

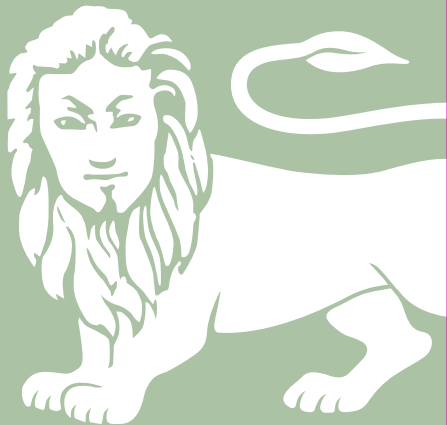


هَذَا مِنْ فَضْلِ رَبِّي



[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

Fuzail Abbas (Officiating)

SHARE REGISTRAR

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block-B

S.M.C.H.S., Main Shahra-e-Faisal

Karachi - 74400

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the half year ended 30 June 2016.

Investor interest and confidence remains buoyant at the back of stable economic indicators and a promising outlook. Macroeconomic variables demonstrated improvements as the average annual CPI inflation reduced to a 47-year low of 2.9 percent and GDP growth witnessed an 8-year peak of 4.7 percent.

Private sector credit witnessed a significant increase as fixed investment and working capital loans surged during the half year under review. The reduction in 6-month KIBOR rate by 93bps in FY16 resulted in increased demand registering Rs. 461 billion in private sector credit in FY16, compared to Rs. 224 billion in FY15.

By the Grace of Allah, HabibMetro continues to maintain its performance. Bank's deposit and gross advances stood at Rs. 429 billion and Rs. 158 billion respectively as of 30 June 2016 while Investments increased to Rs. 382 billion.

The Bank posted a Profit after Tax of Rs. 2,381 million for the half year ended 30 June 2016 as compared to Rs. 4,429 million in the same period last year. This translates into earnings per share of Rs. 2.27. At end of 30 June 2016, the Bank's net equity stands at Rs. 33.4 billion with a comfortable level of capital adequacy at 17.7 percent.

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

With a network of 283 branches in 77 cities across Pakistan including 20 Islamic banking branches and 207 Islamic banking windows, HabibMetro Bank provides comprehensive banking services and products, inclusive of specialized trade finance products, besides an array of products and technologically advanced services like secured SMS and Web Banking services, globally accepted Visa Card and nationwide ATM network to its customers across the country.

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

On behalf of the Board

SIRAJUDDIN AZIZ

President & Chief Executive Officer

Karachi: 19 August 2016

ڈائریکٹرز کا جائزہ (ریویو)

میں نہایت مسرت کے ساتھ حبیب میٹروپولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے ۲۰۱۶ء کی ششماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

سرمایہ کاروں کی دلچسپی اور اعتماد کا اظہار خوش آئندہ معاشی پائیداری کی جانب اشارہ کر رہا ہے۔ میکرو اکنامکس تغیرات نے بہتری ظاہر کی ہے جیسے کہ سالانہ اوسط سی پی آئی افراط زر ۴ سال کی کم ترین سطح ۲.۹ فیصد اور جی ڈی پی میں اضافہ ۸ سال کی بلند سطح ۴.۷ فیصد رہا۔

نجی شعبے کے فکسڈ سرمایہ کاری اور ورکنگ کیپٹل قرضہ جات نے مذکورہ ششماہی کے دوران نمایاں اضافہ ظاہر کیا ہے۔ مالیاتی سال ۲۰۱۶ء کے دوران چھ ماہ کے KIBOR ریٹ میں اعشاریہ ۹۳ فیصد کمی کے باعث نجی شعبہ قرضہ جات میں نمایاں اضافہ ہوا ہے جو کہ مالیاتی سال ۲۰۱۶ء میں ۴۶۱ بلین، بمقابلہ مالیاتی سال ۲۰۱۵ء میں ۲۲۴ بلین رہا۔

اللہ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ جون ۲۰۱۶ء کو بینک کے ڈپازٹ اور مجموعی قرضہ جات بالترتیب ۴۲۹ بلین اور ۱۵۸ بلین روپے رہے جبکہ سرمایہ کاری بڑھ کر ۳۸۲ بلین ہو گئی۔

۳۰ جون ۲۰۱۶ء کو ختم ہونے والی ششماہی میں بینک کا بعد از ٹیکس منافع ۳۸۱ بلین روپے رہا۔ جبکہ گذشتہ سال اسی مدت میں یہ منافع ۴۲۹ بلین روپے تھا اور اس طرح فی حصص آمدنی ۲.۲ روپے بنتی ہے۔ ۳۰ جون ۲۰۱۶ء کے اختتام پر بینک کی نیٹ ایکویٹی ۳۳.۴ بلین روپے اور کیپٹل اڈیکویسی ۷.۷۱ فیصد کی اطمینان بخش سطح پر ہے۔

بینک مسلسل سولہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (اے ون پلس) برائے قلیل مدتی ریٹنگ حاصل کر رہا ہے۔ جو اعلیٰ کریڈٹ کے معیار، کریڈٹ رسک کی کمی اور مقررہ وقت پر مالیاتی ادائیگیاں کرنے کی مستحکم صلاحیت ظاہر کرتی ہے۔

