



CONSOLIDATED ACCOUNTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Habib Metropolitan Bank Limited and its subsidiary company as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 15 branches, which have been audited by us. We have also expressed separate opinions on the financial statements of Habib Metropolitan Bank Limited and its subsidiary company namely Habib Metropolitan Financial Services Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Habib Metropolitan Bank Limited and its subsidiary company as at 31 December 2013 and the results of their operations for the year then ended.

Karachi: 25 February 2014

KPMG Taseer Hadi & Co
Chartered Accountants
Aryn Pirani

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013	2012 Rupees in '000 (Restated)	2011 (Restated)
ASSETS				
Cash and balances with treasury banks	8	21,208,774	16,918,780	14,233,690
Balances with other banks	9	3,552,694	5,151,149	3,551,591
Lendings to financial institutions		–	–	2,361,754
Investments	10	142,327,147	160,733,315	147,459,163
Advances	11	129,833,937	110,444,198	113,347,375
Operating fixed assets	12	3,035,526	3,000,827	3,230,658
Deferred tax assets	13	2,947,155	2,311,887	2,045,242
Other assets	14	8,490,404	5,749,931	5,686,576
		311,395,637	304,310,087	291,916,049
LIABILITIES				
Bills payable	15	3,982,213	4,092,268	3,733,794
Borrowings	16	23,057,002	45,102,640	70,331,887
Deposits and other accounts	17	247,507,718	217,670,832	185,281,216
Sub-ordinated loans		–	–	–
Liabilities against assets subject to finance lease		–	–	–
Deferred tax liabilities		–	–	–
Other liabilities	18	8,863,421	9,255,736	8,033,709
		283,410,354	276,121,476	267,380,606
NET ASSETS		<u>27,985,283</u>	<u>28,188,611</u>	<u>24,535,443</u>
REPRESENTED BY				
Share capital	19	10,478,315	10,478,315	10,478,315
Reserves		10,193,511	9,488,277	8,807,718
Unappropriated profit		6,693,745	6,035,765	4,914,142
		27,365,571	26,002,357	24,200,175
Surplus on revaluation of assets - net of tax	20	619,712	2,186,254	335,268
		<u>27,985,283</u>	<u>28,188,611</u>	<u>24,535,443</u>
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees in '000	
			(Restated)
Mark-up / return / interest earned	23	24,641,671	28,566,583
Mark-up / return / interest expensed	24	(15,569,764)	(19,654,046)
Net mark-up / interest Income		9,071,907	8,912,537
Provision against non-performing loans and advances	11.6	2,111,110	2,661,248
Provision for diminution in the value of investments	10.3	(1,880)	32,499
Bad debts written off directly	11.8.1	-	-
		(2,109,230)	(2,693,747)
Net mark-up / interest income after provisions		6,962,677	6,218,790
Non mark-up / interest income			
Fee, commission and brokerage income		2,266,951	2,138,351
Dividend income		44,594	632,109
Income from dealing in foreign currencies		864,966	783,832
Gain on sale / redemption of securities	25	1,338,894	1,074,086
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	-
Other income	26	304,320	249,871
Total non mark-up / interest income		4,819,725	4,878,249
		11,782,402	11,097,039
Non mark-up / interest expenses			
Administrative expenses	27	6,519,316	5,772,029
Other provisions / write offs	18.1	-	59,805
Other charges	28	145,792	223,881
Total non mark-up / interest expenses		(6,665,108)	(6,055,715)
		5,117,294	5,041,324
Extraordinary / unusual items		-	-
Profit before taxation		5,117,294	5,041,324
Taxation – Current	29	(1,979,748)	(2,534,010)
– Prior years		574,692	(72,244)
– Deferred	13.1	(185,470)	961,288
		(1,590,526)	(1,644,966)
Profit after taxation		3,526,768	3,396,358
Unappropriated profit brought forward		6,035,765	4,914,142
Profit available for appropriation		9,562,533	8,310,500
Basic and diluted earnings per share (Rupees)	30	3.37	3.24

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees in '000	
			(Restated)
Profit after taxation for the year		3,526,768	3,396,358
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial loss on defined benefit plan	33.8	(104,448)	(34,505)
Deferred tax on defined benefit plan		36,557	12,076
		(67,891)	(22,429)
Total comprehensive income		<u>3,458,877</u>	<u>3,373,929</u>

Surplus / deficit on revaluation of "available for sale" securities net of tax is presented under a separate head below equity as "Surplus / (deficit) on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular no. 20 dated 4 August 2000 and BSD Circular no. 10 dated 13 July 2004.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees in '000	
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,117,294	5,041,324
Less: Dividend income		(44,594)	(632,109)
		5,072,700	4,409,215
Adjustments			
Depreciation and amortization	27	470,578	453,542
Provision against non-performing loans and advances - net	11.6	2,111,110	2,661,248
Provision against off-balance sheet obligations	18.1	-	59,805
Provision for diminution in the value of investments-net		(83,258)	(64,480)
Net gain on sale of fixed assets	26	(56,698)	(16,360)
		2,441,732	3,093,755
		7,514,432	7,502,970
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	2,361,754
Advances		(21,500,849)	(3,448,732)
Other assets (excluding advance taxation)		(2,740,473)	(63,355)
		(24,241,322)	(1,150,333)
Increase / (decrease) in operating liabilities			
Bills payable		(110,055)	358,474
Borrowings		(21,926,525)	(20,121,523)
Deposits and other accounts		29,836,886	32,389,616
Other liabilities (excluding current taxation)		151,093	1,018,037
		7,951,399	13,644,604
		(8,775,491)	19,997,241
Income tax paid		(2,055,360)	(2,498,498)
		(10,830,851)	17,498,743
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		25,763,677	(6,164,639)
Net investments in held-to-maturity securities		(9,624,973)	(4,487,329)
Dividend received		44,594	632,109
Investments in operating fixed assets		(559,052)	(326,842)
Proceeds from sale of fixed assets		110,471	119,491
		15,734,717	(10,227,210)
Net cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,093,214)	(1,569,822)
		(2,093,214)	(1,569,822)
Net cash flows from financing activities			
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		20,585,253	15,047,762
Effect of exchange rate changes on cash and cash equivalents		846,265	682,045
		21,431,518	15,729,807
Cash and cash equivalents at the end of the year	31	24,242,170	21,431,518

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Note	Share Capital	Reserves				Un-appropriated Profit	Total
		Share Premium	Statutory Reserve	Special Reserve	Revenue Reserve		
Rupees in '000							
Balance as at 1 January 2012 – as previously reported	10,478,315	2,550,985	4,516,372	240,361	1,500,000	4,960,068	24,246,101
Effect of retrospective change in accounting policy with respect to the accounting for actuarial gains and losses - net of tax	5.21	-	-	-	-	(45,926)	(45,926)
Balance as at 1 January 2012 – restated	10,478,315	2,550,985	4,516,372	240,361	1,500,000	4,914,142	24,200,175
Changes in equity for the year ended 31 December 2012							
Total comprehensive income for the year ended 31 December 2012 – profit for the year		-	-	-	-	3,396,358	3,396,358
Other comprehensive income – net of tax (restated)	5.21	-	-	-	-	(22,429)	(22,429)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 1.50 per share) for year ended 31 December 2011		-	-	-	-	(1,571,747)	(1,571,747)
Transfer to statutory reserve		-	680,559	-	-	(680,559)	-
Balance as at 31 December 2012	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,765	26,002,357
Changes in equity for the year ended 31 December 2013							
Total comprehensive income for the year ended 31 December 2013 – profit for the year		-	-	-	-	3,526,768	3,526,768
Other comprehensive income – net of tax	5.21	-	-	-	-	(67,891)	(67,891)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for year ended 31 December 2012		-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve		-	705,234	-	-	(705,234)	-
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,693,745	27,365,571

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group comprises of Habib Metropolitan Bank Limited (holding company) and Habib Metropolitan Financial Services Limited (wholly owned subsidiary company). The Group is engaged in providing Commercial Banking and Brokerage Services.
- 1.2 Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all the three stock exchanges in Pakistan. The holding company operates 174 (2012: 143) branches, including 6 (2012: 4) Islamic banking branches and 40 (2012: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company with 51% share in the Bank) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, II Chundrigar Road, Karachi.
- 1.3 Habib Metropolitan Financial Services Limited (the subsidiary company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984. The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The subsidiary company is a corporate member of the Karachi Stock Exchange Limited and is engaged in equity brokerage services.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements comprise the financial statements of the holding company and its subsidiary company. The financial statements of the subsidiary company have been prepared for the same reporting year as the holding company using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary company have been consolidated on a line by line basis. Intra-group balances and transactions have been eliminated for the purpose of consolidation.
- 2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Group 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 consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3 The financial results of the Islamic Banking branches of the holding company have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 42 to these consolidated financial statements.

2.4 Basis of measurement

Accounting convention

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

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

i) Classification of investments

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

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

The holding company reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the forced sale value of

the securities, etc. as per the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer and Small and Medium Enterprises (SMEs) advances, the Group follows the general provision requirement set out in Prudential Regulations. In addition the Group also maintain a general provision against its loan portfolio discussed in note 5.4.

iii) Valuation and impairment of available for sale equity investments and held to maturity investments

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

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

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

v) Income taxes

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

vi) Fixed assets, depreciation and amortisation

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

vii) Defined benefit plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Actuarial Cost Method, as more fully disclosed in note 33 to these consolidated financial statements.

viii) Compensated Absences

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is amortised as an expense over the term of the repo agreement.

