

HABIBMETRO

FIRST QUARTER ACCOUNTS

2016



[Subsidiary of Habib Bank AG Zurich]



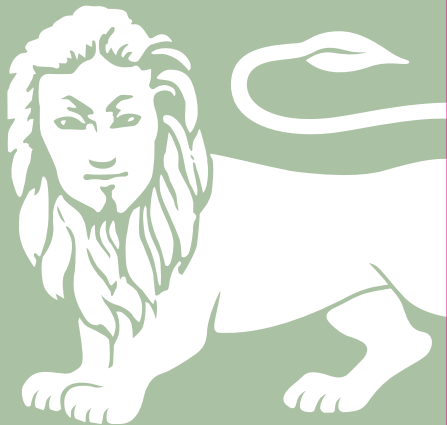
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HABIB METROPOLITAN BANK

[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

CONTENTS

Corporate Information	1
Directors’ Review	2
Unconsolidated Condensed Interim Statement of Financial Position	6
Unconsolidated Condensed Interim Profit and Loss Account	7
Unconsolidated Condensed Interim Statement of Comprehensive Income	8
Unconsolidated Condensed Interim Cash Flow Statement	9
Unconsolidated Condensed Interim Statement of Changes in Equity	10
Notes to the Unconsolidated Condensed Interim Financial Statements	11
Consolidated Condensed Interim Financial Statements	27

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Kassim Parekh

PRESIDENT & CHIEF EXECUTIVE OFFICER

Sirajuddin Aziz

DIRECTORS

Ali S. Habib

Firasat Ali

Mohamedali R. Habib

Mohomed Bashir

Muhammad H. Habib

Sohail Hasan

Tariq Ikram

AUDIT COMMITTEE

Ali S. Habib

Firasat Ali

Tariq Ikram

CREDIT COMMITTEE

Mohamedali R. Habib

Muhammad H. Habib

Sirajuddin Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mohamedali R. Habib

Sirajuddin Aziz

Tariq Ikram

RISK & COMPLIANCE COMMITTEE

Mohamedali R. Habib

Sirajuddin Aziz

Sohail Hasan

COMPANY SECRETARY

Muhammad Imran

SHARE REGISTRAR

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block-B

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

Karachi - 74400.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the first quarter ended 31 March 2016.

Investor interest and confidence remains buoyant at the back of stable economic indicators and a promising outlook. Inflationary pressures are increasing marginally with CPI inflation rising to 3.9 percent in March 2016, on a year-on-year basis. However average inflation is expected to remain between 3-4 percent in FY16 as per projections. Private sector continues to pick up pace as investor confidence is strengthened and Large Scale Manufacturing (LSM) gains further traction.

Going forward, large scale manufacturing, which increased by over 4.1 percent during July 2015 - January 2016, holds greater promise led by energy and infrastructure projects under the CPEC. Increase in LSM, relaxed monetary regime and heightened financial performance of corporate sector are expected to drive growth in private sector credit. State Bank of Pakistan has maintained Policy Rate at 6.0 percent.

By the Grace of Allah, HabibMetro continues to maintain its performance. Bank's deposit and advances stood at Rs. 415 billion and Rs. 145 billion respectively as of 31 March 2016 while Investments increased to Rs. 325 billion.

The Bank posted a Profit after Tax of Rs. 1,659 million for the quarter ended 31 March 2016 as compared to Rs. 1,413 million in the same period last year, exhibiting an increase of 17.4 percent. This translates into earnings per share of Rs. 1.58. At end of 31 March 2016 the Bank's net equity stands at Rs. 32.7 billion with a comfortable level of capital adequacy at 17.58 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 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.

