



هَذَا مِنْ فَضْلِ رَبِّي



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 MANAGEMENT COMMITTEE

Mohamedali R. Habib
Sirajuddin Aziz
Sohail Hasan

COMPANY SECRETARY

Muhammad Imran

SHARE REGISTRAR

Noble Computer Services (Private) Limited
First Floor, Siddiqsons Tower,
3-Jinnah C. H. Society, Main Shahrah-e-Faisal,
Karachi - 75350.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the period ended September 30, 2015.

The period under review proved favorable for the economy, as major economic indicators exhibited promising results. External current account deficit improved due to reduced oil import payments and increased workers' remittances, despite decline of exports in July '15. The current account is expected to be further supported by the anticipated inflows of Euro/Sukuk bonds and the remaining inflows under the EFF program. Average CPI inflation came down at its lowest level to 3.6 percent during August 2015 against the SBP's forecast within a range of 4.5 – 5.5 percent for FY16. This decrease in inflation has led to further decline in SBP policy rate by 50 bps to 6.0 percent.

Improvements in law and order situation and continued macroeconomic stability are likely to increase the prospects for long-term foreign capital inflows. This will further bolster the foreign exchange reserves.

By the Grace of Allah, HabibMetro continues to maintain its performance. Bank's deposit and advances stood at Rs. 376 bn and Rs. 121 bn respectively as of September 30, 2015 while Investments increased to Rs. 370 bn.

Bank earned profit after tax of Rs. 1,570 mn for the quarter ended September 30, 2015 compared to Rs. 1,021 mn in the corresponding quarter last year, an increase of 53.8%. This translates into earnings per share of Rs. 1.50 for the quarter and Rs. 5.72 for the nine months ended September 30, 2015.

At end of September 30, 2015, the Bank's net equity stands at Rs. 31.5 bn with a comfortable 20.3% capital adequacy level against the required 10%.

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

HABIBMETRO

With a network of 257 branches in 70 cities across Pakistan including 13 Islamic banking branches, HabibMetro Bank provides comprehensive banking services and products, inclusive of specialized trade finance products, besides an array of products and technologically advanced services like secured SMS and Web Banking services, globally accepted Visa Card and nationwide ATM network to its customers across the country.

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

On behalf of the Board

Sirajuddin Aziz

President & Chief Executive Officer

Karachi: October 16, 2015

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Note	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		19,539,523	18,640,853
Balances with other banks	6	1,578,890	1,869,735
Lendings to financial institutions	7	13,927,212	3,408,776
Investments	8	369,726,078	221,761,162
Advances	9	120,475,016	134,175,636
Operating fixed assets	10	2,978,119	3,024,588
Deferred tax assets - net	11	1,570,568	1,268,527
Other assets		9,463,149	13,230,805
		539,258,555	397,380,082
LIABILITIES			
Bills payable		8,043,266	5,201,482
Borrowings	12	106,943,391	24,883,982
Deposits and other accounts	13	376,047,043	320,023,460
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		12,428,585	12,520,456
		503,462,285	362,629,380
NET ASSETS		35,796,270	34,750,702
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		12,378,560	11,178,823
Unappropriated profit		8,604,549	8,543,116
		31,461,424	30,200,254
Surplus on revaluation of assets - net of deferred tax	14	4,334,846	4,550,448
		35,796,270	34,750,702
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The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015