پاکستان بھر کے ۷۷ شہروں میں ۲۸۳ شاخوں بشمول ۲۰ اسلامک بینکنگ کی شاخوں اور ۱۲۰ اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکاری خدمات اور پروڈکٹس بشمول خصوصی تجارتی مالیاتی پروڈکٹس پیش کرتا ہے۔ مزید برآں بہت سے دوسرے پروڈکٹس اور ایڈوانس ٹیکنالوجی سے مزین خدمات مثلاً محفوظ SMS اور ویب بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کے لئے ATM نیٹ ورک فراہم کرتا ہے۔

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

سراج الدین عزیز
صدر و چیف ایگزیکٹو آفیسر

کراچی ۱۹ اگست ۲۰۱۶ء

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2016 and, the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

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

Karachi: 19 August 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

Note

30 June 2016 (Un-Audited)	31 December 2015 (Audited) (Restated)
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Rupees in '000

ASSETS

Cash and balances with treasury banks		32,982,437	30,645,728
Balances with other banks	6	6,755,277	13,806,513
Lendings to financial institutions	7	32,077,745	2,800,000
Investments	8	382,005,054	292,779,230
Advances	9	140,227,388	132,646,839
Operating fixed assets	10	3,108,472	3,124,779
Deferred tax assets	11	1,752,483	1,938,628
Other assets		13,775,404	12,137,391
		612,684,260	489,879,108

LIABILITIES

Bills payable		12,448,332	6,344,461
Borrowings	12	120,211,091	31,462,822
Deposits and other accounts	13	429,482,906	403,354,957
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		12,518,636	11,889,064
		574,660,965	453,051,304
NET ASSETS		38,023,295	36,827,804

REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		13,186,303	12,710,010
Unappropriated profit		9,737,405	9,931,633
		33,402,023	33,119,958
Surplus on revaluation of assets - net of tax	14	4,621,272	3,707,846
		38,023,295	36,827,804

CONTINGENCIES AND COMMITMENTS

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2016

	Note	30 June 2016		30 June 2015	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	16	8,618,614	16,984,253	8,701,753	17,904,274
Mark-up / return / interest expensed		(5,595,897)	(11,082,407)	(5,159,714)	(11,114,430)
Net mark-up / interest income		3,022,717	5,901,846	3,542,039	6,789,844
Provision against non-performing loans and advances - net	9.3	547,608	971,345	895,206	1,645,206
Provision for diminution in the value of investments - net	8.1	37,170	31,906	45,433	62,356
Bad debts written-off directly		-	-	-	-
		(584,778)	(1,003,251)	(940,639)	(1,707,562)
Net mark-up / interest income after provisions		2,437,939	4,898,595	2,601,400	5,082,282
Non mark-up / interest income					
Fee, commission and brokerage income		798,125	1,530,185	791,110	1,434,725
Dividend income		12,534	42,732	85,474	106,992
Income from dealing in foreign currencies - net	17	258,869	555,175	291,568	577,818
Gain on sale / redemption of securities - net		839,592	1,903,805	3,711,453	4,479,969
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		-	-	-	-
Other income		106,224	187,589	140,062	219,698
Total non mark-up / interest income		2,015,344	4,219,486	5,019,667	6,819,202
		4,453,283	9,118,081	7,621,067	11,901,484
Non mark-up / interest expenses					
Administrative expenses		2,371,804	4,588,475	2,111,342	4,107,056
Other provisions / write offs		-	(172,048)	-	-
Other charges		64,890	130,945	123,580	223,723
Total non mark-up / interest expenses		(2,436,694)	(4,547,372)	(2,234,922)	(4,330,779)
		2,016,589	4,570,709	5,386,145	7,570,705
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		2,016,589	4,570,709	5,386,145	7,570,705
Taxation - Current		805,527	1,911,624	2,150,080	3,093,268
- Prior years		581,308	581,308	476,000	476,000
- Deferred		(92,638)	(303,686)	(255,838)	(427,139)
		(1,294,197)	(2,189,246)	(2,370,242)	(3,142,129)
Profit after taxation		722,392	2,381,463	3,015,903	4,428,576
Basic and diluted earnings per share (Rupees)	18	0.69	2.27	2.88	4.23

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2016

	30 June 2016		30 June 2015	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	722,392	2,381,463	3,015,903	4,428,576
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain/(loss) on defined benefit plan	22,980	(7,290)	(8,665)	(34,197)
Related deferred tax (charge)/reversal	(8,043)	2,552	3,033	11,969
	14,937	(4,738)	(5,632)	(22,228)
Total comprehensive income	737,329	2,376,725	3,010,271	4,406,348
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	763,700	1,148,587	(3,425,354)	(176,062)
Related deferred tax (charge)/reversal	(267,295)	(402,006)	954,573	(167,037)
	496,405	746,581	(2,470,781)	(343,099)
Total comprehensive income	1,233,734	3,123,306	539,490	4,063,249

