are not available

7.1 Other particulars of Sukuk Certificates / Bonds are as follows:

	Coupon rate	Payment	Maturity date
Al-Barka Bank Limited	6 months KIBOR plus 125 bps	Semi annually	26-Sep-24
Amreli Steel (Private) Limited	3 months KIBOR plus 250 bps	Quarterly	9-Dec-16
Engro Foods Limited	6 months KIBOR plus 69 bps	Semi annually	13-Jan-17
GOP Ijarah Sukuk - 14th Issue	6 months T Bills minus 30 bps	Semi annually	28-Mar-16
GOP Ijarah Sukuk - 15th Issue	6 months T Bills minus 200 bps	Semi annually	25-Jun-17
GOP Ijarah Sukuk - 16th Issue	6 months T Bills minus 50 bps	Semi annually	18-Dec-18
Liberty Power Technology Limited	3 months KIBOR plus 300 bps	Quarterly	18-Mar-21
Maple Leaf Cement Limited - I	3 months KIBOR plus 100 bps	Quarterly	3-Dec-18
Pakistan Mobile Communication Limited	3 months KIBOR plus 210 bps	Quarterly	22-Dec-19
Sitara Per Oxide Limited	3 months KIBOR plus 110 bps	Quarterly	19-Feb-20
Three Star Hosiery Mills Limited	6 months KIBOR plus 325 bps	Semi annually	4-Aug-15
WAPDA Sukuk Bonds - 2nd Issue	6 months KIBOR minus 25 bps	Semi annually	13-Jul-17
WAPDA Sukuk Bonds - 3rd Issue	6 months KIBOR plus 100 bps	Semi annually	14-Oct-21

8. OPEN END MUTUAL FUNDS

ABL Cash Fund	33,248,169	—	347,912	—	312,272	—	AA(f)
ABL Income Fund	29,123,952	7,974,800	302,863	85,916	300,000	80,000	A(f)
ABL Islamic Principal Preservation Fund	—	2,592,098	—	28,119	—	25,000	—
ABL Stock Fund	7,665,007	7,041,262	101,545	91,688	80,000	80,000	—
ABL Government Securities Fund	—	34,748,516	—	378,700	—	339,783	—
ABL Islamic Principal Preservation Fund II	4,242,457	4,053,840	46,925	43,789	40,000	40,000	—
ABL Islamic Income Fund	9,676,046	—	100,031	—	100,000	—	CP2
AKD Opportunity Fund	927,292	911,504	71,633	59,840	50,000	50,000	A(f)
Atlas Stock Fund	106,478	—	48,062	—	50,000	—	5 Star
Al-Ameen Islamic Sovereign Fund	486,334	—	50,000	—	50,000	—	3 Star
Al-Ameen Islamic Aggressive Income Fund	447,005	—	45,000	—	45,000	—	AA-(f)
AlFalah GHP Cash Fund	—	24,363	—	12,769	—	11,454	—
AlFalah GHP Income Multiplier Fund	—	3,332,029	—	171,940	—	160,000	AAA(f)
Askari Sovereign Cash Fund	—	2,515,395	—	263,599	—	237,463	BBB+(f)
Askari High Yield Scheme	1,919,837	3,313,812	205,100	353,488	200,000	325,287	AAA(f)
Atlas Money Market Fund	—	651,460	—	341,704	—	315,072	A(f)
Atlas Income Fund	385,802	397,336	204,709	213,822	200,000	200,000	AA+(f)
Faysal Savings Growth Fund	—	421,652	—	45,682	—	40,794	AA+(f)
First Habib Cash Fund	—	2,634,152	—	275,164	—	256,941	AA-(f)
HLB Mustaheekum Sarmaya Fund	493,564	—	50,651	—	50,000	—	—
HLB Money Market Fund	—	667,952	—	69,916	—	61,991	—
Lakson Equity Fund	2,553,836	996,197	262,660	127,180	303,063	103,063	AA(f)
IGI Income Fund	—	1,110,802	—	118,654	—	111,481	AA(f)
IGI Money Market Fund	—	1,329,972	—	140,057	—	125,119	A+(f)
JS Cash Fund	—	1,208,843	—	129,104	—	120,874	AA+(f)
Lakson Asset Allocation Developed Market Fund	258,381	432,266	30,791	47,556	28,080	46,977	—
Lakson Income Fund	—	997,978	—	106,577	—	100,000	—
Lakson Money Market Fund	—	4,034,155	—	421,269	—	374,444	A+(f)
MCMCB Cash Management Optimizer	—	2,250,296	—	234,746	—	206,856	AA(f)
MCMCB Dynamic Cash Fund	—	7,213,238	—	781,052	—	698,696	A+(f)
MCMCB Stock Fund	3,148,565	—	252,987	—	226,400	—	—
Meezan Cash Fund	—	5,779,233	—	300,000	—	300,000	—
Meezan Islamic Income Fund	16,150,485	—	850,160	—	850,000	—	A-(f)
Meezan Sovereign Fund	16,352,443	3,861,749	850,000	200,000	850,000	200,000	AA(f)
MSF Perpetual	—	4,425,947	—	241,214	—	214,726	AA-(f)
NAFA Asset Allocation Fund	—	12,573,661	—	169,358	—	150,000	—
NAFA Income Opportunity Fund	46,657,677	37,074,336	519,944	413,931	500,000	373,589	AA(f)
NAFA Financial Sector Income Fund	—	18,617,449	—	199,255	—	175,923	A+(f)
NAFA Government Securities Liquid Fund	—	35,203,445	—	369,386	—	337,514	—