Purchase under resale obligation

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

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

5.3 Investments

5.3.1 Investments are classified as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

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

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

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

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

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

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

Loans and advances

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

Finance lease receivables

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

Ijarah

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of "Ijarah", ijarah arrangements by the Islamic Banking branches are accounted for as 'Assets held under Ijarah' and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly assets subject to Ijarahs have been reflected in note 11 to these consolidated financial statements under "Advances". Rental income on these Ijarahs is recognised in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of Ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of ijarah agreement and is charged to the profit and loss account. The classification and provisioning of Ijarah assets is done in line with the requirements laid down in the Prudential Regulations and are recognised in the profit and loss account.

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

5.5 Fixed assets

Tangible - owned (operating)

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 12.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets referred to in note 11.3 is calculated on a straight line basis over the period of Ijarah from the date of delivery of respective assets to the mustajir (lessee) up to the date of maturity / termination of ijarah agreed.

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

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

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

Intangible

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

Intangible includes Trading Rights Entitlement (TRE) Certificate acquired by subsidiary on surrender of stock exchange membership card. Since the fair value of the certificate can not be determined with reasonable accuracy, the entire carrying

value of Stock Exchange Membership Card has been allocated to the shares of Karachi Stock Exchange Limited, and TRE Certificate has been stated at nil value. This certificate has indefinite life.

Capital work-in-progress

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

5.6 Derivative financial instruments

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

5.7 Provisions

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

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

5.8 Taxation

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

Current

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

Deferred

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

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

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

5.9 Employees' benefits

5.9.1 Retirement benefits

Defined benefit plan

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

Effective from 1 January 2013, all actuarial gains and losses are recognised in "Other Comprehensive Income" as they occur, as more fully explained in note 5.21.

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

Defined contribution plan

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

5.9.2 Compensated absences

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

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

5.10 Revenue recognition

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

a) Advances and investments

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

Interest or mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

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

Gains and losses on sale of investments are recognized in the profit and loss account on settlement date.

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

b) Lease financing / Ijarah contracts

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

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

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

c) Fees, brokerage and commission

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

5.11 Off setting

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

5.12 Foreign currencies

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

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

5.13 Segment reporting

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

Business segments

a) Trading and sales

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

b) Retail banking

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

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Geographical segments

The Group conducts all its operations in Pakistan.

5.14 Dividend distribution and appropriations

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

5.15 Earnings per share

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

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

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

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

5.17 Financial instruments

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

5.18 Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. Profit on sale of a commodity not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account (and netted against the receivable balance). Funds disbursed under Murabaha arrangements for purchase of goods are recorded as advance against Murabaha.

5.19 Diminishing Musharika

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

5.20 Assets acquired in satisfaction of claims

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

5.21 Change in accounting policy

During the year the holding company has adopted IAS-19 (Revised) effective from 01 January 2013. The revised standard has removed the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) for defined benefit plans. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in net defined benefit obligations are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The adoption of the revised standard has resulted in a change in the holding company's accounting policy related to recognition of actuarial gains and losses. Consequently, the holding company now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the current and prior period financial statements have been summarized below:

	2013	2012	2011
	Rupees in '000		
Impact on Statement of Financial Position			
Increase in other liabilities	<u>206,280</u>	<u>101,832</u>	<u>70,656</u>
Increase in deferred tax assets - (closing balance on this change)	<u>72,198</u>	<u>35,641</u>	<u>24,730</u>
Decrease in unappropriated profit	<u>134,082</u>	<u>66,191</u>	<u>45,926</u>
Impact on Profit and Loss Account			
Decrease in administrative expenses	<u>6,739</u>	<u>3,329</u>	
Increase in tax expense	<u>(2,359)</u>	<u>(1,165)</u>	
Impact on Other Comprehensive Income			
Recognition of actuarial loss - net of deferred tax	<u>(67,891)</u>	<u>(22,429)</u>	

6. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning as specified below:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods

beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans¹ that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 27 “Consolidated and Separate Financial Statements” – consolidation relief for investments funds (effective for annual periods beginning on or after 1 January 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory - not optional.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
 - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
 - Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
 - IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
Rupees in '000			
In hand			
Local currency		3,504,818	2,928,916
Foreign currencies		1,287,906	562,766
		<u>4,792,724</u>	<u>3,491,682</u>
With State Bank of Pakistan in			
Local currency current accounts	8.1	9,127,690	9,055,127
Foreign currency current account	8.2	134,530	38,708
Foreign currency deposit accounts			
– cash reserve accounts	8.3	1,740,700	1,066,898
– special cash reserve accounts	8.4	5,120,250	3,114,522
		<u>16,123,170</u>	<u>13,275,255</u>
With National Bank of Pakistan in			
Local currency current accounts		276,875	135,383
National Prize Bonds			
		16,005	16,460
		<u>21,208,774</u>	<u>16,918,780</u>

8.1 These accounts are maintained to comply with the statutory cash reserve requirements and include Rs. 974,408 thousand (2012: Rs. 916,768 thousand) in respect of the Islamic Banking branches of the holding company.

8.2 Represents US Dollar collection / settlement account with SBP.

8.3 Represents cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 55,506 thousand (2012: Rs. 46,826 thousand) in respect of the Islamic Banking branches of the holding company.

8.4 Represents special cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 64,669 thousand (2012: Rs. 54,307 thousand) in respect of the Islamic Banking branches of the holding company.

9. BALANCES WITH OTHER BANKS

In Pakistan			
On current accounts		460,186	361,861
On deposit accounts	9.1	24,004	12,556
		<u>484,190</u>	<u>374,417</u>
Outside Pakistan			
On current accounts	9.2	1,488,635	3,319,486
On deposit accounts	9.3	1,579,869	1,457,246
		<u>3,068,504</u>	<u>4,776,732</u>
		<u>3,552,694</u>	<u>5,151,149</u>

9.1 This carry mark-up rate of 7.00% (2012: 6.00%) per annum.

9.2 Include balances in current accounts of Rs. 99,480 thousand (2012: Rs. 77,497 thousand) with branches of the ultimate parent company.

9.3 This carry mark-up rate of 0.11% (2012: 0.10%) per annum.

10. INVESTMENTS

10.1 Investments by types

	Note	2013			2012		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)							
Available-for-sale securities							
Market treasury bills	10.5	54,535,779	–	54,535,779	81,775,464	15,095,547	96,871,011
Pakistan investment bonds	10.6	45,828,229	–	45,828,229	17,834,896	5,780,174	23,615,070
Ordinary shares of listed companies		230,409	–	230,409	849,818	–	849,818
Ordinary shares of unlisted companies		138,955	–	138,955	138,955	–	138,955
Preference shares of listed company		40,000	–	40,000	40,000	–	40,000
Listed term finance certificates		866,305	–	866,305	1,082,970	–	1,082,970
Unlisted term finance certificates		582,963	–	582,963	784,718	–	784,718
Sukuk certificates and bonds		14,096,788	–	14,096,788	19,759,321	–	19,759,321
Open end mutual funds		11,415,046	–	11,415,046	10,298,235	–	10,298,235
Close end mutual funds		–	–	–	58,053	–	58,053
		127,734,474	–	127,734,474	132,622,430	20,875,721	153,498,151
Held-to-maturity securities							
Pakistan investment bonds	10.7	14,112,302	–	14,112,302	4,487,329	–	4,487,329
Investments at cost							
		141,846,776	–	141,846,776	137,109,759	20,875,721	157,985,480
Provision for diminution in the value of investments	10.3	(190,984)	–	(190,984)	(274,242)	–	(274,242)
Investments – net of provisions							
		141,655,792	–	141,655,792	136,835,517	20,875,721	157,711,238
Surplus / (deficit) on revaluation of available-for-sale securities - net	20	671,355	–	671,355	3,659,925	(637,848)	3,022,077
Total Investments after revaluation of available-for-sale securities							
		142,327,147	–	142,327,147	140,495,442	20,237,873	160,733,315

	Note	2013	2012
		Rupees in '000	
10.2 Investments by segments			
Federal government securities			
- Market treasury bills		54,535,779	96,871,011
- Pakistan investment bonds		59,940,531	28,102,399
- GOP ijarah sukuk		12,437,295	18,328,079
		<u>126,913,605</u>	<u>143,301,489</u>
Fully paid up ordinary shares			
- Listed companies		230,409	849,818
- Unlisted companies		138,955	138,955
		<u>369,364</u>	<u>988,773</u>
Fully paid up preference shares			
- Listed company		40,000	40,000
Term finance certificates, sukuk certificates and bonds			
- Listed term finance certificates		866,305	1,082,970
- Unlisted term finance certificates		582,963	784,718
- Sukuk certificates / bonds		1,659,493	1,431,242
		<u>3,108,761</u>	<u>3,298,930</u>
Mutual funds			
- Open end		11,415,046	10,298,235
- Close end		-	58,053
		<u>11,415,046</u>	<u>10,356,288</u>
Total Investments at cost			
Provision for diminution in the value of investments	10.3	<u>(190,984)</u>	<u>(274,242)</u>
Investments - net of provisions			
Surplus on revaluation of available-for-sale securities - net	20	<u>671,355</u>	<u>3,022,077</u>
Investments after revaluation of available-for-sale securities			
		<u><u>142,327,147</u></u>	<u><u>160,733,315</u></u>

	2013	2012
	Rupees in '000	
10.3 Particulars of provision for diminution in the value of investments		
- Opening balance	274,242	338,722
- Charge for the year	4,323	42,252
- Recovered during the year	(6,203)	(9,753)
- Net (reversal) / charge for the year	(1,880)	32,499
- Reversal of provision on disposal of investments	(81,378)	(67,786)
- Investments written off during the year	-	(29,193)
- Closing balance	<u>190,984</u>	<u>274,242</u>
10.3.1 Particulars of provision in respect of type and segment		
Available-for-sale securities		
Fully paid-up ordinary shares		
Listed companies	-	47,460
Unlisted companies	72,356	70,583
Fully paid-up preference shares		
Listed company	38,360	38,360
Term finance certificates, sukuk certificates and bonds		
Unlisted term finance certificates	28,290	26,037
Sukuk certificates / bonds	51,978	57,885
Mutual funds		
Close end	-	33,917
	<u>190,984</u>	<u>274,242</u>

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

10.5 These carry mark-up rates ranging from 8.95% to 9.91% (2012: 9.14% to 10.34%) per annum and will mature up to 12 June 2014.