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

30 June
2016

30 June
2015

Rupees in '000

4,570,709
(42,732)
4,527,977

7,570,705
(106,992)
7,463,713

Adjustments

Depreciation and amortization
Provision against non-performing loan and advances - net
Provision for diminution in the value of investments - net
Net gain on sale of operating fixed assets
Actuarial loss on defined benefit plan

321,736
971,345
31,906
(15,219)
(7,290)

274,977
1,645,206
62,356
(47,960)
(34,197)

1,302,478
5,830,455

1,900,382
9,364,095

(Increase) / decrease in operating assets

Lendings to financial institutions
Advances
Other assets

(29,277,745)
(8,551,894)
(1,389,684)
(39,219,323)

(3,772,469)
12,586,264
2,272,318
11,086,113

Increase / (decrease) in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities (excluding dividend and taxation)

6,103,871
88,093,682
26,127,949
489,527

4,189,824
7,606,105
44,496,149
(1,975,811)

120,815,029
87,426,161

54,316,267
74,766,475

Income tax paid

(2,356,561)

(1,911,973)

Net cash flows from operating activities

85,069,600

72,854,502

CASH FLOWS USED IN INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividend received
Investments in operating fixed & intangibles assets
Proceeds from sale of operating fixed assets

(85,921,588)
(2,187,555)
42,732
(357,332)
77,019

(56,132,283)
(4,072,518)
106,775
(159,899)
48,410

Net cash used in investing activities

(88,346,724)

(60,209,515)

CASH FLOWS USED IN FINANCING ACTIVITIES

Dividend paid

(2,091,990)

(2,608,930)

Net cash used in financing activities

(2,091,990)

(2,608,930)

(Decrease) / Increase in cash and cash equivalents

(5,369,114)

10,036,057

Cash and cash equivalents at beginning of the year

44,059,154

19,635,073

Cash and cash equivalents at end of the period

38,690,040

29,671,130

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE HALF YEAR ENDED 30 JUNE 2016

	Reserves					Unappropriated profit	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2015	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 six months ended 30 June 2015							
Total comprehensive income - for the period	-	-	-	-	-	4,428,576	4,428,576
Other comprehensive income - net of tax	-	-	-	-	-	(22,228)	(22,228)
	-	-	-	-	-	4,406,348	4,406,348
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)
Transfer to statutory reserve	-	-	885,715	-	-	(885,715)	-
Balance as at 30 June 2015	10,478,315	2,550,985	7,773,192	240,361	1,500,000	9,444,170	31,987,023
Total comprehensive income for the six months ended 31 December 2015							
Total comprehensive income - for the period	-	-	-	-	-	3,227,357	3,227,357
Other comprehensive income - net of tax	-	-	-	-	-	1,241	1,241
	-	-	-	-	-	3,228,598	3,228,598
Transactions with owners, recorded directly in equity							
Interim cash dividend (Rs. 2.00 per share) for year ended 31 December 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	645,472	-	-	(645,472)	-
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
Total comprehensive income for the six months ended 30 June 2016							
Total comprehensive income - for the period	-	-	-	-	-	2,381,463	2,381,463
Other comprehensive income - net of tax	-	-	-	-	-	(4,738)	(4,738)
	-	-	-	-	-	2,376,725	2,376,725
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer from surplus on revaluation of - non banking assets to unappropriated profit - net of tax	-	-	-	-	-	1,003	1,003
Transfer to statutory reserve	-	-	476,293	-	-	(476,293)	-
Balance as at 30 June 2016	<u>10,478,315</u>	<u>2,550,985</u>	<u>8,894,957</u>	<u>240,361</u>	<u>1,500,000</u>	<u>9,737,405</u>	<u>33,402,023</u>

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)****FOR THE HALF YEAR ENDED 30 JUNE 2016****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 249 (31 December 2015: 237) branches including 20 (31 December 2015: 20) Islamic Banking branches, and 34 (31 December 2015: 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** 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 22 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

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

3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated 12 May 2004 and BPRD Circular Letter No. 5 dated 29 February 2016 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2015.

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 for preparation of these unconsolidated condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Bank for the year ended 31 December 2015 however certain reclassification as required by SBP BPRD Circular Letter No. 05 of 2016 (refer note 23.1) and additional disclosure in respect of Islamic Index Screening as required by Circular No. 14 of 2016 issued by Securities and Exchange Commission of Pakistan (SECP) have been made.

Non-banking assets acquired in satisfaction of claims:

Effective from 1 January 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non Banking Assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, non-banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 248,330 thousand while surplus on revaluation of assets would have been lower by Rs. 166,845 thousand, unappropriated profit and deferred tax assets would have been higher by Rs. 5,430 thousand and Rs. 89,839 thousand respectively. Furthermore, profit after tax for the six months period ended 30 June 2016 would have been higher by Rs. 6,433 thousand.

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 2015.

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 2015.

	Note	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
		Rupees in '000	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		92,236	177,508
Deposit accounts	6.1 & 6.2	4,565,930	10,480,666
		4,658,166	10,658,174
Outside Pakistan			
Current accounts		2,097,111	3,148,339
		6,755,277	13,806,513

6.1 These carry mark-up rates ranging from 3.75% to 6.00% (31 December 2015 : 4.00% to 7.00%) per annum.

6.2 These include Rs. 4,500,000 thousand (December 31, 2015: Rs. 10,450,000 thousand) placed under Shariah permissible mode.