	2015	2014	2015				2014			
			Number of Units		Net Asset Value		Cost		Rating	
			Rupees in '000							
NAFA Stock Fund	35,170,139	14,063,538	436,134	171,242	401,408	151,408	5 Star	4 Star		
NAFA Money Market Fund	—	83,166,187	—	869,627	—	809,069	—	AA(f)		
NAFA Multi Asset Fund	8,339,051	8,116,751	125,785	114,968	100,000	100,000	4 Star	4 Star		
National Investment (Unit) Trust	—	1,519,295	—	100,319	—	100,000	—	**		
Pakistan Stock Market Fund	—	1,231,866	—	90,591	—	76,400	—	3 Star		
Pakistan Income Enhancement Fund	—	1,960,784	—	107,843	—	100,000	—	A+(f)		
PICIC Cash Fund	—	1,534,980	—	160,765	—	142,959	—	AA(f)		
PICIC Energy Fund	—	1,214,607	—	13,585	—	12,726	—	**		
PICIC Income Fund	—	949,212	—	101,535	—	91,719	—	A+(f)		
PIML Income Fund (Formerly Primus Cash Fund)	5,411,825	4,897,806	582,258	532,587	565,597	507,958	A+	—		
PIML Value Equity Fund	103,847	—	10,599	—	10,000	—	**	—		
Primus Daily Reserve Fund	1,732,939	1,086,884	177,904	113,938	176,774	101,228	AA+(f)	AA+(f)		
Primus Strategic Multi Asset Fund	185,097	—	21,012	—	22,000	—	**	—		
UBL Asset Allocation Fund	399,473	361,566	48,231	44,004	37,927	37,927	**	**		
UBL Liquidity Plus Fund	—	7,559,093	—	791,327	—	724,870	—	AA(f)		
UBL Money Market Fund (Formerly: UBL Savings Income Fund)	—	1,283,887	—	134,457	—	123,470	—	AA(f)		
UBL Islamic Income Fund	296,954	281,314	29,894	27,935	25,000	25,000	**	**		
UBL Government Securities Fund	—	4,517,821	—	492,285	—	450,915	—	A+(f)		
United Stock Fund	2,578,721	2,550,598	155,703	140,997	125,860	125,860	**	**		
United Growth Fund	1,758,006	—	148,986	—	145,118	—	BBB+(f)	—		
			5,729,567	10,791,392	5,532,227	9,856,828				

**Ratings are not available

9. CLOSE END MUTUAL FUNDS

	2015		2014		2015		2014		2015		2014	
	No. of Units				Market Value		Rupees in '000		Cost		Rating	
Dolmen City RIET	35,097,833	—	376,600	—	384,593	—	**	—				
PICIC Growth Fund	973,500	973,500	21,934	23,997	31,816	31,816	**	**				
			398,534	23,997	416,409	31,816						

**Ratings are not available

10. Break-up value per ordinary share of Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited (subsidiaries) based on its latest financial statements as of 31 December 2015 amounted to Rs. 11.14 and Rs. 10 (2014: Rs. 10.56 and Rs. Nil) respectively per share.