10.6 These carry mark-up rates ranging from 11.25% to 12.00% (2012: 9.00% to 12.00%) per annum and will mature up to 19 July 2022. These includes 158,500 thousand (2012: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

10.7 These carry mark-up rate ranging from 11.25% to 12.00% (2012: 12.00%) per annum and will mature up to 19 July 2022.

	Note	2013	2012
		Rupees in '000	
11. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		118,698,461	99,708,381
Net investment in finance lease / ijarah financing			
In Pakistan	11.2	490,079	488,868
Assets held under Ijarah	11.3	174,511	350,465
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		5,511,266	4,555,113
Payable outside Pakistan		19,269,633	17,730,367
		24,780,899	22,285,480
Advances – gross		144,143,950	122,833,194
Provision against non-performing advances			
- specific		(13,455,861)	(12,035,322)
- general		(854,152)	(353,674)
	11.6	(14,310,013)	(12,388,996)
Advances – net of provisions		129,833,937	110,444,198
11.1 Particulars of advances – gross			
11.1.1 In local currency		115,796,147	103,395,499
In foreign currencies		28,347,803	19,437,695
		144,143,950	122,833,194
11.1.2 Short term (for upto one year)		130,784,830	109,048,519
Long term (for over one year)		13,359,120	13,784,675
		144,143,950	122,833,194

11.2 Net investment in finance lease / ijarah financing

	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	134,122	317,799	24,582	476,503	121,757	266,876	50,687	439,320
Residual value	20,399	68,171	995	89,565	26,212	90,692	1,512	118,416
Minimum lease payments	154,521	385,970	25,577	566,068	147,969	357,568	52,199	557,736
Financial charges for future periods	(16,497)	(45,920)	(13,572)	(75,989)	(21,359)	(37,198)	(10,311)	(68,868)
Present value of minimum lease payments	138,024	340,050	12,005	490,079	126,610	320,370	41,888	488,868

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

11.3 Net book value of investments in Ijarah under IFAS-2 is net of depreciation of Rs. 359,201 thousand (2012: 390,590 thousand).

11.4 Advances include Rs. 16,973,536 thousand (2012 : Rs.17,729,487 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2013			2012		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	14,053	386	386	154,747	34,369	34,369
Doubtful	134,771	29,102	29,102	2,246,483	673,447	673,447
Loss	16,824,712	13,426,373	13,426,373	15,328,257	11,327,506	11,327,506
	<u>16,973,536</u>	<u>13,455,861</u>	<u>13,455,861</u>	<u>17,729,487</u>	<u>12,035,322</u>	<u>12,035,322</u>

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

During the current year, the holding company decided to avail additional forced value (FSV) benefit under BSD Circular NO. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing advances by Rs. 176,772 thousand. Further, as of 31 December 2013, had the benefit of FSVs (including those availed upto previous year) not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 3,448,343 thousand (2012: Rs. 4,267,737 thousand) and accumulated profit would have been lower by Rs. 2,241,423 thousand (2012: Rs. 2,774,029 thousand). This amount of Rs. 2,241,423 thousand is not available for distribution of cash and stock dividend to the shareholders.

11.6 Particulars of provision against non-performing advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		12,035,322	353,674	12,388,996	9,928,671	94,263	10,022,934
Charge for the year		2,182,078	500,478	2,682,556	3,575,401	259,411	3,834,812
Reversals		(571,446)	-	(571,446)	(1,173,564)	-	(1,173,564)
Net charge for the year		1,610,632	500,478	2,111,110	2,401,837	259,411	2,661,248
Amount written off	11.8	(190,093)	-	(190,093)	(295,186)	-	(295,186)
Closing balance	11.7	<u>13,455,861</u>	<u>854,152</u>	<u>14,310,013</u>	<u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>

11.6.1 General provision includes provision of Rs. 2,894 thousand (2012: Rs. 5,385 thousand) made against consumer portfolio maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan. Moreover, general provision also includes provision of Rs. 37,450 thousand made against Small and Medium Enterprises (SMEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

11.7 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Against local currency exposure	13,245,598	854,152	14,099,750	11,830,082	353,674	12,183,756
Against foreign currencies exposure	210,263	–	210,263	205,240	–	205,240
	<u>13,455,861</u>	<u>854,152</u>	<u>14,310,013</u>	<u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>

Note

2013

2012

Rupees in '000

11.8 Particulars of write-offs

11.8.1 Against provisions	11.6	190,093	295,186
Directly charged to profit and loss account		–	–
		<u>190,093</u>	<u>295,186</u>
11.8.2 Write-offs of Rs. 500,000/- and above		189,555	284,119
Write-offs of below Rs. 500,000/-		538	11,067
		<u>190,093</u>	<u>295,186</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2013 is enclosed as Annexure II.

11.10 Particulars of loans and advances to directors, associated companies, subsidiary etc.

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

Balance at beginning of year	947,197	809,889
Loans granted during the year	626,888	465,351
Repayments	(357,664)	(328,043)
Balance at end of year	<u>1,216,421</u>	<u>947,197</u>

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

Balance at beginning of year	1,602,820	1,776,952
Loans granted during the year	37,133,684	28,892,000
Repayments	(36,716,491)	(29,066,132)
Balance at end of year	<u>2,020,013</u>	<u>1,602,820</u>

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	Note	2013	2012
Rupees in '000			
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	40,100	23,255
Property and equipment	12.2	2,994,469	2,976,428
Intangible assets	12.3	957	1,144
		<u>3,035,526</u>	<u>3,000,827</u>
12.1 Capital work-in-progress			
Civil works	12.1.1	16,635	16,113
Equipments		23,465	7,142
		<u>40,100</u>	<u>23,255</u>

12.1.1 This represents renovation being carried out at various locations.

12.2 PROPERTY AND EQUIPMENT

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 01 January 2013	Additions/ (deletions)	As at 31 December 2013	As at 01 January 2013	Charge for the year/ (deletions)	As at 31 December 2013	As at 31 December 2013	
Rupees in '000								
Leasehold land	7,488	-	7,488	1,117	112	1,229	6,259	1.49
Buildings / office premises on freehold land	634,313	-	634,313	133,188	23,422	156,610	477,703	4
Buildings / office premises on leasehold land	1,981,032	- (58,235)	1,922,797	483,721	70,110 (6,329)	547,502	1,375,295	4
Furniture and fixtures, office and computer equipment	984,129	280,658 (19,124)	1,245,663	621,537	178,668 (17,281)	782,924	462,739	15 & 25
Vehicles	15,960	1,057 (144)	16,873	10,561	1,771 (120)	12,212	4,661	20
Leasehold improvements	1,243,751	260,221 (1)	1,503,971	640,121	196,039 (1)	836,159	667,812	20
2013	<u>4,866,673</u>	<u>541,936 (77,504)</u>	<u>5,331,105</u>	<u>1,890,245</u>	<u>470,122 (23,731)</u>	<u>2,336,636</u>	<u>2,994,469</u>	

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 01 January 2012	Additions/ (deletions)	As at 31 December 2011	As at 01 January 2012	Charge for the year/ (deletions)	As at 31 December 2011	As at 31 December 2012	
	Rupees in '000							
Freehold land	22,690	- (22,690)	-	-	-	-	-	-
Leasehold land	50,688	- (43,200)	7,488	2,430	317 (1,630)	1,117	6,371	1.49
Buildings / office premises on freehold land	646,063	- (11,750)	634,313	111,921	23,656 (2,389)	133,188	501,125	4
Buildings / office premises on leasehold land	1,981,032	-	1,981,032	412,603	71,118	483,721	1,497,311	4
Furniture and fixtures, office and computer equipment	873,086	152,568 (41,525)	984,129	497,209	161,083 (36,755)	621,537	362,592	15 & 25
Vehicles	14,239	27,885 (26,164)	15,960	8,747	3,701 (1,887)	10,561	5,399	20
Leasehold improvements	992,153	264,689 (13,091)	1,243,751	459,082	193,667 (12,628)	640,121	603,630	20
2012	4,579,951	445,142 (158,420)	4,866,673	1,491,992	453,542 (55,289)	1,890,245	2,976,428	

12.2.1 The cost of fully depreciated assets still in use is Rs. 894,427 thousands (2012: Rs.593,491 thousands).

12.2.2 Carrying amount of idle property held as at 31 December 2013 is Rs. 291,560 thousands (2012: Rs. 516,761 thousands). These properties has been temporarily kept idle.