7. LENDINGS TO FINANCIAL INSTITUTIONS

			(Restated)
Call money lendings	7.1	6,900,000	2,800,000
Repurchase agreement lendings (Reverse repo)	7.2	20,064,280	–
Bai - Muajjal receivable from State Bank of Pakistan	7.3	5,113,465	–
		32,077,745	2,800,000

7.1 These carry mark-up rates ranging from 6.25% to 6.65% (31 December 2015 : 6.25% to 7.25%) per annum with maturity upto 30 August 2016 (31 December 2015 : 13 January 2016).

7.2 These carry mark-up rates ranging from 6.00% to 6.45% per annum with maturity upto 3 August 2016.

7.3 This represents lending under shariah permissible mode carrying profit/return of 5.98% per annum with maturity upto 10 February 2017.

8. INVESTMENTS

	Note	30 June 2016 (Un-Audited)			31 December 2015 (Audited) (Restated)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
		Rupees in '000					
Available-for-sale securities							
Market treasury bills		131,957,333	4,809,837	136,767,170	72,360,324	3,558,874	75,919,198
Pakistan investment bonds	8.2	86,925,867	90,832,899	177,758,766	152,462,898	2,054,088	154,516,986
Ordinary shares of listed companies		1,153,498	–	1,153,498	1,062,338	–	1,062,338
Ordinary shares of unlisted companies		106,991	–	106,991	106,991	–	106,991
Listed term finance certificates		2,089,002	–	2,089,002	1,938,933	–	1,938,933
Unlisted term finance certificates		402,864	–	402,864	440,305	–	440,305
Sukuk certificates and bonds		16,560,178	–	16,560,178	12,626,088	–	12,626,088
Open end mutual funds		3,222,909	–	3,222,909	5,532,227	–	5,532,227
Close end mutual funds		419,685	–	419,685	416,409	–	416,409
		242,838,327	95,642,736	338,481,063	246,946,513	5,612,962	252,559,475
Held-to-maturity securities							
Pakistan investment bonds	8.2	19,570,048	–	19,570,048	19,532,493	–	19,532,493
Other federal government securities - Bai Muajjal	23.1	11,644,641	–	11,644,641	11,644,641	–	11,644,641
Certificates of investments		5,450,000	–	5,450,000	3,300,000	–	3,300,000
		36,664,689	–	36,664,689	34,477,134	–	34,477,134
Subsidiaries							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited		7,500	–	7,500	7,500	–	7,500
		307,500	–	307,500	307,500	–	307,500
Investments at cost		279,810,516	95,642,736	375,453,252	281,731,147	5,612,962	287,344,109
Provision for diminution in the value of investments	8.1	(301,163)	–	(301,163)	(269,257)	–	(269,257)
Investments - net of provisions		279,509,353	95,642,736	375,152,089	281,461,890	5,612,962	287,074,852
Surplus / (deficit) on revaluation of available-for-sale securities-net	14.2	6,912,392	(59,427)	6,852,965	5,708,836	(4,458)	5,704,378
Investments after revaluation of available-for-sale securities	8.3	286,421,745	95,583,309	382,005,054	287,170,726	5,608,504	292,779,230

	Note	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
		Rupees in '000	
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		269,257	160,180
Charge for the period / year		42,614	118,089
Reversal for the period / year		(10,708)	(9,012)
Net charge		31,906	109,077
Closing balance		301,163	269,257
8.2	These carry mark-up rates ranging from 7.00% to 12.00% (31 December 2015: 8.75% to 12.00%) per annum and have maturity up to 19 July 2022 (31 December 2015: 19 July 2022). These include Rs. 132,000 thousand (31 December 2015: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.		
8.3	Investments include Rs. 29,688,515 thousand (31 December 2015: Rs. 15,123,211 thousand) placed under permissible shariah modes.		
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		123,006,378	115,482,866
Islamic financing and related assets (gross)	22.6 & 9.5	7,858,347	8,254,307
Net investment in finance lease			
In Pakistan		598,990	655,517
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		6,588,798	7,244,944
Payable outside Pakistan		20,179,086	18,438,791
		26,767,884	25,683,735
Advances - gross		158,231,599	150,076,425
Provision against non-performing advances			
- specific		(16,456,120)	(16,532,837)
- general		(1,548,091)	(896,749)
	9.3	(18,004,211)	(17,429,586)
Advances - net of provisions		140,227,388	132,646,839

- 9.1** Advances include Rs. 20,513,555 thousand (31 December 2015: Rs. 18,486,982 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2016 (Un-Audited)			31 December 2015 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
Rupees in '000						
Substandard	1,774,698	166,167	166,167	57,324	14,331	14,331
Doubtful	1,963,534	512,556	512,556	286,353	127,376	127,376
Loss	16,775,323	15,777,397	15,777,397	18,143,305	16,391,130	16,391,130
	20,513,555	16,456,120	16,456,120	18,486,982	16,532,837	16,532,837

- 9.2** As allowed by the SBP, the bank has availed benefit of Forced Sale Value (FSV) of collateral held as security of Rs. 1,744,642 thousand (31 December 2015: Rs. 1,767,976 thousand) while determining the provision requirement against non-performing advances. The additional profit arising from availing the FSV benefit - net of tax as at 30 June 2016 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 1,134,017 thousand (31 December 2015: Rs. 1,149,184 thousand).