With a network of 277 branches in 77 cities across Pakistan including 20 Islamic banking branches and 204 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: 14 April 2016

۱۷.۵۸ فیصد ہے جو اطمینان بخش ہے۔ بینک مستقل طور پر مسلسل پندرہ 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 ریٹنگ کی غماز ہیں جس میں کریڈٹ رسک بہت کم ہے اور وقت پر قبول شدہ ادائیگیاں کرنے کی مستحکم صلاحیت موجود ہے۔

پاکستان بھر میں ۷۷ شہروں میں ۲۷۷ شاخوں بشمول ۲۰ اسلامک بینکنگ کی شاخوں اور ۲۰۴ اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکنگ سروسز اور پروڈکٹس فراہم کرتا ہے بشمول خصوصی تجارتی مالیاتی پروڈکٹس۔ مزید برآں بہت سے دوسرے پروڈکٹس اور ایڈوانس ٹیکنالوجی سے مزین سروسز جیسے محفوظ اور بے خطر SMS اور ویب بینکنگ سروسز دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کیلئے ATM نیٹ ورک کی فراہمی۔

آخر میں اس موقع پر میں صدق دل سے وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا شکر گزار ہوں اور ان تمام کے تعاون اور ہدایات 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 شکر گزار 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 ۱۴ اپریل ۲۰۱۶

ڈائریکٹرز رپورٹ

میں نہایت مسرت کے ساتھ حبیب میٹروپولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ مارچ ۲۰۱۶ء کی پہلی سہ ماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

سرمایہ کاروں کی دلچسپی اور اعتماد کا اظہار خوش آئند معاشی پائیداری کی طرف اشارہ کر رہا ہے۔ گوکہ افراط زر کے دباؤ میں غیر محسوس اضافہ ہوا ہے اور افراط زر مارچ ۲۰۱۶ء میں ۳.۹ فیصد ہو گیا ہے جو سال بہ سال کی بنیاد پر ہے۔ بہر حال پیشگوئیوں کے مطابق مالیاتی سال ۲۰۱۶ء میں افراط زر ۳.۴ فیصد رہنے کی توقع ہے۔ پرائیویٹ سیکٹر مستقل طور پر سرگرمی سے سرمایہ کاروں کا اعتماد حاصل کر رہا ہے اور بڑے پیمانے پر صنعت کاری (LSM) میں مزید فروغ اور تقویت حاصل ہوئی ہے۔

LSM میں جولائی ۲۰۱۵ء تا جنوری ۲۰۱۶ء کے دوران میں ۴.۱ فیصد اضافہ ہوا ہے اور آنے والے دنوں میں CPEC کے تحت انرجی اور انفراسٹرکچر پروجیکٹس کی وجہ سے مزید اضافہ متوقع ہے۔ اس کے علاوہ مالیاتی کشادگی اور کارپوریٹ سیکٹر کی مالیاتی کارکردگی کی وجہ سے بھی پرائیویٹ سیکٹر کریڈٹ میں نشوونما متوقع ہے۔ اسٹیٹ بینک آف پاکستان نے اپنے پالیسی ریٹ کو ۶ فیصد پر برقرار رکھا ہے۔

اللہ کے فضل و کرم سے حبیب میٹرو اپنی کارکردگی کے تسلسل کو برقرار رکھے ہوئے ہے۔ ۳۱ مارچ ۲۰۱۶ء کو بینک کے ڈپازٹ اور قرضہ جات بالترتیب ۴۱۵ بلین اور ۱۴۵ بلین روپے رہے جبکہ سرمایہ کاری بڑھ کر ۳۲۵ بلین ہو گئی۔

بینک نے ۳۱ مارچ ۲۰۱۶ء کو ختم ہونے والی سہ ماہی میں بعد از ٹیکس منافع ۱،۶۵۹ ملین روپے بنایا ہے جبکہ گزشتہ سال کی اسی مدت میں یہ منافع ۱،۴۱۳ ملین تھا جو ۱۷.۴ فیصد اضافہ ظاہر کرتا ہے اور اس طرح آمدنی ۱.۵۸ روپے فی حصص بنتی ہے۔ ۳۱ مارچ ۲۰۱۶ء کے آخر میں بینک کی نیٹ ایکویٹی ۳۲.۷ بلین روپے اور کیپیٹل اڈیکویٹی