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

Particulars	Cost	Book Value	Sale Proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Building / Office Premises on leasehold land	28,528	25,868	50,000	Best available quotation	M/s. Dalda Foods (Private) Ltd.
Building / Office Premises on leasehold land	29,707	26,039	50,000	Best available quotation	M/s. Dalda Foods (Private) Ltd.
	<u>58,235</u>	<u>51,907</u>	<u>100,000</u>		

12.3 Intangible assets

The cost of fully amortised intangible assets (computer software) still in use by the holding company is Rs. 27,875 thousand (2012: Rs. 27,875 thousand) and intangible assets (computer software) of the subsidiary company having cost and amortisation of Rs. 1,414 of Rs. 456 thousand respectively. Intangible assets of the subsidiary also include Trading Entitlement (TRE) Certificate stated at NIL value, as further explained in note 5.5.

	Note	2013	2012
Rupees in '000			
13. DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
– Provision against diminution in the value of investments		57,255	66,050
– Provisions against non-performing advances (including off-balance sheet obligations)	29.3	3,131,045	3,424,087
– Provision against other assets		96,250	96,250
– Defined benefit plan		105,333	36,806
– Pre operation expenses of the subsidiary		–	152
		3,389,883	3,623,345
Deferred tax credits arising due to:			
– Surplus on revaluation of investment securities		(51,643)	(835,823)
– Accelerated depreciation		(391,085)	(475,635)
		(442,728)	(1,311,458)
Net deferred tax asset		2,947,155	2,311,887

13.1 Reconciliation of deferred tax

	Balance as at 01 January 2012	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2012	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2013
Rupees in '000							
Deferred tax debits arising in respect of							
Provision against diminution in value of investments	90,043	(23,993)	–	66,050	(8,795)	–	57,255
Provision against non-performing advances (including off-balance sheet obligations) - note 29.3	2,549,617	874,470	–	3,424,087	(293,042)	–	3,131,045
Provision against other assets	–	96,250	–	96,250	–	–	96,250
Pre operating expenses of the subsidiary	472	(320)	–	152	(152)	–	–
Defined benefit plan	24,730	–	12,076	36,806	31,970	36,557	105,333
	2,664,862	946,407	12,076	3,623,345	(270,019)	36,557	3,389,883
Deferred tax credits arising due to							
Surplus on revaluation of investment securities	(129,104)	–	(706,719)	(835,823)	–	784,180	(51,643)
Accelerated depreciation	(490,516)	14,881	–	(475,635)	84,549	–	(391,085)
	(619,620)	14,881	(706,719)	(1,311,458)	84,549	784,180	(442,728)
Net deferred tax asset	2,045,242	961,288	(694,643)	2,311,887	(185,470)	820,737	2,947,155

	Note	2013	2012
		Rupees in '000	
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency		4,870,280	3,264,972
Income / mark-up / profit accrued in foreign currencies		57,706	38,941
Advances, deposits, advance rent and other prepayments		415,164	418,726
Advance Tax (payments less provisions)		346,056	-
Branch adjustment account		4,468	533
Unrealized gain on forward foreign exchange contracts		1,224,538	645,145
Receivable from the SBP against encashment of government securities		103,318	217,063
Stationery and stamps on hand		36,821	32,821
Advance payments against ijarah		4,686	4,511
Advance payments against diminishing musharika		197,486	-
Advance payments against murabaha		70,980	100,657
Non-banking assets acquired in satisfaction of claims	14.1	1,110,031	921,813
Receivable from customers against brokerage services		40,831	12,715
Others		283,039	367,034
		<u>8,765,404</u>	<u>6,024,931</u>
Less: Provision against other assets	14.2	<u>(275,000)</u>	<u>(275,000)</u>
		<u>8,490,404</u>	<u>5,749,931</u>
14.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,308,975</u>	<u>1,261,515</u>
14.2 Provision held against other assets			
Opening balance		275,000	275,000
Charge for the year		-	-
Closing balance		<u>275,000</u>	<u>275,000</u>
15. BILLS PAYABLE			
In Pakistan		<u>3,982,213</u>	<u>4,092,268</u>
16. BORROWINGS			
In Pakistan		20,732,048	41,054,628
Outside Pakistan		2,324,954	4,048,012
		<u>23,057,002</u>	<u>45,102,640</u>
16.1 Particulars of borrowings in respect of currencies			
In local currency		20,732,048	41,054,628
In foreign currencies		2,324,954	4,048,012
		<u>23,057,002</u>	<u>45,102,640</u>

	Note	2013	2012
Rupees in '000			
16.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan			
– under export refinance scheme		18,679,476	18,810,750
– under long term financing - export oriented projects		136,751	331,383
– under long term financing facility - locally manufactured plant and machinery		1,796,348	1,567,889
	16.2.1	<u>20,612,575</u>	<u>20,710,022</u>
Repurchase agreement borrowings (Repo)	16.2.2	–	20,220,736
Against bills re-discounting	16.2.3	1,925,129	3,533,471
		<u>22,537,704</u>	<u>44,464,229</u>
Unsecured			
Overdrawn nostro accounts		399,825	514,541
Overdrawn local bank accounts		119,473	123,870
		<u>519,298</u>	<u>638,411</u>
		<u>23,057,002</u>	<u>45,102,640</u>

16.2.1 These carrying mark-up rates ranging between 5.00% to 8.40% (2012: 5.00% to 10.00%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

16.2.2 This represents balance of repurchase agreement borrowings transactions (repo borrowings) with SBP / other financial institutions and are secured against Federal Government Securities and carry mark-up rate Nil (2012: 8.85%) per annum.

16.2.3 This represents due against re-discounting of foreign documentary bills purchased. The balance carries discount rates ranging from 0.75% to 1.25%.

	Note	2013	2012
		Rupees in '000	
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		100,894,176	93,541,355
Savings deposits		73,259,593	54,785,453
Current accounts (non-remunerative)		66,060,951	53,335,479
Others		3,085,411	2,369,674
		<u>243,300,131</u>	<u>204,031,961</u>
Financial institutions			
Remunerative deposits		3,660,137	13,169,786
Non-remunerative deposits		547,450	469,085
		<u>4,207,587</u>	<u>13,683,871</u>
		<u>247,507,718</u>	<u>217,670,832</u>
17.1 Particulars of deposits			
In local currency		212,426,533	196,125,849
In foreign currencies		35,081,185	21,544,983
		<u>247,507,718</u>	<u>217,670,832</u>
18. OTHER LIABILITIES			
			Restated
Mark-up / return / interest payable in local currency		4,785,771	5,235,079
Mark-up / return / interest payable in foreign currencies		108,035	47,952
Unearned commission and income on bills discounted		127,402	123,563
Accrued expenses		329,165	353,010
Current taxation (provisions less payments)		-	650,304
Provision against off-balance sheet obligations	18.1	98,727	98,727
Unclaimed dividend		6,462	4,013
Unrealized loss on forward foreign exchange contracts		1,180,240	653,777
Workers' welfare fund	28.1	326,990	426,902
Excise duty payable		2,042	2,113
Locker deposits		492,477	431,258
Advance against diminishing musharika		55,040	64,481
Advance rental for ijarah		8,725	11,577
Security deposits against leases / ijarah		172,750	245,835
Sundry creditors		150,295	149,716
Withholding tax / duties		72,650	47,985
Provision for compensated absences		186,401	149,405
Deferred liabilities on defined benefit plan	33.3	297,624	101,832
Due to customers against brokerage transactions		71,295	19,000
Others		391,331	439,208
		<u>8,863,421</u>	<u>9,255,736</u>

	2013	2012		Rupees in '000
18.1 Provision against off-balance sheet obligations				
Opening balance	98,727	38,922		
Charge for the year	-	59,805		
Closing balance	<u>98,727</u>	<u>98,727</u>		
19. SHARE CAPITAL				
19.1 Authorised capital				
	2013	2012		
	(Number of shares)			
	<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u> <u>12,000,000</u>
19.2 Issued, subscribed and paid-up capital				
			Ordinary shares of Rs. 10/- each	
	30,000,000	30,000,000	- issued for cash	300,000 300,000
	92,500,000	92,500,000	- issued upon amalgamation	925,000 925,000
	925,331,480	925,331,480	- issued as bonus shares	9,253,315 9,253,315
	<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u> <u>10,478,315</u>
19.3	As of the date of statement of financial position, ultimate parent company held 534,394 thousand (2012: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).			
20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX				
Available-for-sale securities				
Federal government securities				
Market treasury bills	(91,715)	371,564		
Pakistan investment bonds	(92,551)	1,588,221		
GOP ijarah sukuk	128,978	159,938		
Fully paid-up ordinary shares and mutual funds				
Listed shares and mutual funds	726,604	885,053		
Fully paid-up preference shares				
Listed company	6,720	2,561		
Term finance certificates, sukuk certificates and bonds				
Listed term finance certificates	(17,751)	10,814		
Unlisted term finance certificates	16,512	7,745		
Sukuk certificates / bonds	(5,442)	(3,819)		
	<u>671,355</u>	<u>3,022,077</u>		
Related deferred tax liability - net	(51,643)	(835,823)		
	<u>619,712</u>	<u>2,186,254</u>		