- 9.3** Particulars of provisions against non-performing advances:

	30 June 2016 (Un-Audited)			31 December 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	16,532,837	896,749	17,429,586	15,661,846	326,696	15,988,542
Charge for the period / year	1,079,553	651,342	1,730,895	2,657,575	570,053	3,227,628
Reversals for the period / year	(759,550)	-	(759,550)	(1,110,743)	-	(1,110,743)
Charge for the period / year	320,003	651,342	971,345	1,546,832	570,053	2,116,885
Amount written off	(396,720)	-	(396,720)	(675,841)	-	(675,841)
Closing balance	16,456,120	1,548,091	18,004,211	16,532,837	896,749	17,429,586

- 9.4** General provision includes provision of Rs. 1,802 thousand (31 December 2015: Rs. 1,824 thousand) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio. Moreover, general provision also includes provision of Rs. 15,676 thousand (31 December 2015: Rs. 28,806 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.

- 9.5** These represent financing and related assets placed under shariah permissible modes.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 357,332 thousand (30 June 2015: Rs. 159,900 thousand) and Rs. 61,800 thousand (30 June 2015: Rs. 450 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. 4,178,047 thousand (31 December 2015: Rs. 3,878,902 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

	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
	18,352,119	21,274,506
	–	19,413
	2,725,804	1,423,239
	21,077,923	22,717,158
	95,542,577	5,603,311
	1,942,917	2,749,266
	118,563,417	31,069,735

Unsecured

Call borrowings

Overdrawn nostro accounts

Over drawn local bank accounts

	600,000	–
	686,398	197,656
	361,276	195,431
	1,647,674	393,087
	120,211,091	31,462,822

	Note	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000			

13. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	181,844,976	169,177,912
Saving deposits	115,785,712	116,432,300
Current accounts (non-remunerative)	113,186,346	101,487,138
Others	4,770,370	2,761,126
	415,587,404	389,858,476

Financial institutions

Remunerative deposits	12,427,317	12,508,420
Non-remunerative deposits	1,468,185	988,061
	13,895,502	13,496,481
	429,482,906	403,354,957

13.1 Deposits include Rs. 43,912,522 thousand (31 December 2015: Rs. 52,067,283 thousand) placed under permissible shariah modes.

14. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Non-banking assets	14.1	166,845	—
Available for sale securities	14.2	4,454,427	3,707,846
		4,621,272	3,707,846

14.1 Non-banking assets

Surplus on revaluation of non-banking assets as at 1 January	—	—
Revaluation of non-banking assets during the period	258,227	—
Transferred to unappropriated profit in respect of incremental depreciation charged during the period - net of deferred tax	(1,003)	—
Related deferred tax liability on incremental depreciation charged during the period	(540)	—
Surplus on revaluation of non-banking assets	256,684	—
Less: Related deferred tax liability on:		
Revaluation as at 1 January	—	—
Revaluation of non-banking assets during the period	90,379	—
Incremental depreciation charged during the period	(540)	—
Related deferred tax liability	(89,839)	—
	166,845	—

	Note	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
		Rupees in '000	
14.2 Available-for-sale-securities			
Federal government securities			
Market treasury bills		211,558	176,303
Pakistan investment bonds		6,346,772	5,214,298
GOP ijarah sukuk	14.3	151,965	41,461
Fully paid-up ordinary shares and mutual funds		135,005	290,872
Term finance certificates, sukuk certificates and bonds			
Listed term finance certificates		(6,395)	(6,813)
Unlisted term finance certificates		2,684	4,645
Sukuk certificates and bonds	14.3	11,376	(16,388)
		<u>6,852,965</u>	<u>5,704,378</u>
Related deferred tax liability - net		<u>(2,398,538)</u>	<u>(1,996,532)</u>
		<u>4,454,427</u>	<u>3,707,846</u>

14.3 These represent revaluation surplus under shariah permissible mode.

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Bank guarantees of indebtedness favouring:		
Banking companies and other financial institutions	4,600	2,286

15.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	20,727,099	17,163,286
ii) Banking companies and other financial institutions	1,076,157	436,358
iii) Others	11,416,553	10,077,952
	<u>33,219,809</u>	<u>27,677,596</u>

15.3 Trade-related contingent liabilities

Letters of credit	65,560,523	63,545,499
Acceptances	16,714,469	12,554,226

	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	90,926,110	80,770,251
Sale	78,237,699	73,381,353
15.5 Commitments in respect of derivatives		
Forward purchase of government securities	5,208,115	–
Forward sale of government securities	12,231,599	–
15.6 Commitments in respect of operating leases		
Not later than one year	28,906	20,757
Later than one year and not later than five years	28,326	18,890
	57,232	39,647
15.7 Commitments for the acquisition of operating fixed assets	88,769	57,582
15.8 Claims against bank not acknowledged as debt	2,822,028	1,348,358
15.9 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.		
15.10 Commitments in respect of syndicate financing	806,753	1,210,595

15.11 Taxation

Income tax assessments of the Bank have been finalised upto 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 Revenue (ATIR). However, adequate provisions are being held by the Bank.