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
<hr/> Rupees in '000 <hr/>			
ASSETS			
Cash and balances with treasury banks		30,354,692	30,645,728
Balances with other banks	6	1,471,973	13,806,513
Lendings to financial institutions	7	12,519,951	2,800,000
Investments	8	324,794,455	292,779,230
Advances	9	144,703,011	132,646,839
Operating fixed assets	10	3,034,004	3,124,779
Deferred tax assets	11	2,025,561	1,938,628
Other assets		6,034,929	12,137,391
		524,938,576	489,879,108

LIABILITIES

Bills payable		7,925,554	6,344,461
Borrowings	12	53,000,520	31,462,822
Deposits and other accounts	13	414,619,326	403,354,957
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		12,771,463	11,889,064
		488,316,863	453,051,304

NET ASSETS

36,621,713	36,827,804
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REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		13,041,824	12,710,010
Unappropriated profit		9,143,552	9,931,633
		32,663,691	33,119,958
Surplus on revaluation of assets - net of tax	14	3,958,022	3,707,846
		36,621,713	36,827,804

CONTINGENCIES AND COMMITMENTS

15

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 ENDED 31 MARCH 2016

	Note	31 March 2016	31 March 2015
		Rupees in '000	
Mark-up / return / interest earned		8,365,639	9,202,521
Mark-up / return / interest expensed		(5,486,510)	(5,954,716)
Net mark-up / interest income		2,879,129	3,247,805
Provision against non-performing loans and advances	9.3	423,737	750,000
Provision for diminution in the value of investments	8.1	(5,264)	16,924
Bad debts written off directly		—	—
		(418,473)	(766,924)
Net mark-up / interest income after provisions		2,460,656	2,480,881
Non mark-up / interest income			
Fee, commission and brokerage income		732,060	643,615
Dividend income		30,198	21,518
Income from dealing in foreign currencies		296,306	286,250
Gain on sale / redemption of securities - net		1,064,213	768,516
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—
Other income		81,365	79,636
Total non mark-up / interest income		2,204,142	1,799,535
		4,664,798	4,280,416
Non mark-up / interest expenses			
Administrative expenses		2,216,671	1,995,714
Other provisions / write offs		(172,048)	—
Other charges		66,055	100,143
Total non mark-up / interest expenses		(2,110,678)	(2,095,857)
		2,554,120	2,184,559
Extra ordinary / unusual items		—	—
Profit before taxation		2,554,120	2,184,559
Taxation - Current		1,106,097	943,188
- Prior years		—	—
- Deferred		(211,048)	(171,301)
		(895,049)	(771,887)
Profit after taxation		1,659,071	1,412,672
Basic and diluted earnings per share (Rupees)	16	1.58	1.35

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 ENDED 31 MARCH 2016

	31 March 2016	31 March 2015
	Rupees in '000	
Profit after taxation for the period	1,659,071	1,412,672
Other comprehensive income		
Items not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	(30,270)	(25,532)
Related deferred tax reversal	10,595	8,936
	(19,675)	(16,596)
Comprehensive income transferred to equity	1,639,396	1,396,076
Items that may be reclassified to profit and loss account in subsequent periods and not reflected in equity		
Surplus on revaluation of investments	384,887	3,249,292
Related deferred tax charge	(134,711)	(1,121,610)
	250,176	2,127,682
Total comprehensive income	1,889,572	3,523,758

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 CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2016