21. CONTINGENCIES AND COMMITMENTS	2013	2012
	Rupees in '000	
21.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	<u>31,670</u>	<u>47,341</u>
21.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	16,417,161	12,770,916
ii) Banking companies and other financial institutions	170,040	121,472
iii) Others	3,566,742	2,896,002
	<u>20,153,943</u>	<u>15,788,390</u>
21.3 Trade-related contingent liabilities		
Letters of credit	<u>60,413,234</u>	<u>51,509,313</u>
Acceptances	<u>10,821,099</u>	<u>7,993,332</u>
21.4 Commitments in respect of forward exchange contracts		
Purchase	<u>58,594,354</u>	<u>45,136,165</u>
Sale	<u>60,959,246</u>	<u>51,020,826</u>
21.5 Commitments in respect of operating leases		
Not later than one year	20,293	7,578
Later than one year and not later than five years	25,019	8,111
	<u>45,312</u>	<u>15,689</u>
<p>The Group has entered into non-cancellable lease agreements with a Modaraba which has been duly approved by their Religious Board as ijarah transactions. The monthly rental instalments are spread over a period of 36 months. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.</p>		
21.6 Commitments for the acquisition of operating fixed assets	<u>19,791</u>	<u>35,018</u>
21.7 Claims against bank not acknowledged as debt	<u>2,154,916</u>	<u>2,332,580</u>
21.8 Commitments in respect of forward lendings		

The Group 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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

23. MARK-UP / RETURN / INTEREST EARNED

	2013	2012
	Rupees in '000	
On loans and advances to:		
Customers	10,817,085	12,697,624
Financial institutions	82,577	12,283
	<u>10,899,662</u>	<u>12,709,907</u>
On investments in:		
Available-for-sale securities	11,626,156	14,829,637
Held-to-maturity securities	1,238,628	357,838
	<u>12,864,784</u>	<u>15,187,475</u>
On deposits with financial institutions	353,336	187,573
On securities purchased under resale agreements (Reverse repo)	523,889	481,628
	<u>24,641,671</u>	<u>28,566,583</u>

24. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	11,655,297	13,494,075
Securities sold under repurchase agreements (Repo)	1,163,232	3,343,931
Short term borrowings	2,592,238	2,602,476
Long term borrowings	158,997	213,564
	<u>15,569,764</u>	<u>19,654,046</u>

	Note	2013	2012
		Rupees in '000	
25. GAIN ON SALE / REDEMPTION OF SECURITIES – NET			
Federal government securities			
Market treasury bills		196,186	460,913
Pakistan investment bonds		13,662	16,815
Fully paid-up ordinary shares			
Listed companies		209,774	60,454
Unlisted companies		–	26,123
Term finance certificate, sukuk certificates and bonds		45,079	99,634
Mutual funds		874,193	410,147
		<u>1,338,894</u>	<u>1,074,086</u>
26. OTHER INCOME			
Rent on properties		29,953	27,623
Net gain on sale of fixed assets		56,698	16,360
Recovery of charges from customers	26.1	151,200	135,538
Incidental charges or service charges		63,212	49,918
Gain on sale of ijarah assets		1,271	16,604
Staff notice period and other recoveries		1,986	3,828
		<u>304,320</u>	<u>249,871</u>

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

	Note	2013	2012
		Rupees in '000	
27. ADMINISTRATIVE EXPENSES			Restated
Salaries, allowances etc.		3,084,076	2,674,137
Contract staff		131,096	119,193
Charge for defined benefit plan	33.5	91,344	70,583
Contribution to defined contribution plan		113,960	101,308
Non-executive directors' fees, allowances and other expenses		8,110	4,410
Brokerage and commission		59,313	108,450
Rent, taxes, insurance, electricity etc.		929,694	818,914
Legal and professional charges		111,240	116,341
Communication		228,886	160,332
Repairs and maintenance		204,011	196,304
Rentals of operating leases		12,219	26,640
Stationery and printing		96,647	89,101
Management fee		169,687	166,688
Advertisement and publicity		75,202	68,931
Donations	27.1	35,462	33,414
Auditors' remuneration	27.2	4,217	7,921
Depreciation and amortization	12.2	470,578	453,542
Security charges		170,585	116,842
Travelling and conveyance		62,667	64,554
Computer software maintenance		46,620	46,015
Motor car running		75,785	62,043
Cartage, handling and freight charges		51,803	45,018
Subscriptions		127,961	78,319
Others		158,153	143,029
		<u>6,519,316</u>	<u>5,772,029</u>

27.1 Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

DONEE

The Citizens Foundation	9,900	9,000
Habib University Foundation	6,000	2,500
Sindh Institute of Urology and Transplantation (SIUT)	2,000	1,000
Fatimiyah Education Network (KPSIAJ)	1,000	250
Habib Medical Trust	960	960
Habib Poor Fund	960	960
Al-Sayyeda Benevolent Trust	960	960
RahmatBai Habib Food & Clothing Trust	960	960
RahmatBai Habib Widows & Orphan Trust	960	960
Zehra Homes	750	480
Patients' Aid Foundation	700	250
Pakistan Memon Educational & Welfare Society	600	600
Bait-ul-Sukoon	500	1,200

DONEE

	2013	2012
	Rupees in '000	
Memon Health and Education Foundation	500	1,200
Abdul Sattar Edhi Foundation	500	500
Caravan of Life (Pak) Trust	500	500
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
The Kidney Centre	500	350
Afzaal Memorial Thalassemia Foundation	500	500
Aziz Tabba Foundation (Tabba Heart Institute)	500	–
Developments in Literacy	350	–
Abbas-e-Alamdar Hostel	300	660
Dhoraji Association	300	–
Al-Umeed Rehabilitation Association	250	250
Anjuman Behbood-e-Samat-e-Atfal	250	250
Bantva Memon Jamat	250	250
Bantva Memon Rahat Committee	250	250
Dar-ul-Sukun	250	250
Pak Medical and Welfare Trust	250	250
Shaukat Khanum Memorial Trust	250	250
The Indus Hospital	250	250
Saylani Welfare International Trust	250	–
The Aman Foundation	250	–
Ahmed Abdullah Foundation (MA Ayesha Memorial Centre)	200	200
Kashmir Education Foundation	200	200
IDA Rieu Poor Welfare Association	200	200
Sanjan Nagar Public Education Trust	200	–
Milestone Charitable Trust	162	54
Bantva Anjuman Himayat-e-Islam	150	150
Academy of Quaranic Studies	120	120
Marie Adelaide Leprosy Centre	100	288
Mohamedali Habib Welfare Trust	–	2,500
M.B.J. Health Association	–	500
Patients Welfare Association	–	250
Poor Patients Aid Society Civil Hospital Karachi	–	250
Rotary Club of Karachi Continental	–	250
Chhipa Welfare Association	–	250
Muhammadi Blood Bank Transfusion Service Welfare Association	–	250
True Worth Foundation	–	250
Child Aid Association	–	150
The Captain Foundation	–	150

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2013 and 2012 except for donations paid to :

Name of Donee	Directors	Interest in Donee as
Habib Medical Trust, Karachi	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib Poor Fund, Karachi	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib University Foundation, Karachi	Mr. Ali S. Habib Mr. Bashir Ali Mohammad Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
Mohamedali Habib Welfare Trust, Karachi	Mr. Ali S. Habib	Member of the Board of Trustees
Shaukat Khanum Memorial Trust, Lahore	Mr. Ali S. Habib	Member of the Board of Governors

27.2 Auditors' remuneration	Note	2013	2012
		Rupees in '000	
Audit fee		1,825	1,691
Review of half-yearly financial statements		608	598
Certifications and agreed upon procedures engagements		929	4,822
Out-of-pocket expenses		855	810
		<u>4,217</u>	<u>7,921</u>

28. OTHER CHARGES

Penalties imposed by the SBP		17,254	67,272
Workers' welfare fund	28.1	128,538	156,609
		<u>145,792</u>	<u>223,881</u>

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

29. TAXATION

For the year			
Current		1,979,748	2,534,010
Deferred		(466,460)	(961,288)
		<u>1,513,288</u>	<u>1,572,722</u>
For prior years			
Current		(574,692)	72,244
Deferred		651,930	-
		<u>77,238</u>	<u>72,244</u>
	29.2	<u>1,590,526</u>	<u>1,644,966</u>

29.1 a) Habib Metropolitan Bank Limited (holding company)

Income tax assessments of the Bank have been finalised up to the tax year 2013 (corresponding to the accounting year ended 31 December 2012). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATR). However, adequate provisions are being held by the holding company.

b) Habib Metropolitan Financial Services Limited (subsidiary company)

The subsidiary company has filed returns of total income upto the tax year 2013 (financial year ended 31 December 2012) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

29.2 Relationship between tax expense and accounting profit

	2013	2012
	Rupees in '000	
Profit before tax	<u>5,117,294</u>	<u>5,041,324</u>
Tax at the applicable tax rate of 35% (2012: 35%)	1,791,053	1,764,463
Tax effect of income taxed at reduced rates	(229,926)	(151,966)
Prior years charge	77,238	72,244
Others	(47,839)	(39,775)
Tax charge for the year	<u>1,590,526</u>	<u>1,644,966</u>

29.3 Through Finance Act, 2010, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items of the Bank are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances.

Further, Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs.3,131,045 thousand (2012: Rs. 3,424,087 thousand).