15.12 Foreign Exchange repatriation case

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

16. These include Rs. 1,331,520 thousand (30 June 2015: Rs. 1,150,703 thousand) represent profit from placements permissible under shariah mode.

17. DIVIDEND INCOME (UN-AUDITED)

30 June
2016

30 June
2015

— Rupees in '000 —

Ordinary shares of listed companies

Bank Al Habib Limited	7,832	3,407
Fauji Fertilizer Bin Qasim Limited	5,039	3,531
Hub Power Company Limited	4,793	4,509
Kot Addu Power Company Limited	3,793	3,558
Fauji Fertilizer Company Limited	3,490	4,728
Allied Bank Limited	2,109	2,494
MCB Bank Limited	2,104	1,880
United Bank Limited	1,706	3,203
Bank Alfalah Limited	1,602	4,442
Pakistan Oil Fields Limited	1,245	-
Habib Bank Limited	766	609
Pakistan Petroleum Limited	563	1,125
Nishat Power Limited	546	-
Oil And Gas Development Corporation Limited	498	1,555
Hi-Tech Lubricants Limited	494	-
Cherat Cement Company Limited	356	-
National Bank of Pakistan Limited	188	-
Meezan Bank Limited	173	180
Fatima Fertilizer Company Limited	-	4,703
	37,297	39,924

Open end mutual funds

Lakson Asset Allocation Developed Markets Fund	2,792	-
Lakson Equity Fund	2,643	67,068
	5,435	67,068
	42,732	106,992

18. BASIC AND DILUTED EARNINGS PER SHARE (UN-AUDITED)

	30 June 2016		30 June 2015	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	(Rupees in '000)			
Profit after taxation	722,392	2,381,463	3,015,903	4,428,576
	— 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	0.69	2.27	2.88	4.23

19. TRANSACTIONS WITH RELATED PARTIES

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

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

30 June 2016 (Un-Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the year	304,504	152,334	17,875,031	66,322	498,364	1,121,035	20,017,590
Received during the period	13,017,268	35,365,941	757,502,688	327,833	1,410,568	750,178	808,374,476
Repaid during the period	(12,884,052)	(35,335,496)	(758,415,592)	(333,947)	(1,451,625)	(638,494)	(809,059,206)
At end of the period	437,720	182,779	16,962,127	60,208	457,307	1,232,719	19,332,860
Advances							
At beginning of the year	-	-	3,967,805	128,974	-	-	4,096,779
Disbursed during the period	-	-	37,615,499	39,685	-	-	37,655,184
Recovered during the period	-	-	(39,768,179)	(36,268)	-	-	(39,804,447)
At the end of the period	-	-	1,815,125	132,391	-	-	1,947,516
Bank balances held by the Bank	360,847	-	14,963	-	-	-	375,810
Overdrawn bank balances held by the Bank	-	-	5,439	-	-	-	5,439
Mark-up / return / interest receivable	-	-	2,577	-	-	-	2,577
Mark-up / return / interest payable	-	357	366,355	655	1,558	266,650	635,575
Management fee payable for technical consultancy services*	210,780	-	-	-	-	-	210,780
Prepayments / advance deposits	-	-	60,996	-	-	-	60,996
Insurance premium and other payable	30,200	5,232	4,946	-	-	-	40,378
Transaction-related contingent liabilities	-	-	4,748,543	-	-	-	4,748,543
Trade-related contingent liabilities	-	-	4,109,759	-	-	-	4,109,759

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

31 December 2015 (Audited)

	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	1,458,485,836
Repaid during the year	(23,570,022)	(83,271,524)	(1,348,513,766)	(584,628)	(2,956,021)	(1,158,245)	(1,460,054,206)
At end of the year	304,504	152,334	17,875,031	66,322	498,364	1,121,035	20,017,590
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	–	–	44,715,393
Recovered during the year	–	(281,577)	(42,237,247)	(103,456)	–	–	(42,622,280)
At the end of the year	–	–	3,967,805	128,974	–	–	4,096,779
Bank balances held by the Bank	122,080	–	59,632	–	–	–	181,712
Overdrawn bank balances held by the Bank	–	–	–	–	–	–	–
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.