	31 March 2016	31 March 2015
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,554,120	2,184,559
Less: Dividend income	(30,198)	(21,518)
	2,523,922	2,163,041
Adjustments		
Depreciation	152,206	136,747
Provision against non-performing loan and advances-net	423,737	750,000
Provision for diminution in the value of investments - net	(5,264)	16,924
Net gain on sale of fixed assets	(12,991)	(2,929)
	557,688	900,742
	3,081,610	3,063,783
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,719,951)	2,167,775
Advances	(12,479,909)	11,171,607
Other assets (excluding advance taxation)	6,102,462	4,760,805
	(16,097,398)	18,100,187
Increase / (decrease) in operating liabilities		
Bills payable	1,581,093	1,731,026
Borrowings	19,804,626	34,720,028
Deposits and other accounts	11,264,369	(4,829,425)
Other liabilities (excluding current taxation)	(306,072)	(1,406,288)
	32,344,016	30,215,341
	19,328,228	51,379,311
Income tax paid	(949,618)	(285,539)
Net cash flows from operating activities	18,378,610	51,093,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(31,305,628)	(47,282,388)
Net investment in held-to-maturity securities	(319,446)	(11,047)
Dividend received	30,198	23,866
Net investments in operating fixed assets	(122,762)	(69,921)
Proceeds from sale of fixed assets	74,322	2,972
Net cash used in investing activities	(31,643,316)	(47,336,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,093,942)	(25)
Net cash used in financing activities	(1,093,942)	(25)
(Decrease) / increase in cash and cash equivalents	(14,358,648)	3,757,229
Cash and cash equivalent at beginning of the period	44,059,154	19,635,073
Cash and cash equivalent at end of the period	29,700,506	23,392,302

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 CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 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
Changes in equity for the period ended 31 March 2015							
Total comprehensive income - profit for the period	-	-	-	-	-	1,412,672	1,412,672
Other comprehensive income - net of tax	-	-	-	-	-	(16,596)	(16,596)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2014	-	-	-	-	-	(2,619,579)	(2,619,579)
Transfer to statutory reserve	-	-	282,534	-	-	(282,534)	-
Balance as at 31 March 2015	10,478,315	2,550,985	7,170,011	240,361	1,500,000	7,037,079	28,976,751
Changes in equity for the period ended 31 December 2015							
Total comprehensive income - profit for the period	-	-	-	-	-	6,243,261	6,243,261
Other comprehensive income - net of tax	-	-	-	-	-	(4,391)	(4,391)
Transactions with owners, recorded directly in equity							
Interim cash dividend (Rs. 2.00 per share) for the period ended 30 June 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	1,248,653	-	-	(1,248,653)	-
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
Changes in equity for the period ended 31 March 2016							
Total comprehensive income - profit for the period	-	-	-	-	-	1,659,071	1,659,071
Other comprehensive income - net of tax	-	-	-	-	-	(19,675)	(19,675)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2015	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	331,814	-	-	(331,814)	-
Balance as at 31 March 2016	<u>10,478,315</u>	<u>2,550,985</u>	<u>8,750,478</u>	<u>240,361</u>	<u>1,500,000</u>	<u>9,143,552</u>	<u>32,663,691</u>

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 QUARTER ENDED 31 MARCH 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 238 (31 December 2015: 237) branches including 20 (31 December 2015: 20) Islamic banking branches and 39 (31 December 2015: 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, 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** Key financial figures of the Islamic Banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

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

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

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.

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

6. BALANCES WITH OTHER BANKS

In Pakistan

Current accounts	75,404	177,508
Deposit accounts	96,581	10,480,666
	171,985	10,658,174

Outside Pakistan

Current accounts	1,299,988	3,148,339
	1,471,973	13,806,513

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	3,700,000	2,800,000
Repurchase agreement lendings (Reverse repo)	3,706,486	—
Bai - Muajjal receivable from State Bank of Pakistan	5,113,465	—
	12,519,951	2,800,000