	Note	2013	2012
		Rupees in '000	
			(Restated)
30. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>3,526,768</u>	<u>3,396,358</u>
		(Number in '000)	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		(Rupees)	
Basic and diluted earnings per share		<u>3.37</u>	<u>3.24</u>
31. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	21,208,774	16,918,780
Balances with other banks	9	3,552,694	5,151,149
Overdrawn nostro accounts	16.2	(399,825)	(514,541)
Overdrawn local bank accounts	16.2	(119,473)	(123,870)
		<u>24,242,170</u>	<u>21,431,518</u>
32. STAFF STRENGTH			
		(Number)	
Permanent		2,678	2,418
Temporary / on contractual basis		310	311
Bank's own staff strength at end of the year		<u>2,988</u>	<u>2,729</u>
Outsourced		593	574
Total Staff strength		<u>3,581</u>	<u>3,303</u>

33. DEFINED BENEFIT PLAN

33.1 General description

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

33.2 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2013 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2013	2012
Discount rate - percent (per annum)	13.00	11.50
Expected rate of return on plan assets - percent (per annum)	13.00	11.50
Long term rate of salary increase - percent (per annum)	12.00	11.50

	Note	2013	2012
Rupees in '000			
33.3 Reconciliation of payable to defined benefit plan			
Fair value of plan assets	33.6	518,394	512,140
Present value of defined benefit obligations	33.7	(816,018)	(613,972)
Amount payable to the plan (deficit)		<u>(297,624)</u>	<u>(101,832)</u>

The above balance includes actuarial losses of Rs. 206,280 thousand (2012: Rs. 101, 832 thousand).

33.4 Movement in payable to defined benefit plan

Opening balance (acutarial losses)		101,832	70,656
Defined benefit charge to profit and loss	33.5	91,344	70,583
Defined benefit charged to other comprehensive income - actuarial loss for the year	33.8	104,448	34,505
Contribution to the fund	33.6	-	(73,912)
Closing balance		<u>297,624</u>	<u>101,832</u>

33.5 Charge for defined benefit plan

Current service cost	33.7	79,634	59,672
Net interest	33.7	69,056	60,808
Expected return on plan asset	33.6	(57,346)	(49,897)
Total charge recognised in the profit and loss account		<u>91,344</u>	<u>70,583</u>

33.6 Movement in fair value of plan assets

Opening balance		512,140	436,189
Expected return on plan assets	33.5	57,346	49,897
Actuarial loss recognised in 'Other Comprehensive Income'	33.8	(24,126)	(7,089)
Benefits paid	33.7	(26,966)	(40,769)
Contribution to the fund	33.4	-	73,912
Closing balance		<u>518,394</u>	<u>512,140</u>

33.7 Movement in present value of defined benefit obligation

Opening balance		613,972	506,845
Current service cost	33.5	79,634	59,672
Interest cost	33.5	69,056	60,808
Actuarial loss recognised in 'Other Comprehensive Income'	33.8	80,322	27,416
Benefit paid	33.6	(26,966)	(40,769)
Closing balance		<u>816,018</u>	<u>613,972</u>

	Note	2013	2012		
		Rupees in '000			
33.8 Annual actuarial loss recognised in 'Other Comprehensive Income'					
Experience loss on obligation	33.7	80,322	27,416		
Experience loss on plan assets	33.6	24,126	7,089		
Total loss recognised during the year	33.4	<u>104,448</u>	<u>34,505</u>		
33.9 Actual return on plan assets		<u>33,220</u>	<u>42,808</u>		
33.10 Plan assets comprise the following:					
		2013		2012	
		Rupees in '000	%	Rupees in '000	%
Bank deposits	33.10.1	250,923	48%	512,140	100%
Government securities (Pakistan Investment Bonds)		267,471	52%	-	-
		<u>518,394</u>	<u>100%</u>	<u>512,140</u>	<u>100%</u>
33.10.1		The amount represents balance deposited with the branches of the holding company.			
33.11 Re-measurements recognised in 'Other Comprehensive Income' during the year					
		2013	2012		
		Rupees in '000			
Actuarial gain / loss on obligation					
- Demographic assumption		(9,313)	-		
- Financial assumptions		(91,931)	(2,579)		
- Experience adjustment		181,566	29,995		
Return on plan assets over interest income		(33,220)	(42,808)		
Adjustment for mark-up		57,346	49,897		
Total re-measurements recognised in other comprehensive income		<u>104,448</u>	<u>34,505</u>		

33.12 Sensitivity analysis

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

	2013 Rupees in '000
Increase in Discount Rate by 1 %	(95,255)
Decrease in Discount Rate by 1 %	114,186
Increase in expected future increment in salary by 1%	113,090
Decrease in expected future increment in salary by 1%	(96,031)
Increase in expected withdrawal rate by 1%	(516)
Decrease in expected withdrawal rate by 1%	524
Increase in expected mortality rate by 1%	(140)
Decrease in expected mortality rate by 1%	147

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

33.13 Historical information

	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	816,018	613,972	506,845	420,087	355,096
Fair value of plan assets	(518,394)	(512,140)	(436,189)	(337,025)	(250,760)
Deficit	<u>297,624</u>	<u>101,832</u>	<u>70,656</u>	<u>83,062</u>	<u>104,336</u>
Actuarial loss / (gain) on obligation	<u>80,322</u>	<u>27,416</u>	<u>(2,470)</u>	<u>1,390</u>	<u>45,067</u>
Actuarial loss / (gain) on assets	<u>24,126</u>	<u>7,089</u>	<u>(4,071)</u>	<u>(14,060)</u>	<u>4,529</u>

34. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for permanent employees. The employer and employee each contributes 10% of the basic salary to the funded scheme every month.

35 . COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Fees	-	-	8,110	4,410	-	-
Managerial remuneration	52,399	59,426	-	-	2,254,650	1,863,238
Charge for defined benefit plan	192	254	-	-	57,009	46,943
Contribution to defined contribution plan	2,760	3,660	-	-	70,378	63,753
Utilities	3,135	-	*1,756	*1,668	6,002	-
Bonus	363	522	-	-	199,962	170,102
Others	-	4,566	*5,775	*6,024	-	4,175
	<u>58,849</u>	<u>68,428</u>	<u>15,641</u>	<u>12,102</u>	<u>2,588,001</u>	<u>2,148,211</u>
Number of persons (including of a subsidiary)	<u>2</u>	<u>3</u>	<u>7</u>	<u>7</u>	<u>929</u>	<u>835</u>

* These amounts pertain to the Executive Director

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The maturity and repricing profile and effective rates are stated in notes 41.5 and 41.4 respectively.

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

36.1 Off-balance sheet financial instruments

	2013		2012	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	<u>58,594,354</u>	<u>57,878,184</u>	<u>45,136,165</u>	<u>45,310,795</u>
Forward sale of foreign exchange contracts	<u>60,959,246</u>	<u>61,719,714</u>	<u>51,020,826</u>	<u>51,310,339</u>

37 Trust activities

The holding company acts as a trustee of the following funds:

- Pakistan Cash Management Fund
- Pakistan Pension Fund
- Pakistan Islamic Pension Fund

The assets of the funds are not the assets of the holding company and therefore are not included in the statement of financial position.

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	14,177,521	7,728,160	14,022,959	35,928,640
Total expenses *	(11,418,883)	(6,458,995)	(12,933,468)	(30,811,346)
Net income	<u>2,758,638</u>	<u>1,269,165</u>	<u>1,089,491</u>	<u>5,117,294</u>
Segment assets	156,899,735	1,391,052	153,104,850	311,395,637
Segment non performing loans	237,046	4,106	16,732,384	16,973,536
Segment provision required	98,224	4,106	13,353,531	13,455,861
Segment liabilities	2,384,912	121,372,644	159,652,798	283,410,354
Segment return on net assets (%)	9.00%	6.37%	8.78%	
Segment cost of funds (%)	7.32%	5.32%	8.02%	

	2012			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	17,465,899	8,522,160	12,007,848	37,995,907
Total expenses *	(14,421,915)	(6,690,041)	(11,842,627)	(32,954,583)
Net income	<u>3,043,984</u>	<u>1,832,119</u>	<u>165,221</u>	<u>5,041,324</u>
Segment assets	174,427,551	1,102,977	128,779,559	304,310,087
Segment non performing loans	279,636	11,766	17,438,085	17,729,487
Segment provision required	69,514	7,940	11,957,868	12,035,322
Segment liabilities	20,752,589	109,273,979	146,094,908	276,121,476
Segment return on net assets (%)	10.01%	7.80%	9.32%	
Segment cost of funds (%)	8.27%	6.12%	9.20%	

* Includes Rs. 6,467,244 thousands (2012: Rs. 4,551,075 thousands) of inter-segment revenues and expenses.

39. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its ultimate parent company, companies with common directorship, key management personnel, directors and employees retirement benefit plans.