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

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

Transactions during the period	For the period ended 30 June 2015 (Un-Audited)						Total
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000						
Mark-up/return/interest earned	–	722	38,399	6,546	–	–	45,667
Mark-up/return/interest expensed	–	3,308	837,187	1,900	12,909	81,196	936,500
Commission/brokerage/ bank charges recovered	4,547	146	56,514	–	124	–	61,331
Commission/brokerage/ bank charges paid	135	119	564	–	–	–	818
Rent income	18,633	600	–	–	–	–	19,233
Salaries and allowances	–	–	–	155,507	–	–	155,507
Directors' fees	–	–	–	–	4,425	–	4,425
Contribution to defined benefit plan	–	–	–	–	–	63,330	63,330
Contribution to defined contribution plan	–	–	–	–	–	68,923	68,923
Rent expenses	–	–	6,870	–	–	–	6,870
Insurance premium expenses	–	–	3,284	–	–	–	3,284
Maintenance, electricity, stationery & entertainment expenses	–	–	26,146	–	–	–	26,146
Management fee expense for technical & consultancy services*	134,222	–	–	–	–	–	134,222
Donation	–	–	3,920	–	–	–	3,920
Professional/other charges paid	–	–	1,049	–	–	–	1,049

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

On balance sheet financial instruments

		30 June 2016 (Un-Audited)			
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	336,265,246	-	336,265,246	-	336,265,246
Sukuk certificates and bonds	1,542,539	-	1,542,539	-	1,542,539
Ordinary shares of listed companies	1,186,511	1,186,511	-	-	1,186,511
Ordinary shares of unlisted companies	31,504	-	31,504	-	31,504
Mutual funds	3,650,866	3,650,866	-	-	3,650,866
Listed term finance certificates	1,988,990	1,988,990	-	-	1,988,990
Unlisted term finance certificates	367,209	-	367,209	-	367,209
- Other assets					
Unrealized gain on forward foreign exchange contracts	952,228	-	952,228	-	952,228
Financial assets not measured at fair value	259,866,415	-	-	-	-
	605,851,508	6,826,367	339,158,726	-	345,985,093
Financial liabilities measured at fair value					
- Other liabilities					
Unrealized loss on forward foreign exchange contracts	(1,217,521)	-	(1,217,521)	-	(1,217,521)
Financial liabilities not measured at fair value	(572,808,383)	-	-	-	-
	31,825,604	6,826,367	337,941,205	-	344,767,572

On balance sheet financial instruments

		31 December 2015 (Audited)			
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	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
- Other assets					
Unrealized gain on forward foreign exchange contracts	624,018	-	624,018	-	624,018
Financial assets not measured at fair value	224,419,665	-	-	-	-
	483,038,279	9,100,303	249,518,311	-	258,618,614
Financial liabilities measured at fair value					
- Other liabilities					
Unrealized loss on forward foreign exchange contracts	(793,645)	-	(793,645)	-	(793,645)
Financial liabilities not measured at fair value	(451,209,438)	-	-	-	-
	31,035,196	9,100,303	248,724,666	-	257,824,969

Off-balance sheet financial instruments

	30 June 2016 (Un-Audited)		31 December 2015 (Audited)	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	<u>90,926,110</u>	<u>90,095,854</u>	80,770,251	80,490,986
Forward sale of foreign exchange contracts	<u>78,237,699</u>	<u>77,768,536</u>	73,381,353	73,490,991
Forward purchase of government securities in respect of derivative	<u>5,208,115</u>	<u>5,221,775</u>	-	-
Forward sale of government securities in respect of derivative	<u>12,231,599</u>	<u>12,225,303</u>	-	-

	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	

Reconciliation of net assets to financial instruments

Net financial assets	31,825,604	31,035,196
Non financial assets/(liabilities)		
- Operating fixed assets	3,108,472	3,124,779
- Deferred tax asset	1,752,483	1,938,628
- Other assets	1,971,797	1,777,422
- Other liabilities	(635,061)	(1,048,221)
Net assets as per statement of financial position	<u>38,023,295</u>	<u>36,827,804</u>

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

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

	30 June 2016				30 June 2015			
	Trade & Sales	Retail Banking	Commercial Banking	Total	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000							
Total income *	<u>14,261,685</u>	<u>2,852,786</u>	<u>13,473,014</u>	<u>30,587,485</u>	16,403,555	2,883,768	11,436,027	30,723,350
Total expenses *	<u>(11,421,398)</u>	<u>(1,955,450)</u>	<u>(12,639,928)</u>	<u>(26,016,776)</u>	(10,100,740)	(2,234,440)	(10,817,465)	(23,152,645)
Net income	<u>2,840,287</u>	<u>897,336</u>	<u>833,086</u>	<u>4,570,709</u>	6,302,815	649,328	618,562	7,570,705
Segment assets	<u>430,164,224</u>	<u>2,110,672</u>	<u>180,409,364</u>	<u>612,684,260</u>	300,874,292	2,037,606	151,828,561	454,740,459
Segment liabilities	<u>99,133,167</u>	<u>88,408,657</u>	<u>387,119,141</u>	<u>574,660,965</u>	17,249,875	97,493,770	303,802,442	418,546,087

* Includes Rs. 9,383,746 thousand (30 June 2015: Rs. 5,999,874 thousand) of inter-segment revenues and expenses.