	Note	30 September 2015		30 September 2014	
		Quarter ended	Nine months ended	Quarter ended	Nine months ended
Rupees in '000					
Mark-up / return / interest earned		9,689,444	27,593,718	8,149,806	23,543,211
Mark-up / return / interest expensed		(5,756,536)	(16,870,966)	(5,228,808)	(15,496,731)
Net mark-up / interest income		3,932,908	10,722,752	2,920,998	8,046,480
Provision against non-performing loans and advances - net	9.3	271,641	1,916,847	108,605	1,071,284
Provision for diminution in the value of investments - net	8.1	30,699	93,056	21,363	17,479
Bad debts written-off directly		—	—	—	—
		(302,340)	(2,009,903)	(129,968)	(1,088,763)
Net mark-up / interest income after provisions		3,630,568	8,712,849	2,791,030	6,957,717
Non mark-up / interest income					
Fee, commission and brokerage income		654,706	2,089,431	593,066	1,773,127
Dividend income		19,000	125,992	18,931	37,122
Income from dealing in foreign currencies - net		214,825	792,643	302,634	720,702
Gain / (loss) on sale / redemption of securities - net		49,026	4,528,995	(3,258)	801,584
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—	—	—
Other income		64,195	283,893	79,695	230,619
Total non mark-up / interest income		1,001,752	7,820,954	991,068	3,563,154
		4,632,320	16,533,803	3,782,098	10,520,871
Non mark-up / interest expenses					
Administrative expenses		2,153,414	6,260,470	1,882,288	5,505,675
Other provisions / write offs		—	—	299,000	299,000
Other charges		60,148	283,871	34,530	88,753
Total non mark-up / interest expenses		(2,213,562)	(6,544,341)	(2,215,818)	(5,893,428)
		2,418,758	9,989,462	1,566,280	4,627,443
Extraordinary / unusual items		—	—	—	—
Profit before taxation		2,418,758	9,989,462	1,566,280	4,627,443
Taxation – Current		947,248	4,040,516	508,205	1,696,797
– Prior years		—	476,000	—	—
– Deferred		(98,599)	(525,738)	37,087	(194,198)
		(848,649)	(3,990,778)	(545,292)	(1,502,599)
Profit after taxation		1,570,109	5,998,684	1,020,988	3,124,844
Basic earnings per share (Rupees)	16	1.50	5.72	0.97	2.98

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015

	30 September 2015 Quarter ended	30 September 2015 Nine months ended	30 September 2014 Quarter ended	30 September 2014 Nine months ended
	Rupees in '000			
Profit after taxation for the period	1,570,109	5,998,684	1,020,988	3,124,844
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial loss on defined benefit plan	(67)	(34,264)	(34,137)	(2,427)
Related deferred tax	23	11,992	11,948	849
	(44)	(22,272)	(22,189)	(1,578)
Total comprehensive income	1,570,065	5,976,412	998,799	3,123,266
Components of Comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Surplus / (deficit) on revaluation of investments	196,149	20,087	(241,505)	(209,875)
Related deferred tax	(68,652)	(235,689)	141,512	89,221
	127,497	(215,602)	(99,993)	(120,654)
Total comprehensive income	1,697,562	5,760,810	898,806	3,002,612

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KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	30 September 2015	30 September 2014
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,989,462	4,627,443
Less: Dividend income	(125,992)	(37,122)
	9,863,470	4,590,321
Adjustments		
Depreciation	414,401	384,256
Provision against non-performing loans and advances – net	1,916,847	1,071,284
Provision for diminution in the value of investments – net	93,056	(24,705)
Net gain on sale of operating fixed assets	(56,974)	(2,841)
Actuarial loss on defined benefit plan	(34,264)	(2,427)
	2,333,066	1,425,567
	12,196,536	6,015,888
(Increase) / decrease in operating assets		
Lendings to financial institutions	(10,518,436)	(15,553,384)
Advances	11,783,773	220,196
Other assets (excluding taxation)	3,343,046	(165,275)
	4,608,383	(15,498,463)
Increase / (decrease) in operating liabilities		
Bills payable	2,841,784	2,292,622
Borrowings	80,840,255	7,015,830
Deposits and other accounts	56,023,583	51,810,396
Other liabilities (excluding dividend)	(1,321,373)	2,471,535
	138,384,249	63,590,383
	155,189,168	54,107,808
Income tax paid	(2,951,490)	(1,828,144)
Net cash flows from operating activities	152,237,678	52,279,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(148,583,356)	(50,358,419)
Net investments in held-to-maturity securities	545,471	(8,436,231)
Dividend received	120,132	37,122
Investments in operating fixed assets	(368,647)	(402,750)
Proceeds from sale of operating fixed assets	57,689	4,055
Net cash used in investing activities	(148,228,711)	(59,156,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,620,296)	(2,093,313)
Net cash used in financing activities	(4,620,296)	(2,093,313)
Decrease in cash and cash equivalents	(611,329)	(8,969,872)
Cash and cash equivalents at beginning of the year	19,635,073	24,242,041
Cash and cash equivalents at end of the period	19,023,744	15,272,169