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

31 December 2013

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	91,390	6,010,887	24,338	151,459	1,830,080	8,108,154
Received during the year	17,604,101	752,573,987	261,968	1,036,460	6,186,611	777,663,127
Repaid during the year	(17,516,166)	(753,364,718)	(260,517)	(881,144)	(6,939,636)	(778,962,181)
At end of the year	<u>179,325</u>	<u>5,220,156</u>	<u>25,789</u>	<u>306,775</u>	<u>1,077,055</u>	<u>6,809,100</u>
Advances						
At beginning of the year	-	1,602,820	26,101	-	-	1,628,921
Disbursed during the year	-	37,133,684	70,682	-	-	37,204,366
Recovered during the year	-	(36,716,491)	(20,317)	-	-	(36,736,808)
At end of the year	<u>-</u>	<u>2,020,013</u>	<u>76,466</u>	<u>-</u>	<u>-</u>	<u>2,096,479</u>
Bank balances held by the Bank	<u>99,480</u>	<u>208,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,992</u>
Over drawn bank balances held by the Bank	<u>-</u>	<u>72,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,336</u>
Mark-up / return / interest receivable	<u>6</u>	<u>13,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,094</u>
Mark-up / return / interest payable	<u>-</u>	<u>131,556</u>	<u>950</u>	<u>2,097</u>	<u>96,065</u>	<u>230,668</u>
Management fee payable for technical and consultancy services *	<u>164,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,350</u>
Prepayments / advance deposits	<u>-</u>	<u>4,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,561</u>
Insurance premium and other payable	<u>-</u>	<u>27,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,689</u>
Transaction-related contingent liabilities	<u>-</u>	<u>2,123,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,123,093</u>
Trade-related contingent liabilities	<u>-</u>	<u>5,195,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,195,352</u>
Advance received against prepaid card	<u>-</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152</u>
Receivable / payable against purchase / (sale) of securities	<u>9,839</u>	<u>(20)</u>	<u>(271)</u>	<u>-</u>	<u>-</u>	<u>9,548</u>

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

	31 December 2012					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
Rupees in '000						
Deposits						
At beginning of the year	178,264	4,880,012	60,025	73,571	1,548,662	6,740,534
Received during the year	15,500,722	817,672,321	407,791	681,914	4,862,281	839,125,029
Repaid during the year	(15,587,596)	(816,541,446)	(443,478)	(604,026)	(4,580,863)	(837,757,409)
At end of the year	91,390	6,010,887	24,338	151,459	1,830,080	8,108,154
Advances						
At beginning of the year	-	1,776,952	31,193	-	-	1,808,145
Disbursed during the year	-	28,892,000	6,245	-	-	28,898,245
Recovered during the year	-	(29,066,132)	(11,337)	-	-	(29,077,469)
At end of the year	-	1,602,820	26,101	-	-	1,628,921
Investments	-	53,642	-	-	-	53,642
Bank balances held by the Bank	77,497	1,980,921	-	-	-	2,058,418
Over drawn bank balances held by the Bank	-	246,158	-	-	-	246,158
Mark-up / return / interest receivable	-	11,330	-	-	-	11,330
Mark-up / return / interest payable	-	111,427	810	1,432	118,082	231,751
Management fee payable for technical and consultancy services *	159,288	-	-	-	-	159,288
Prepayments / advance deposits	-	26,164	-	-	-	26,164
Transaction-related contingent liabilities	-	1,456,588	-	-	-	1,456,588
Trade-related contingent liabilities	-	1,814,176	-	-	-	1,814,176
Advance received against prepaid card	-	6,640	-	-	-	6,640
Receivable / (payable) against purchase / sale of securities	-	(9,952)	-	-	-	(9,952)
Receivable / (payable) of securities	-	-	(480)	-	-	(480)
Advance received against insurance premium	-	316	-	-	-	316

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

Transactions during the year

	For the year ended 31 December 2013					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Mark-up / return / interest earned	6	128,747	4,336	-	-	133,089
Mark-up / return / interest expensed	-	573,788	765	15,798	123,239	713,590
Commission / brokerage / bank charges recovered	9,288	395,694	140	-	-	405,122
Commission / brokerage / bank charges paid	361	29,163	-	-	-	29,524
Rent income	-	495	-	-	-	495
Gain on sale / redemption of securities	-	11,366	-	-	-	11,366
Salaries and allowances	-	-	195,971	-	-	195,971
Directors' fees	-	-	-	8,110	-	8,110
Contribution to defined benefit plan	-	-	-	-	91,344	91,344
Contribution to defined contribution plan	-	-	-	-	113,960	113,960
Rent expenses	-	26,341	-	-	-	26,341
Insurance premium expenses	-	42,806	-	-	-	42,806
Maintenance, electricity, stationery & entertainment expenses	-	43,535	-	-	-	43,535
Management fee expense for technical and consultancy services*	169,687	-	-	-	-	169,687
Donation paid	-	8,170	-	-	-	8,170
Professional / other charges paid	-	3,644	-	-	-	3,644

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

Transactions during the year

	For the year ended 31 December 2012					Total
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000					
Mark-up / return / interest earned	–	122,211	2,157	–	–	124,368
Mark-up / return / interest expensed	–	658,431	864	8,166	183,347	861,843
Commission / brokerage / bank charges recovered	1,857	356,178	–	–	–	358,035
Commission / brokerage / bank charges paid	1,502	18,865	55	–	–	20,422
Rent income	–	1,134	–	–	–	1,334
Dividend income	–	384	–	–	–	384
Gain on sale / redemption of securities	–	4	–	–	–	4
Salaries and allowances	–	–	164,013	–	–	164,013
Directors' fees	–	–	–	4,410	–	4,410
Contribution to defined benefit plan	–	–	–	–	70,583	70,583
Contribution to defined contribution plan	–	–	–	–	101,308	101,308
Rent expenses	–	18,130	–	–	–	18,130
Insurance premium expenses	–	55,149	–	–	–	55,149
Maintenance, electricity, stationery & entertainment expenses	–	38,309	–	–	–	38,309
Management fee expense for technical and consultancy services*	166,688	–	–	–	–	166,688
Donation paid	–	7,170	–	–	–	7,170
Professional / other charges paid	–	10,140	–	–	–	10,140

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

40. CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope

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

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

40.2 Capital management

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

Statutory minimum capital requirement and capital adequacy ratio

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2013 stood at Rs. 10,478 million (2012: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5% and 6.5%, respectively, as at December 31, 2013. As at December 31, 2013 the Bank was fully compliant with prescribed ratios as the Banks' CAR was 16.29% whereas CET 1 and Tier 1 ratios both stood at 15.63%. The holding company and its individually regulated operations have complied with all capital requirements throughout the year.

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

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

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

The deductions from Tier 1 capital include mainly;

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

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

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

40.3 Capital Structure

	31 December 2013	31 December 2012
	Amount	Subject to Pre-Basel III Treatment
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,478,315	10,478,315
2 Balance in Share Premium Account	2,550,985	2,550,985
3 Reserve for issue of Bonus Shares	-	-
4 General/ Statutory Reserves	7,642,526	6,937,292
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated/unremitted profits/ (losses)	6,693,745	6,035,765
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
8 CET 1 before Regulatory Adjustments	27,365,571	26,002,357
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	-
10 All other intangibles (net of any associated deferred tax liability)	-	-
11 Shortfall of provisions against classified assets	-	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
13 Defined-benefit pension fund net assets	-	-
14 Reciprocal cross holdings in CET1 capital instruments	337,414	231,863
15 Cash flow hedge reserve	-	-
16 Investment in own shares/ CET1 instruments	-	-
17 Securitization gain on sale	-	-
18 Capital shortfall of regulated subsidiaries	-	-
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23 Amount exceeding 15% threshold	-	-
24 of which: significant investments in the common stocks of financial entities	-	-
25 of which: deferred tax assets arising from temporary differences	-	-
26 National specific regulatory adjustments applied to CET1 capital	-	-
27 Investment in TFCs of other banks exceeding the prescribed limit	-	-
28 Any other deduction specified by SBP (mention details)	-	-
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	337,414	231,863
Common Equity Tier 1	(a) 27,028,157	25,770,494

	31 December 2013		31 December 2012
	Amount	Subject to Pre-Basel III Treatment	Amount
Rupees in '000			
Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	-
32	of which: Classified as equity	-	-
33	of which: Classified as liabilities	-	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
35	of which: instrument issued by subsidiaries subject to phase out	-	-
36	AT1 before regulatory adjustments	-	-
Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-
38	Investment in own AT1 capital instruments	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44	Total of Regulatory Adjustment applied to AT1 capital	-	-
45	Additional Tier 1 capital	-	-
46	Additional Tier 1 capital recognized for capital adequacy (b)	-	-
	Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	27,028,157	25,770,494

	31 December 2013		31 December 2012
	Amount	Subject to Pre-Basel III Treatment	Amount
Tier 2 Capital			
Rupees in '000			
47	Qualifying Tier 2 capital instruments under Basel III	-	-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
50	of which: instruments issued by subsidiaries subject to phase out	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	854,152	353,674
52	Revaluation Reserves	-	-
53	of which: Revaluation reserves on Property	-	-
54	of which: Unrealized Gains/Losses on AFS	278,870	1,359,935
55	Foreign Exchange Translation Reserves	-	-
56	Undisclosed/Other Reserves (if any)	-	-
57	T2 before regulatory adjustments	1,133,022	1,713,609
Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	-	-
64	Tier 2 capital (T2)	1,133,022	1,713,609
65	Tier 2 capital recognized for capital adequacy	1,133,022	1,713,609
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
67	Total Tier 2 capital admissible for capital adequacy (d)	1,133,022	1,713,609
	TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	28,161,179	27,484,103
	Total Risk Weighted Assets (i=f+g+h)	172,883,713	162,602,436