**ANNEXURE "II" AS REFERRED TO IN NOTE 12.9 OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE
PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2015**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC / NIC Number)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
1	DHA Cogen Ltd D-35, Block-5, Clifton, Karachi	Col (R) Ather Ali Khan 42301-0993999-5 Najam ul Islam Rishi 42301-1108277-3 Haseeb Khan 35201-1261577-3	Mukaram Ali Khan Nasir Ahmed Rishi Sardar Abdul Muqit Khan	149,973	90,706	240,679	149,973	102,449	252,422
2	Dewan Salman Fiber Ltd Dewan Centre 3-A Lalazar, Beach Luxury Hotel Road, Lalazar, Karachi	Dewan Abdullah Ahmed 42301-7511974-1 Dewan Zia Ur Rehman Farooqui 61101-1738570-1 Dewan Ghulam Mustafa Khalid 42201-7707647-9 Dewan Mohammad Yousaf Farooqui 42301-6948978-9 Dewan Mohammad Ayub Khalid 42201-9975110-3 Dewan Abdul Rehman Farooqui 42301-0862043-3 Dewan Aslam Mushfiq Farooqui 42301-4927084-9	Dewan Muhammad Omer Farooqui Dewan Muhammad Omer Farooqui Dewan Muhammed Khalid Farooqui Dewan Muhammad Omer Farooqui Dewan Muhammed Khalid Farooqui Dewan Muhammad Omer Farooqui Dewan Muhammad Omer Farooqui	150,711	-	150,711	150,711	191,561	342,272

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total	Rupees in '000			
1	2	3	4	5	6	7	8	9	10	
3	Angora Textile Industries 96, I/C, New Muslim Town, Lahore	Neelam Awais 35202-2798129-2 Awais Mazhar Hussain 35202-3003329-7 Fadiah Ali 35202-2798131-2 Shahryar Hussain 35202-3003331-7	Awais Mazhar Hussain Muhammad Mazhar Hussain Awais Mazhar Hussain Awais Mazhar Hussain	46,650	5,368	52,018	46,650	74,354	121,004	
4	ARC Knitwear 72-U, Phase-II, L.C.C.H.S, Lahore	Rifat Zehra Zaidi 35201-2710544-2 Syed Aziz Alam Zaidi 35201-6266762-9	Syed Aziz Alam Zaidi Syed Ali Jafer Zaidi	155,106	9,224	164,330	45,081	9,224	54,305	
5	Al Habib Asia Traders AH-Habib CNG Station, 355-356, Block-N, Shaikat Khanum Road, Johar Town, Lahore	Muhammad Sadiq 35202-3838846-3	Aziz Ur Rehman	9,591	2,931	12,522	-	10,923	10,923	
6	Excellent Garments F-387/E, SITE, Karachi	Abdul Razzak Lakhani 42101-1636432-7 Sumera Lakhani 42101-1633252-2	Abu Bakar Lakhani Abdul Razzak Lakhani	99,255	753	100,008	99,255	46,290	145,545	
7	XARA Textile Plot# F-537, SITE, Karachi	Salman Lakhani 42000-0466126-3 Noman Lakhani 42301-7101124-1	Abdul Razzak Lakhani Abdul Razzak Lakhani	3,806	-	3,806	3,806	1,957	5,763	