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KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Reserves					Unappropriated profit	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	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
Total comprehensive income for the nine months ended 30 September 2014							
Profit after tax	–	–	–	–	–	3,124,844	3,124,844
Other comprehensive income - net of tax	–	–	–	–	–	(1,578)	(1,578)
	–	–	–	–	–	3,123,266	3,123,266
Transfer to statutory reserve	–	–	624,969	–	–	(624,969)	–
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	–	–	–	–	–	(2,095,663)	(2,095,663)
Balance as at 30 September 2014	10,478,315	2,550,985	6,527,134	240,361	1,500,000	7,095,246	28,392,041
Total comprehensive income for the three months ended 31 December 2014							
Profit after tax	–	–	–	–	–	1,801,716	1,801,716
Other comprehensive income - net of tax	–	–	–	–	–	6,497	6,497
	–	–	–	–	–	1,808,213	1,808,213
Transfer to statutory reserve	–	–	360,343	–	–	(360,343)	–
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
Total comprehensive income for the nine months ended 30 September 2015							
Profit after tax	–	–	–	–	–	5,998,684	5,998,684
Other comprehensive income - net of tax	–	–	–	–	–	(22,272)	(22,272)
	–	–	–	–	–	5,976,412	5,976,412
Transfer to statutory reserve	–	–	1,199,737	–	–	(1,199,737)	–
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.50 per share)	–	–	–	–	–	(2,619,579)	(2,619,579)
Interim cash dividend (Rs. 2.00 per share) - 30 June 2015	–	–	–	–	–	(2,095,663)	(2,095,663)
Balance as at 30 September 2015	10,478,315	2,550,985	8,087,214	240,361	1,500,000	8,604,549	31,461,424

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 all the three stock exchanges in Pakistan. The Bank operates 218 (31 December 2014: 201) branches including 13 (31 December 2014: 10) Islamic Banking branches and 39 (31 December 2014: 39) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) which is incorporated in Switzerland.

The registered office of the Bank is situated at Spencer's Building, 11 Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

- 2.1** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2** The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO 411(I)/2008 dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2014.

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

4. ACCOUNTING POLICIES AND ESTIMATES

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

4.2 The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2014.

6. BALANCES WITH OTHER BANKS	Note	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
		(Rupees in '000)	
In Pakistan			
Current accounts		177,579	345,083
Deposit accounts		230,894	548,662
		408,473	893,745
Outside Pakistan			
Current accounts		856,882	975,990
Deposit accounts		313,535	—
		1,170,417	975,990
		1,578,890	1,869,735

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7.1	5,500,000	1,500,000
Repurchase agreement lendings (Reverse repo)	7.2	8,427,212	1,908,776
		13,927,212	3,408,776

7.1 These carry mark-up rates ranging from 6.50% to 7.75% (31 December 2014 : 10.75%) per annum with maturity upto 19 October 2015 (31 December 2014 : 14 January 2015).

7.2 These carry mark-up rate of 6.50% (31 December 2014 : 9.75% to 10.00%) per annum with maturity upto 16 October 2015 (31 December 2014 : 02 January 2015).