22. KEY ISLAMIC BANKING OPERATIONS

22.1 The Bank is operating 20 (31 December 2015: 20) Islamic Banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 June 2016 are as follows:

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016	Note	30 June 2016 (Un-Audited)	31 December 2015 (Audited) (Restated)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,631,601	3,842,878
Balances with other banks		4,500,000	10,450,000
Due from financial institutions		7,779,812	14,552,272
Investments		24,510,478	14,949,345
Islamic financing and related assets	22.6	7,504,975	7,897,487
Operating fixed assets		71,123	76,730
Deferred tax assets - net		—	—
Other assets		1,098,000	3,460,038
		48,095,989	55,228,750
LIABILITIES			
Bills payable		639,450	228,456
Due to financial institutions		1,353,277	966,307
Deposits and other accounts			
- Current accounts		6,708,753	6,918,381
- Saving accounts		9,478,415	19,962,616
- Term deposits		18,388,280	15,390,612
- Others		200,262	84,674
- Deposit from financial institutions - remunerative		9,128,058	9,709,697
- Deposit from financial institutions - non-remunerative		8,754	1,303
		43,912,522	52,067,283
Due to head office		—	—
Other liabilities		588,259	575,043
		46,493,508	53,837,089
NET ASSETS		1,602,481	1,391,661
REPRESENTED BY			
Islamic Banking Fund		1,402,621	1,002,619
Reserves		—	—
Unappropriated profit		108,467	363,777
		1,511,088	1,366,396
Surplus on revaluation of assets		91,393	25,265
		1,602,481	1,391,661

	30 June 2016	30 June 2015
	Rupees in '000	
22.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED)		
For the half year ended 30 June 2016		
Profit/return on financing, investments and placements earned	1,454,651	1,315,901
Profit/return on deposit and other dues expensed	(1,215,650)	(959,719)
Net spread earned	239,001	356,182
Provision against non performing financing - net	(3,448)	77,466
Provision for diminution in the value of investments	-	-
Provision for consumer financing ljarah	-	-
Bad debts written off directly	-	-
	3,448	(77,466)
Net spread after provisions	242,449	278,716
OTHER INCOME		
Fee, commission and brokerage income	20,387	16,776
Dividend income	-	-
Income from dealing in foreign currencies - net	10,656	7,487
Gain on sale/redemption of securities - net	12,971	1,202
Unrealized gain/(loss) on revaluation of investments classified as 'held-for-trading'	-	-
Other income	21,658	39,122
Total other income	65,672	64,587
	308,121	343,303
OTHER EXPENSES		
Administrative expenses	199,654	131,420
Other provisions/write offs	-	-
Other charges	-	-
Total other expenses	(199,654)	(131,420)
	108,467	211,883
Extra ordinary/unusual items	-	-
PROFIT BEFORE TAXATION	108,467	211,883
22.3 Remuneration to Shariah Board/Advisor	3,788	1,294
	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
22.4 Charity Fund		
Opening balance	491	-
Additions during the period/year	489	491
Payments / utilization during the period/year	(714)	-
Closing balance	266	491

30 June 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000	

22.5 Financings / investments / receivables

Murabaha financing

Murabaha receivable - gross	2,862,737	4,218,831
Less: Deferred murabaha income	(83,107)	(166,802)
Advance against murabaha	246,367	79,898
	3,025,997	4,131,927
Provision against murabaha financing	(328,282)	(330,980)
	2,697,715	3,800,947

Ijarah

Asset held for ijarah	382,918	315,303
Less: Accumulated depreciation	(185,409)	(143,395)
Ijarah financing	-	55,480
Less: Unearned income	-	(9,089)
Advance against ijarah	28,520	23,854
	226,029	242,153
Provision against ijarah financing	(25,090)	(25,840)
	200,939	216,313

Diminishing musharakah

Diminishing musharakah - gross	2,995,908	3,204,826
Less: Unrealised income on diminishing musharakah	(518,324)	(497,059)
Advance against diminishing musharakah	76,741	44,324
	2,554,325	2,752,091

Export refinance murabaha

Export refinance murabaha receivable - gross	143,789	129,691
Less: Deferred export refinance murabaha income	(2,225)	(2,317)
Advance against murabaha IERF	5,717	5,899
	147,281	133,273

Istisna financing

Istisna financing - gross	191,898	46,429
Less: Deferred istisna income	(57,569)	(13,929)
Advance against istisna	12,824	102,275
	147,153	134,775

Al-Bai financing

47,562	25,088
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Advance against export refinance istisna

1,210,000	835,000
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Working capital musharaka

500,000	-
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	30 June 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
22.6 Islamic Mode of Financing		
Financings / investments / receivables	6,278,178	7,163,057
Advances	1,580,169	1,091,250
Gross islamic financing and related assets	7,858,347	8,254,307
Provision against financing	(353,372)	(356,820)
	7,504,975	7,897,487

23. GENERAL

23.1 State Bank of Pakistan has issued BPRD Circular Letter No. 5 dated 29 February 2016 regarding the classification of Bai-Muajjal with Government of Pakistan. Accordingly corresponding figures pertaining to "Bai-Muajjal with Government of Pakistan" amounting to Rs. 11,644,641 thousand have been reclassified from "Lendings to Financial Institutions" to "Investments".

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

23.3 Figures of the profit and loss account for the quarters ended 30 June 2016 and 30 June 2015 have not been subjected to limited scope review by the auditors.

24. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 19 August 2016.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director