8. INVESTMENTS

Note	31 March 2016 (Un-Audited)			31 December 2015 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
Available-for-sale securities						
Market treasury bills	117,443,284	1,621,487	119,064,771	72,360,324	3,558,874	75,919,198
Pakistan investment bonds	113,504,893	27,270,381	140,775,274	152,462,898	2,054,088	154,516,986
Ordinary shares of listed companies	1,096,141	–	1,096,141	1,062,338	–	1,062,338
Ordinary shares of unlisted companies	106,991	–	106,991	106,991	–	106,991
Listed term finance certificates	2,208,898	–	2,208,898	1,938,933	–	1,938,933
Unlisted term finance certificates	440,305	–	440,305	440,305	–	440,305
Sukuk certificates and bonds	16,281,411	–	16,281,411	12,626,088	–	12,626,088
Open end mutual funds	3,471,627	–	3,471,627	5,532,227	–	5,532,227
Close end mutual funds	419,685	–	419,685	416,409	–	416,409
	254,973,235	28,891,868	283,865,103	246,946,513	5,612,962	252,559,475
Held-to-maturity securities						
Pakistan investment bonds	19,551,939	–	19,551,939	19,532,493	–	19,532,493
Other federal government securities - Bai Muajjal	11,644,641	–	11,644,641	11,644,641	–	11,644,641
Certificates of investments	3,600,000	–	3,600,000	3,300,000	–	3,300,000
	34,796,580	–	34,796,580	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	290,077,315	28,891,868	318,969,183	281,731,147	5,612,962	287,344,109
Less: Provision for diminution in the value of investments	(263,993)	–	(263,993)	(269,257)	–	(269,257)
Investments net of provisions	289,813,322	28,891,868	318,705,190	281,461,890	5,612,962	287,074,852
Surplus / (deficit) on revaluation of available-for-sale securities-net	6,184,019	(94,754)	6,089,265	5,708,836	(4,458)	5,704,378
Investments after revaluation of available-for-sale securities	295,997,341	28,797,114	324,794,455	287,170,726	5,608,504	292,779,230

	Note	31 March 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		1,335	118,089
Reversal during the period / year		(6,599)	(9,012)
Net (reversal) / charge for the period / year		(5,264)	109,077
Closing balance		263,993	269,257

9. ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		123,366,561	115,430,783
Islamic financing and related assets (gross)		8,034,460	8,254,307
Net investment in finance lease			
In Pakistan		640,988	655,517
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		9,637,381	7,297,027
Payable outside Pakistan		20,595,670	18,438,791
		30,233,051	25,735,818
Advances - gross		162,275,060	150,076,425
Provision against non-performing advances			
- specific		(16,002,613)	(16,532,837)
- general		(1,569,436)	(896,749)
	9.3	(17,572,049)	(17,429,586)
Advances - net of provisions		144,703,011	132,646,839

9.1 Advances include Rs. 18,354,943 thousand (31 December 2015: Rs. 18,486,982 thousand) which have been placed under non-performing status as detailed below:

	31 March 2016 (Un-Audited)			31 December 2015 (Audited)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
Rupees in '000						
Category of classification						
Substandard	886,169	47,156	47,156	57,324	14,331	14,331
Doubtful	298,456	137,174	137,174	286,353	127,376	127,376
Loss	17,170,318	15,818,283	15,818,283	18,143,305	16,391,130	16,391,130
	18,354,943	16,002,613	16,002,613	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 1,538,978 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 31 March 2016 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs 1,000,336 thousand (31 December 2015: Rs. 1,149,184 thousand).

9.3 Provision against non-performing advances

	31 March 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	147,479	672,687	820,166	2,657,575	570,053	3,227,628
Reversals for the period / year	(396,429)	-	(396,429)	(1,110,743)	-	(1,110,743)
Net (reversal) / charge for the period / year	(248,950)	672,687	423,737	1,546,832	570,053	2,116,885
Amount written off	(281,274)	-	(281,274)	(675,841)	-	(675,841)
Closing balance	16,002,613	1,569,436	17,572,049	16,532,837	896,749	17,429,586

9.4 General provision includes provision of Rs. 1,707 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. 38,164 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.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 70,152 thousand (31 March 2015: Rs. 53,611 thousand) and Rs. 84,332 thousand (31 March 2015: Rs. 1,986 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. 4,029,420 thousand (31 December 2015: Rs. 3,878,902 thousand).