8. INVESTMENTS

		30 September 2015 (Un-Audited)			31 December 2014 (Audited)		
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000							
Available-for-sale securities							
Market treasury bills		159,789,581	30,729,026	190,518,607	85,129,747	–	85,129,747
Pakistan investment bonds	8.2	72,580,032	50,544,867	123,124,899	77,467,150	–	77,467,150
Ordinary shares of listed companies		1,024,233	–	1,024,233	973,924	–	973,924
Ordinary shares of unlisted companies		106,991	–	106,991	104,205	–	104,205
Listed term finance certificates		938,949	–	938,949	1,094,653	–	1,094,653
Unlisted term finance certificates		440,349	–	440,349	440,395	–	440,395
Sukuk certificates and bonds		21,320,424	–	21,320,424	17,314,358	–	17,314,358
Open end mutual funds		3,145,345	–	3,145,345	9,856,828	–	9,856,828
Close end mutual funds		376,635	–	376,635	31,816	–	31,816
		259,722,539	81,273,893	340,996,432	192,413,076	–	192,413,076
Held-to-maturity securities							
Pakistan investment bonds	8.2	19,513,888	–	19,513,888	22,559,359	–	22,559,359
Certificate of investment		2,500,000	–	2,500,000	–	–	–
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Investments at cost		282,036,427	81,273,893	363,310,320	215,272,435	–	215,272,435
Provision for diminution in the value of investments	8.1	(253,236)	–	(253,236)	(160,180)	–	(160,180)
Investments - net of provisions		281,783,191	81,273,893	363,057,084	215,112,255	–	215,112,255
Surplus / (deficit) on revaluation of available-for-sale securities – net	14	6,960,632	(291,638)	6,668,994	6,648,907	–	6,648,907
Total investments		288,743,823	80,982,255	369,726,078	221,761,162	–	221,761,162

	Note	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
Rupees in '000			
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		160,180	190,984
Charge for the period / year		100,084	24,482
Reversal for the period / year		(7,028)	(13,102)
Net charge for the period / year		93,056	11,380
Reversal of provision upon disposal of investments during the period / year		—	(42,184)
Closing balance		253,236	160,180

8.2 These carry mark-up rates ranging from 8.75% to 12.00% (31 December 2014: 11.25% to 12.00%) per annum and have maturity up to 26 March 2025 (31 December 2014: 17 July 2024). These include Rs. 132,000 thousand (31 December 2014: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

9. ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		111,545,337	114,971,053
Net investment in finance lease / ijarah financing			
In Pakistan		533,023	476,918
Net book value of assets in ijarah under IFAS-2		178,992	247,988
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,944,345	8,089,663
Payable outside Pakistan		21,133,627	26,378,556
		26,077,972	34,468,219
Advances - gross		138,335,324	150,164,178
Provision against non-performing advances			
- specific		(17,169,374)	(15,661,846)
- general		(690,934)	(326,696)
	9.3	(17,860,308)	(15,988,542)
Advances - net of provisions		120,475,016	134,175,636

9.1 Advances include Rs. 19,303,835 thousand (31 December 2014: Rs. 19,325,134 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2015 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	338,486	66,820	66,820
Doubtful	118,120	30,953	30,953
Loss	18,847,229	17,071,601	17,071,601
	<u>19,303,835</u>	<u>17,169,374</u>	<u>17,169,374</u>

Category of Classification	31 December 2014 (Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	593,749	89,580	89,580
Doubtful	1,408,214	664,454	664,454
Loss	17,323,171	14,907,812	14,907,812
	<u>19,325,134</u>	<u>15,661,846</u>	<u>15,661,846</u>

9.2 As allowed by the SBP, the bank has availed benefit of Forced Sale Value (FSV) of collateral held as security of Rs. 1,821,537 thousand (31 December 2014: Rs. 2,513,871 thousand) while determining the provision requirement against non-performing advances. The additional profit arising from availing the FSV benefit - net of tax as at 30 September 2015 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs. 1,183,999 thousand (31 December 2014: Rs. 1,634,016 thousand).

9.3 Particulars of provision against non-performing advances:

	30 September 2015 (Un-Audited)			31 December 2014 (Audited)		
	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 period / year	2,224,566	364,238	2,588,804	3,244,544	–	3,244,544
Reversal for the period / year	(671,957)	–	(671,957)	(949,889)	(527,456)	(1,477,345)
Net charge / (reversal) for the period / year	1,552,609	364,238	1,916,847	2,294,655	(527,456)	1,767,199
Amount written off	(45,081)	–	(45,081)	(88,670)	–	(88,670)
Closing balance	<u>17,169,374</u>	<u>690,934</u>	<u>17,860,308</u>	<u>15,661,846</u>	<u>326,696</u>	<u>15,988,542</u>

9.4 General provision includes provision of Rs. 1,768 thousand (31 December 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. 32,979 thousand (31 December 2014: Rs. 31,041 thousand) made against Small Enterprises (SEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 368,647 thousand (30 September 2014: Rs. 318,523 thousand) and Rs. 715 thousand (30 September 2014: Rs. 8,208 thousand) respectively.