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	Rupees in '000		
8	Chemi Viscos Fiber D-4, South Avenue, SITE, Karachi	Usman Ghani Khatri 42201-2168505-3 Haji Abdul Rehman 42301-0880571-7 Ghulam Mustafa Khatri 35202-3022772-5 Abdul Shakoor Khatri 42301-1015565-5 Abdul Hai 42201-6425490-1 Kashif Bari M.Bux 431-77-305263 Arifa M.Bux 431-74-011685	Late Haji Mohammad Late Haji Mohammad Late Haji Mohammad Late Haji Mohammad Usman Ghani Mohammad Bux Mohammad Bux	79,996	17,194	97,190	79,996	57,511	137,507
9	Tradesmen International (Pvt.) Ltd Suit No 4, 2nd Floor, Dean Arcade Schon Circle, Scheme-5 Clifton, Karachi.	Haroon Suleman 42301-1053785-9 Lubna Haroon 42401-1813624-4	Suleman Aziz Haroon Suleman	40,000	10,228	50,228	15,000	29,208	44,208
10	Astor International Office No. 412, Uni Centre, II. Chundrigar Road, Karachi	Abid Nisar 42301-0356348-1	Nisar Ahmed	78,000	40,456	118,456	23,000	63,191	86,191
11	Fayyaz Woollen Industries (Pvt) Ltd Imtiaz Plaza, Suit No. 15, 2nd Floor, The Mall, Lahore.	Fayyaz Hussain 35201-7321783-3 Nasim Abbas 35201-6971777-9 Mst Rafaqat Bano 35201-0576573-4	Riaz Hussain Niaz Ali Niaz Ali Ansari	21,760	151	21,911	-	1,290	1,290
12	Al-Sadiq Industries, New Wan Market, Near Sonari Masjid, Rang Mahal, Lahore.	Sheikh Shahzad Sadiq 35201-6117025-9	Sheikh Shahid Pervez Magoon	22,729	2,526	25,255	-	4,547	4,547
13	Cotton Comfort (SMC-Pvt) Ltd 3-KM Rohi Nala Link 22-KM Ferozepur Road, Lahore.	Nadeem Kamal 35201-7730141-1	Sheikh Abdul Ghaffar	7,961	509	8,470	-	3,567	3,567

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total				
1	2	3	4	5	6	7	8	9	10	
				Rupees in '000						
14	Satalliance (Pvt.) Ltd. 88, Shadman-II, Lahore	Humayun Aslam 35202-8871005-8 Azeem Bakhtiar 35202-2836295-9 Muhammad Faisal Younus 35201-1538115-1 Muhammad Ali Qadri 42201-9012247-9	Muhammad Aslam Muhammad Bakhtiar Ahmed Khan Muhammad Younas Zahid Syed Aslam Hameed Qadri	5,995	1,644	7,639	-	1,337	1,337	
15	Naxes Construction Co. C-89 D, 11th Commercial Street Phase-II Ext., DHA, Karachi	Nadeem Ahmed 42301-6495618-3	Sabihuddin	7,933	2,723	10,656	-	5,062	5,062	
16	Twins International Marketing DP-62/A, Sector 12-D, NKIA, Karachi.	Rizwan Mohammad Qureshi 42101-5964348-5	Idrees Nabi Qureshi	12,442	1,896	14,338	2,370	3,060	5,430	
17	Stone Style B-5, Marble Point, Manghopir Road, Karachi.	Muhammad Muneer 42101-6351021-3	Muhammad Latif	2,999	953	3,952	-	652	652	
18	Mubashar Impex P-3312, Lakar Mandi, Jhang Road, Faisalabad.	Aamir Danish 33100-3639605-7 Bilal Danish 33100-4001802-5	Khawaja Danish Mand Khawaja Danish Mand	59,999	6,683	66,682	59,999	37,686	97,685	
19	Chaudhary International Corporation P-806, Imran Shaheed Road, Street No. 05, Jamilabad Chowk, Mughal Pura No. 2, Faisalabad.	Attiq-ur-Rehman 33101-2018002-1	Ch. Mushtaq Ahmad Rahi	2,496	348	2,844	-	1,699	1,699	
20	Crystal Petroleum Services Plot # 01, Block 7/8, M.C.H.S., Tipu Sultan Road, Shahrah-e-Faisal, Karachi.	Faisal Akif 42301-5774922-9	Akif	23,629	6,771	30,400	-	6,094	6,094	
21	N.A Textile Industries Plot No. C I / 124, Sec 6-B, North Karachi, Industrial Area, Karachi.	Muhammad Naeem Ansari 42101-1419984-1	Muhammad Qasim Ansari	11,763	1,760	13,523	-	1,760	1,760	
				992,794	202,824	1,195,618	675,841	653,422	1,329,263	