12. BORROWINGS

Secured

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Borrowings from State Bank of Pakistan		
– under export refinance scheme	20,111,264	21,274,506
– under long term financing - export oriented projects	19,413	19,413
– under long term financing facility - locally manufactured plant and machinery	1,775,295	1,423,239
	21,905,972	22,717,158
Repurchase agreement borrowings (Repo)	28,790,135	5,603,311
Due against bills re-discounting	178,254	2,749,266
	50,874,361	31,069,735

Unsecured

Overdrawn nostro accounts	1,988,944	197,656
Overdrawn local bank accounts	137,215	195,431
	2,126,159	393,087
	53,000,520	31,462,822

13. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	169,353,475	169,177,912
Saving deposits	131,615,121	116,432,300
Current deposits (non-remunerative)	97,457,315	101,487,138
Others	4,312,598	2,761,126
	402,738,509	389,858,476

Financial institutions

Remunerative deposits	10,368,816	12,508,420
Non-remunerative deposits	1,512,001	988,061
	11,880,817	13,496,481
	414,619,326	403,354,957

**31 March
2016**
(Un-Audited)

**31 December
2015**
(Audited)

Rupees in '000

14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities

Federal Government Securities

Market treasury bills	114,981	176,303
Pakistan investment bonds	5,604,935	5,214,298
GOP ijarah sukuk	112,222	41,461

Fully paid-up ordinary shares and mutual funds

241,132 290,872

Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	424	(6,813)
Unlisted term finance certificates	3,697	4,645
Sukuk certificates and bonds	11,874	(16,388)

6,089,265 5,704,378

Related deferred tax liability - net **(2,131,243)** (1,996,532)

3,958,022 3,707,846

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Bank guarantees of indebtedness in favouring:
banking companies and other financial institutions

- 2,286

15.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, advance
payment guarantees and shipping guarantees favouring:

i) Government	18,218,993	17,163,286
ii) Banking companies and other financial institutions	1,665,991	436,358
iii) Others	10,332,231	10,077,952
	30,217,215	27,677,596

15.3 Trade-related contingent liabilities

Letters of credit	67,050,748	63,545,499
Acceptances	15,398,290	12,554,226

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	78,443,166	80,770,251
Sale	72,806,993	73,381,353
15.5 Commitments in respect of operating leases		
Not later than one year	27,712	20,757
Later than one year and not later than five years	28,886	18,890
	56,598	39,647
15.6 Commitments for the acquisition of operating fixed assets	69,234	57,582
15.7 Claims against bank not acknowledge as debt	2,881,199	1,348,358
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.		
15.9 Commitments in respect of syndicate financing	1,076,109	1,210,595

15.10 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 Inland Revenue (ATIR). However, adequate provisions are being held by the Bank.

16. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)	
	31 March 2016	31 March 2015
	Rupees in '000	
Profit after taxation	1,659,071	1,412,672
	Number in '000	
Weighted average number of ordinary shares	1,047,831	1,047,831
	Rupees	
Basic and diluted earnings per share	1.58	1.35

17. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 March 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	7,556,561	17,257,468	351,207,338	123,027	111,391	672,272	376,928,057
Repaid during the period	(7,345,552)	(17,201,266)	(351,732,465)	(113,545)	(116,818)	(532,329)	(377,041,975)
At end of the period	515,513	208,536	17,349,904	75,804	492,937	1,260,978	19,903,672
Advances							
At beginning of the year	-	-	3,967,805	128,974	-	-	4,096,779
Disbursed during the period	-	-	21,617,833	8,401	-	-	21,626,234
Recovered during the period	-	-	(20,716,593)	(12,303)	-	-	(20,728,896)
At the end of the period	-	-	4,869,045	125,072	-	-	4,994,117
Bank balances held by the Bank	229,498	-	31,648	-	-	-	261,146
Mark-up / return / interest receivable	-	-	2,306	-	-	-	2,306
Mark-up / return / interest payable	-	447	335,893	470	1,863	226,993	565,666
Management fee payable for technical consultancy services*	193,416	-	-	-	-	-	193,416
Prepayments / advance deposits	-	-	7,148	-	-	-	7,148
Insurance premium and other payable	30,200	-	5,159	-	-	-	35,359
Transaction-related contingent liabilities	-	-	2,381,744	-	-	-	2,381,744
Trade-related contingent liabilities	-	-	2,866,596	-	-	-	2,866,596

*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
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 31 March 2016 (Un-Audited)						Total
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000						
Mark-up/return/interest earned	-	-	52,415	1,465	-	-	53,880
Mark-up/return/interest expensed	-	1,207	320,761	528	6,134	38,486	367,116
Commission/brokerage/bank charges recovered	1,622	83	32,656	-	12	-	34,373
Commission/brokerage/bank charges paid	51	81	261	-	-	-	393
Rent income	1,404	300	-	-	-	-	1,704
Salaries and allowances	-	-	-	78,676	-	-	78,676
Directors' fees	-	-	-	-	2,175	-	2,175
Contribution to defined benefit plan	-	-	-	-	-	37,273	37,273
Contribution to defined contribution plan	-	-	-	-	-	37,111	37,111
Rent expenses	-	-	2,860	-	-	-	2,860
Insurance premium expenses	-	-	2,678	-	-	-	2,678
Maintenance, electricity, stationery & entertainment expenses	-	-	18,991	-	-	-	18,991
Management fee expense for technical & consultancy services*	58,744	-	-	-	-	-	58,744
Donation paid	-	-	1,960	-	-	-	1,960
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 31 March 2015 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up/return/interest earned	–	–	29,371	2,686	–	–	32,057
Mark-up/return/interest expensed	–	1,361	478,856	760	6,556	40,430	527,963
Commission/brokerage/bank charges recovered	2,195	97	22,649	–	4	–	24,945
Commission/brokerage/bank charges paid	96	66	276	–	–	–	438
Rent income	–	300	–	–	–	–	300
Salaries and allowances	–	–	–	72,449	–	–	72,449
Directors' fees	–	–	–	–	2,250	–	2,250
Contribution to defined benefit plan	–	–	–	–	–	33,792	33,792
Contribution to defined contribution plan	–	–	–	–	–	34,169	34,169
Rent expenses	–	–	3,435	–	–	–	3,435
Insurance premium expenses	–	–	1,668	–	–	–	1,668
Maintenance, electricity, stationery & entertainment expenses	–	–	13,177	–	–	–	13,177
Management fee expense for technical & consultancy services*	66,120	–	–	–	–	–	66,120
Donation paid	–	–	1,960	–	–	–	1,960
Professional/other charges paid	–	–	482	–	–	–	482

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

18. KEY ISLAMIC BANKING OPERATIONS

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 Islamic banking operations as at 31 March 2016 are as follows:

18.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,443,573	3,842,878
Balances with other banks		—	10,450,000
Due from financial institutions		13,910,046	14,552,272
Investments		25,498,765	14,949,345
Islamic financing and related assets - net	18.6	7,672,214	7,897,487
Operating fixed assets		74,460	76,730
Deferred tax assets		—	—
Other assets		2,053,322	3,460,038
		51,652,380	55,228,750
LIABILITIES			
Bills payable		390,101	228,456
Due to financial institutions		855,974	966,307
Deposits and other accounts			
- Current accounts		5,211,966	6,918,381
- Saving accounts		18,794,597	19,962,616
- Term deposits		16,302,140	15,390,612
- Others		216,003	84,674
- Deposits from financial institutions - remunerative		7,686,581	9,709,697
- Deposits from financial institutions - non remunerative		174,551	1,303
		48,385,838	52,067,283
Due to head office		—	—
Other liabilities		487,047	575,043
		50,118,960	53,837,089
NET ASSETS		1,533,420	1,391,661
REPRESENTED BY			
Islamic banking fund		1,402,619	1,002,619
Reserves		—	—
Unappropriated profit		36,930	363,777
		1,439,549	1,366,396
Surplus on revaluation of assets		93,871	25,265
		1,533,420	1,391,661