11. DEFERRED TAX ASSETS

As per Seventh Schedule to the Income Tax Ordinance, 2001, the provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,597,681 thousand (31 December 2014: Rs. 3,294,746 thousand).

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

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

Repurchase agreement borrowings (Repo)
Against bills re-discounting

Unsecured

Bai Muajjal
Overdrawn nostro accounts
Overdrawn local bank accounts

30 September 2015 31 December 2014
(Un-Audited) (Audited)
(Rupees in '000)

16,371,708	17,605,949
40,868	63,689
1,941,101	1,394,143
18,353,677	19,063,781
80,799,361	–
2,625,710	4,032,088
101,778,748	23,095,869
3,069,974	912,598
1,893,085	726,859
201,584	148,656
5,164,643	1,788,113
106,943,391	24,883,982

HABIBMETRO

	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
	Rupees in '000	
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	153,209,904	130,176,879
Saving deposits	118,030,372	93,481,501
Current accounts (non-remunerative)	93,083,334	86,881,170
Others	3,130,291	2,268,708
	367,453,901	312,808,258
Financial Institutions		
Remunerative deposits	7,556,615	5,716,190
Non-remunerative deposits	1,036,527	1,499,012
	8,593,142	7,215,202
	376,047,043	320,023,460
14. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
Available-for-sale securities		
Federal Government Securities		
Market treasury bills	617,984	138,751
Pakistan investment bonds	5,765,599	5,435,982
GOP ijarah sukuk	114,908	28,753
Fully paid-up ordinary shares and mutual funds	197,277	1,016,261
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(13,175)	(11,332)
Unlisted term finance certificates	4,826	9,554
Sukuk certificates and bonds	(18,425)	30,938
	6,668,994	6,648,907
Related deferred tax liability - net	(2,334,148)	(2,098,459)
	4,334,846	4,550,448

	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
	Rupees in '000	
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees of indebtedness favouring:		
Banking companies and other financial institutions	<u>4,746</u>	<u>16,472</u>
15.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	16,613,277	14,820,687
ii) Banking companies and other financial institutions	1,002,448	36,395
iii) Others	10,094,352	6,035,569
	<u>27,710,077</u>	<u>20,892,651</u>
15.3 Trade-related contingent liabilities		
Letters of credit	<u>62,470,314</u>	<u>58,279,685</u>
Acceptances	<u>10,213,937</u>	<u>12,513,947</u>
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>86,662,877</u>	<u>100,046,711</u>
Sale	<u>78,793,277</u>	<u>102,295,035</u>
15.5 Commitments in respect of operating leases		
Not later than one year	21,928	16,371
Later than one year and not later than five years	28,117	18,732
	<u>50,045</u>	<u>35,103</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>89,257</u>	<u>9,972</u>
15.7 Claims against bank not acknowledged as debt	<u>2,069,358</u>	<u>2,184,916</u>

15.8 Commitments in respect of forward lendings

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

	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
	Rupees in '000	
15.9 Commitments in respect of syndicate financing	724,412	–

15.10 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2014 (corresponding to the accounting year ended 31 December 2013). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Revenue (ATIR). However, adequate provisions are being held by the Bank.

16. BASIC EARNINGS PER SHARE

	(Un-Audited)			
	30 September 2015		30 September 2014	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation	1,570,109	5,998,684	1,020,988	3,124,844
	Number in '000			
Weighted average number of ordinary shares	1,047,831	1,047,831	1,047,831	1,047,831
	Rupees			
Basic earnings per share	1.50	5.72	0.97	2.98

17. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 September 2015 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the period	294,869	81,605	19,676,536	49,180	385,250	1,098,520
Received during the period	20,342,902	70,330,822	984,285,455	500,971	2,832,299	571,587
Repaid during the period	(20,413,968)	(70,256,133)	(986,326,492)	(483,611)	(2,765,679)	(601,692)
At end of the period	223,803	156,294	17,635,499	66,540	451,870	1,068,415
Advances						
At beginning of the period	-	-	1,840,385	163,281	-	-
Disbursed during the period	-	-	30,033,999	69,149	-	-
Recovered during the period	-	-	(29,905,862)	(92,524)	-	-
At end of the period	-	-	1,968,522	139,906	-	-
Bank balances held by the Bank	135,100	-	44,799	-	-	-
Mark-up / return / interest receivable	-	-	7,915	-	-	-
Mark-up / return / interest payable	-	203	294,420	1,059	1,979	260,590
Management fee payable for technical and consultancy services*	228,189	-	-	-	-	-
Prepayments / Advance deposits	-	-	5,859	-	-	-
Insurance premium and other payables	30,668	-	1,415	-	-	-
Transaction-related contingent liabilities	-	-	2,616,106	-	-	-
Trade-related contingent liabilities	-	-	4,443,451	-	-	-

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

31 December 2014 (Audited)

	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	294,869	81,605	19,676,536	49,180	385,250	1,098,520	21,585,960
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	-	-	1,840,385	163,281	-	-	2,003,666
Bank balances held by the Bank	33,711	-	33,719	-	-	-	67,430
Overdrawn bank balances held by the Bank	34,661	-	-	-	-	-	34,661
Mark-up / return / interest receivable	-	-	8,617	-	-	-	8,617
Mark-up / return / interest payable	-	463	295,011	1,309	3,136	159,094	459,013
Management fee payable for technical and consultancy services*	213,255	-	-	-	-	-	213,255
Prepayments / Advance deposits	-	-	4,797	-	-	-	4,797
Insurance premium and other payables	30,200	-	470	-	-	-	30,670
Transaction-related contingent liabilities	-	-	2,479,183	-	-	-	2,479,183
Trade-related contingent liabilities	-	-	5,637,701	-	-	-	5,637,701

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

Transactions during the period	For the period ended 30 September 2015 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up / return / interest earned	-	722	49,953	8,729	-	-
Mark-up / return / interest expensed	-	4,383	1,151,210	8,272	21,301	123,747
Commission / brokerage / bank charges recovered	6,677	870	86,132	-	129	-
Commission / brokerage / bank charges paid	327	182	832	-	-	-
Rent income	20,036	900	-	-	-	-
Salaries and allowances	-	-	-	260,029	-	-
Directors' fees	-	-	-	-	6,750	-
Contribution to defined benefit plan	-	-	-	-	-	94,995
Contribution to defined contribution plan	-	-	-	-	-	103,676
Rent expenses	-	-	9,555	-	-	-
Insurance premium expenses	-	-	5,068	-	-	-
Maintenance, electricity, stationery & entertainment	-	-	38,581	-	-	-
Management fee expense for technical and consultancy services*	191,136	-	-	-	-	-
Donation	-	-	15,880	-	-	-
Professional / other charges paid	-	-	1,346	-	-	-

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

Transactions during the period

For the period ended 30 September 2014 (Un-Audited)

	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	–	94,952	7,986	–	–	102,938
Mark-up / return / interest expensed	–	5,416	681,302	1,828	21,527	81,214	791,287
Commission / brokerage / bank charges recovered	5,059	27	88,872	–	–	–	93,958
Commission / brokerage / bank charges paid	322	424	997	–	–	–	1,743
Rent income	–	900	–	–	–	–	900
Salaries and allowances	–	–	–	199,731	–	–	199,731
Directors' fees	–	–	–	–	6,900	–	6,900
Contribution to defined benefit plan	–	–	–	–	–	95,238	95,238
Contribution to defined contribution plan	–	–	–	–	–	93,146	93,146
Rent expenses	–	–	12,661	–	–	–	12,661
Insurance premium expenses	6,700	–	1,752	–	–	–	8,452
Maintenance, electricity, stationery & entertainment	–	–	35,289	–	–	–	35,289
Management fee expense for technical and consultancy services*	167,750	–	–	–	–	–	167,750
Donation	–	–	9,440	–	–	–	9,440
Professional / other charges paid	–	–	1,401	–	–	–	1,401