PATTERN OF SHAREHOLDINGS - CDC AND PHYSICAL

AS ON 31 DECEMBER 2015

Number of shareholders	Size of shareholding Rs. 10 each			Total shares held
324	1	-	100	8,586
350	101	-	500	115,075
282	501	-	1,000	243,854
848	1,001	-	5,000	2,294,850
314	5,001	-	10,000	2,425,073
358	10,001	-	15,000	4,356,139
74	15,001	-	20,000	1,344,768
76	20,001	-	25,000	1,795,887
27	25,001	-	30,000	755,556
18	30,001	-	35,000	582,231
31	35,001	-	40,000	1,153,130
55	40,001	-	50,000	2,586,577
28	50,001	-	60,000	1,526,768
35	60,001	-	80,000	2,453,615
29	80,001	-	100,000	2,636,557
46	100,001	-	150,000	5,816,647
18	150,001	-	200,000	3,132,400
19	200,001	-	250,000	4,277,031
35	250,001	-	500,000	12,743,679
38	500,001	-	1,000,000	26,246,780
16	1,000,001	-	1,500,000	17,992,599
7	1,500,001	-	2,000,000	11,244,082
18	2,000,001	-	3,000,000	41,832,108
8	3,000,001	-	5,000,000	30,278,594
9	5,000,001	-	10,000,000	62,122,656
11	10,000,001	-	50,000,000	220,309,577
1	50,000,001	-	60,000,000	53,162,607
1	534,390,001	-	534,395,000	534,394,054
3,076				1,047,831,480

COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDINGS

AS ON 31 DECEMBER 2015

Category No.	Categories of Shareholders	Number of Shares held	Categorywise No. of Shareholders	Categorywise Shares held	(%)
1	Individuals		2,904	137,555,024	13.13
2	Investment Companies		8	3,479,704	0.33
3	Joint Stock Companies		44	9,161,966	0.87
4	Directors, Chief Executive Officer and their spouse and minor children		11	26,400,246	2.52
	Mr. Kassim Parekh	2,417,593			
	Mr. Ali S. Habib	1,510,994			
	Mr. Mohamedali R. Habib	1,612,524			
	Mr. Mohomed Bashir	16,340,985			
	Mr. Muhammad H. Habib	2,069,454			
	Mr. Sohail Hasan	500			
	Mr. Tariq Ikram	600			
	Mr. Sirajuddin Aziz	1,000			
	Mrs. Farah Fatimah Muhammad H. Habib	1,037,157			
	Mrs. Munizeh Ali Habib	604,374			
	Mrs. Sayeda Mohamedali R. Habib	805,065			
5	Executives		9	1,572,183	0.15
6	Associated companies, undertakings and related parties		3	537,096,478	51.26
	Habib Bank AG Zurich	534,394,054			
	Habib Insurance Company Limited	2,702,424			
7	Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas & Pension Funds		29	142,451,369	13.59
8	Mutual Funds		13	55,845,616	5.33
	BSJS Balanced Fund Ltd.	2,241			
	CDC - Trustee ABL Stock Fund	1,143,500			
	CDC - Trustee AKD Index Tracker Fund	100,568			
	CDC - Trustee Alfalah GHP Alpha Fund	283,000			
	CDC - Trustee Alfalah GHP Stock Fund	499,000			
	CDC - Trustee Alfalah GHP Value Fund	268,000			

Category No.	Categories of Shareholders	Number of Shares held	Categorywise No. of Shareholders	Categorywise Shares held	(%)
	CDC - Trustee Atlas Stock Market Fund	150,000			
	CDC - Trustee First Capital Mutual Fund	55,000			
	CDC - Trustee NAFA Asset Allocation Fund	33,500			
	CDC - Trustee National Investment (Unit) Trust	53,167,807			
	CDC - Trustee NIT - Equity Market Opportunity Fund	135,000			
	CDC - Trustee NITPF Equity Sub-Fund	8,000			
9	Foreign Investors		35	122,724,907	11.71
10	Co-operative Societies		1	9,843,073	0.94
11	Charitable Trusts		9	887,659	0.08
12	Others		10	813,255	0.08
	TOTAL		3,076	1,047,831,480	100.00

Shareholders holding five percent or more voting interest in the listed company

Total Paid-up capital of the company 1,047,831,480 Shares
5% of the paid-up capital of the Company 52,391,574 Shares

Name(s) of Shareholder(s)	Description	No. of Shares held	Percentage (%)
Habib Bank AG Zurich, Switzerland	Falls in Category # 6	534,394,054	51.00
National Investment (Unit) Trust	Falls in Category # 8	53,167,807	5.07