18.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2016

	31 March 2016	31 March 2015
	Rupees in '000	
Profit / return on financing, investments and placements earned	711,717	683,070
Profit / return on deposit and other dues expensed	(601,491)	(486,354)
Net spread earned	110,226	196,716
Provision against non performing financing	5,426	72,587
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	(5,426)	(72,587)
Net spread after provision	104,800	124,129
Other income		
Fee, commission and brokerage income	9,554	8,260
Dividend income	—	—
Income from dealing in foreign currencies	4,594	3,418
Gain on sale / redemption of securities	12,971	—
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	—	—
Other income	10,227	11,426
Total other income	37,346	23,104
	142,146	147,233
Other expenses		
Administrative expenses	105,216	63,495
Other provisions / write offs	—	—
Other charges	—	—
Total other expenses	(105,216)	(63,495)
	36,930	83,738
Extra ordinary / unusual items	—	—
Profit before taxation	36,930	83,738

18.3 Remuneration to Shariah Advisor / Board

1,016	647
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18.4 Charity fund

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
	Rupees in '000	
Opening balance	491	—
Additions during the period	489	491
Payments / utilization during the period	(491)	—
Closing Balance	489	491

18.5 FINANCINGS / INVESTMENTS / RECEIVABLES

Murabaha financing

	31 March 2016 (Un-Audited)	31 December 2015 (Audited)
Murabaha receivable - gross	3,845,483	4,218,831
Less: Deferred murabaha income	(130,260)	(166,802)
Advance against murabaha	228,315	79,898
	3,943,538	4,131,927
Provision against murabaha financing	(336,406)	(330,980)
	3,607,132	3,800,947

Ijarah

Asset held for ijarah	367,823	315,303
Less: Accumulated depreciation	(168,200)	(143,395)
Ijarah financing	54,499	55,480
Less: Unearned income	(11,110)	(9,089)
Advance against ijarah	13,769	23,854
	256,781	242,153
Provision against ijarah financing	(25,840)	(25,840)
	230,941	216,313

Diminishing musharakah

Diminishing musharakah - gross	3,297,464	3,204,826
Less: Unrealised income on Diminishing Musharakah	(582,089)	(497,059)
Advance against Diminishing Musharakah	43,764	44,324
	2,759,139	2,752,091

Export refinance murabaha

Export refinance murabaha receivable - gross	103,914	129,691
Less: Deferred export refinance murabaha income	(1,496)	(2,317)
Advance against murabaha IERF	12,923	5,899
	115,341	133,273

Istisna financing

Istisna financing - gross	31,429	46,429
Less: Deferred istisna income	(9,429)	(13,929)
Advance against istisna	157,649	102,275
	179,649	134,775

Al-Bai financing

	30,012	25,088
Export refinance istisna		
Advance against export refinance istisna	450,000	835,000
Istisna goods IERF	300,000	-
	750,000	835,000

18.6 Islamic mode of financing

Financings / investments / receivables	6,465,794	6,806,237
Advances	906,420	1,091,250
Assets / inventories	300,000	-
	7,672,214	7,897,487

19. GENERAL

19.1 Corresponding figures pertaining to "Bai-Muajjal with Government of Pakistan" have been reclassified from "Lendings to Financial Institutions" to "Investments" as "other federal government securities - Bai-Muajjal".

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

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 14 April 2016.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SOHAIL HASAN
Director