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

18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 13 (31 December 2014: 10) Islamic Banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 September 2015 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Note	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,913,270	1,491,819
Balances with other banks		150,000	500,000
Due from financial institutions		15,084,130	7,896,317
Investments		22,462,270	16,233,976
Islamic financing and related assets	A-2	7,399,572	6,729,141
Operating fixed assets		47,782	39,502
Deferred tax assets - net		-	-
Other assets		678,487	654,199
		47,735,511	33,544,954
LIABILITIES			
Bills payable		513,836	147,596
Due to financial institutions		624,000	373,400
Deposits and other accounts			
- Current accounts		4,042,194	4,721,766
- Saving accounts		20,793,397	8,793,428
- Term deposits		15,577,851	15,077,307
- Others		77,289	64,145
- Deposits from financial institutions - remunerative		4,110,616	1,940,922
- Deposits from financial institutions - non remunerative		1,223	122,495
		44,602,570	30,720,063
Due to head office		-	175,989
Other liabilities		580,231	678,791
		46,320,637	32,095,839
NET ASSETS		1,414,874	1,449,115
REPRESENTED BY			
Islamic banking fund		1,002,613	1,002,512
Reserves		-	-
Unappropriated profit		315,778	387,874
		1,318,391	1,390,386
Surplus on revaluation of assets		96,483	58,729
		1,414,874	1,449,115

**18.2 PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	30 September 2015 (Un-Audited)	30 September 2014 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	2,029,022	1,652,894
Profit / return on deposit and other dues expensed	(1,519,555)	(1,332,440)
Net spread earned	509,467	320,454
Provision against non performing financing	76,386	148,696
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	76,386	148,696
Net spread after provisions	433,081	171,758
OTHER INCOME		
Fee, commission and brokerage income	24,566	21,510
Dividend income	—	—
Income from dealing in foreign currencies - net	11,230	10,097
Gain on sale / redemption of securities - net	2,999	119,583
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	50,055	33,932
Total other income	88,850	185,122
	521,931	356,880
OTHER EXPENSES		
Administrative expenses	206,153	142,922
Other provisions / write-offs	—	—
Other charges	—	(217)
Total other expenses	206,153	142,705
	315,778	214,175
Extraordinary / unusual items	—	—
PROFIT BEFORE TAXATION	315,778	214,175
18.3 Remuneration to Shariah Advisor / Board	2,041	1,847

	30 September 2015 (Un-Audited)	31 December 2014 (Audited)
	Rupees in '000	
18.4 Charity Fund		
Opening balance	-	-
Additions during the period	291	23
Payments / utilization during the period	-	(23)
Closing Balance	<u>291</u>	<u>-</u>
A-2 ISLAMIC FINANCING AND RELATED ASSETS		
Financings / investments / receivables		
- Murabaha	4,433,509	4,214,607
- Ijarah	201,639	271,260
- Diminishing musharika	1,563,365	1,271,564
- Export refinance murabaha	59,400	396,700
- Al bai financing	44,018	-
	<u>6,301,931</u>	<u>6,154,131</u>
Advances		
- Advance against murabaha	333,955	245,789
- Advance against ijarah	15,260	4,941
- Advance against diminishing musharika	125,926	219,544
- Advance against istisna	612,500	85,000
	<u>1,087,641</u>	<u>555,274</u>
Assets / Inventories		
- Istisna Goods	10,000	19,736
	<u>7,399,572</u>	<u>6,729,141</u>
A-2.1 Islamic mode of financing		
Financings / investments / receivables	6,301,931	6,154,131
Advances	1,087,641	555,274
Assets / Inventories	10,000	19,736
	<u>7,399,572</u>	<u>6,729,141</u>
A-2.2 Murabaha financing		
Murabaha receivable - gross	4,935,757	4,590,152
Less: Deferred murabaha income	(176,638)	(197,427)
Provision against murabaha financing	(325,610)	(178,118)
	<u>4,433,509</u>	<u>4,214,607</u>

19. GENERAL

19.1 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison. However, no significant reclassifications have been made in these unconsolidated condensed interim financial statements.

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

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 16 October 2015.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director