		31 December		
		2013	2012	
		Amount	Subject to Pre-Basel III Treatment	Amount
Rupees in '000				
68	Total Credit Risk Weighted Assets	(f)	141,893,242	139,447,042
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		-	-
71	of which: deferred tax assets		-	-
72	of which: Defined-benefit pension fund net assets		-	-
73	of which: Others		-	-
74	Total Market Risk Weighted Assets	(g)	7,338,553	374,731
75	Total Operational Risk Weighted Assets	(h)	23,651,918	22,780,663
Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA	(a/i)	15.63%	15.85%
77	Tier-1 capital to total RWA	(c/i)	15.63%	15.85%
78	Total capital to RWA	(e/i)	16.29%	16.90%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		-	-
80	of which: capital conservation buffer requirement		-	-
81	of which: countercyclical buffer requirement		-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-
National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		5.00%	-
85	Tier 1 minimum ratio		6.50%	-
86	Total capital minimum ratio		10.00%	10.00%
Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities		-	-
88	Significant investments in the common stock of financial entities		-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-
Applicable caps on the inclusion of provisions in Tier 2				
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		854,152	353,674
91	Cap on inclusion of provisions in Tier 2 under standardized approach		1,773,666	1,745,986
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-

40.4 Capital Structure Reconciliation

	31 December 2013	
	As per published financial statements	Under regulatory scope of consolidation
	Rupees in '000	
STEP 1		
ASSETS		
Cash and balances with treasury banks	21,208,774	21,208,774
Balanced with other banks	3,552,694	3,552,694
Lending to financial institutions	–	–
Investments	142,327,147	142,327,147
Advances	129,833,937	129,833,937
Operating fixed assets	3,035,526	3,035,526
Deferred tax assets	2,947,155	2,947,155
Other assets	8,490,404	8,490,404
TOTAL ASSETS	311,395,637	311,395,637
LIABILITIES AND EQUITY		
Bills payable	3,982,213	3,982,213
Borrowings	23,057,002	23,057,002
Deposits and other accounts	247,507,718	247,507,718
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	8,863,421	8,863,421
TOTAL LIABILITIES	283,410,354	283,410,354
Share capital/ Head office capital account	10,478,315	10,478,315
Reserves	10,193,511	10,193,511
Unappropriated/ Unremitted profit/ (losses)	6,693,745	6,693,745
Minority Interest	–	–
Surplus on revaluation of assets	619,712	619,712
TOTAL EQUITY	27,985,283	27,985,283
TOTAL LIABILITIES AND EQUITY	311,395,637	311,395,637

	31 December 2013		Ref
	As per published financial statements	Under regulatory scope of consolidation	
	Rupees in '000		
STEP 2			
ASSETS			
Cash and balances with treasury banks	21,208,774	21,208,774	
Balanced with other banks	3,552,694	3,552,694	
Lending to financial institutions	–	–	
Investments	142,327,147	142,327,147	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	–	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	–	–	b
of which: Mutual Funds exceeding regulatory threshold	–	–	c
of which: reciprocal crossholding of capital instrument	–	337,414	d
of which: others	–	–	e
Advances	129,833,937	129,833,937	f
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	g
general provisions reflected in Tier 2 capital	854,152	854,152	
Fixed Assets	3,035,526	3,035,526	
Deferred Tax Assets	2,947,155	2,947,155	h
of which: DTAs excluding those arising from temporary differences	–	–	
of which: DTAs arising from temporary differences exceeding regulatory threshold	8,490,404	8,490,404	i
Other assets	–	–	j
of which: Goodwill	–	–	k
of which: Intangibles	–	–	l
of which: Defined-benefit pension fund net assets	–	–	
TOTAL ASSETS	311,395,637	311,395,637	

	31 December 2013		Ref
	As per published financial statements	Under regulatory scope of consolidation	
	Rupees in '000		
LIABILITIES & EQUITY			
Bills payable	3,982,213	3,982,213	
Borrowings	23,057,002	23,057,002	
Deposits and other accounts	247,507,718	247,507,718	
Sub-ordinated loans			
of which: eligible for inclusion in AT1	–	–	m
of which: eligible for inclusion in Tier 2	–	–	n
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities			o
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	–	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	
Other liabilities	8,863,421	8,863,421	
TOTAL LIABILITIES	283,410,354	283,410,354	
Share capital	13,029,300	13,029,300	s
of which: amount eligible for CET1	13,029,300	13,029,300	t
of which: amount eligible for AT1	–	–	
Reserves	7,642,526	7,642,526	u
of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)	7,642,526	7,642,526	v
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profit/ (losses)	6,693,745	6,693,745	w
Minority Interest	–	–	
of which: portion eligible for inclusion in CET1	–	–	x
of which: portion eligible for inclusion in AT1	–	–	y
of which: portion eligible for inclusion in Tier 2	–	–	z
Surplus on revaluation of assets	619,712	619,712	aa
of which: Revaluation reserves on Property			
of which: Unrealized Gains/Losses on AFS-Recognised	278,870	278,870	aaa
of which: Unrealized Gains/Losses on AFS-Unrecognised	340,842	340,842	aab
In case of Deficit on revaluation (deduction from CET1)	–	–	
TOTAL EQUITY	27,985,283	27,985,283	
TOTAL LIABILITIES AND EQUITY	311,395,637	311,395,637	

STEP 3	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,478,315	(s)
2 Balance in Share Premium Account	2,550,985	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	7,642,526	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	6,693,745	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	27,365,571	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	-	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	337,414	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	337,414	
Common Equity Tier 1	27,028,157	

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from step 2
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments	-	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	27,028,157	

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from step 2
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	854,152	(g)
52 Revaluation Reserves eligible for Tier 2	619,712	aa
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities-unrecognised	340,842	aab
54A of which: portion pertaining to AFS securities-recognised	278,870	aaa
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	1,133,022	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	-	
64 Tier 2 capital (T2)	1,133,022	
65 Tier 2 capital recognized for capital adequacy	1,133,022	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	1,133,022	
TOTAL CAPITAL (T1 + admissible T2)	<u>28,161,179</u>	

40.5 Main features template of regulatory capital instruments

1	Issuer	Habib Metropolitan Bank Ltd.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	HMB
3	Governing law(s) of the instrument	Capital Market Law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Group & standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	28,161,179
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	1992
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

40.6 Capital adequacy ratio

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

	Capital Requirements		Risk Weighted Assets	
	2013	2012	2013	2012
	Rupees in '000			
Credit risk				
Portfolios subject to standardised approach (Simple)				
Cash and cash equivalents	-	-	-	-
Government of Pakistan and SBP	-	-	-	-
Public sector entities	62,867	45,076	628,674	450,759
Banks	480,519	589,590	4,805,187	5,895,901
Corporate	9,384,717	7,837,789	93,847,169	78,377,886
Retail	24,343	301,963	243,426	3,019,634
Residential mortgage finance	32,662	24,473	326,624	244,732
Past due loans	294,733	596,483	2,947,334	5,964,827
Listed, unlisted equity investments and regulatory capital instruments issued by other banks	92,412	241,227	924,115	2,180,405
Claims on fixed assets	303,553	300,083	3,035,526	3,000,827
All other assets	489,397	1,475,029	4,893,969	14,750,285
	11,165,203	11,411,713	111,652,024	113,885,256
Off balance sheet				
Non market related	2,926,180	2,491,750	29,261,802	24,917,501
Market related	97,942	64,429	979,416	644,285
	3,024,122	2,556,179	30,241,218	25,561,786
Total Credit Risk	14,189,325	13,967,892	141,893,242	139,447,042
Market risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk	522,036	-	6,525,448	-
Foreign exchange risk	21,049	29,978	263,117	374,731
Equity position risk	43,999	-	549,988	-
Total Market risk	587,084	29,978	7,338,553	374,731
Operational risk				
Capital requirement for operational risks subject to Basic Indicator Approach	1,892,153	1,822,453	23,651,918	22,780,663
Total Risk Weighted Assets	16,668,562	15,820,323	172,883,713	162,602,436
Capital adequacy ratio				
Total eligible regulatory capital held (note 40.3)	(e)	28,161,179	27,484,103	
Total risk weighted assets (note 40.3)	(i)	172,883,713	162,602,436	
Capital adequacy ratio	(e)/(i)	16.29%	16.90%	

40.7 Credit risk: General disclosures – Basel II specific

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

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

Types of exposures and ECAI's used	2013				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Exposures					
Corporate	P	P	-	-	-
Banks	P	P	P	P	-
Sovereigns	-	-	-	-	-
SME's	P	P	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

40.8 Credit Exposures subject to Standardised Approach

Exposures	Rating category	2013			2012		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	1,365,493	11,404	1,354,089	3,238,102	58,582	3,179,520
	2	6,465,864	2,412	6,463,452	6,959,679	127,595	6,832,084
	5, 6	89,793	-	89,793	160,702	-	160,702
Claims on banks with original maturity of 3 months or less		4,454,666	-	4,454,666	4,125,614	-	4,125,614
Retail		2,199,834	1,449,551	750,283	7,771,227	1,513,009	6,258,218
Public sector entities	1	14,162,359	6,337,272	7,825,087	4,378,011	-	4,378,011
	2,3	7,273	-	7,273	36,941	-	36,941
Others		177,880,840	-	177,880,840	199,455,800	1,459,865	197,995,935
Unrated		130,068,727	7,792,235	122,276,492	109,233,189	6,227,599	103,005,590

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

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

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

41. RISK MANAGEMENT

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

41.1 Credit risk

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

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 141,893,242 thousand (2012: Rs. 139,678,905 thousand) as depicted in note 40.6.

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

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

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

41.1.1 Segmental information

Segment by class of business	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Agriculture, forestry, hunting and fishing	42,526	0.03	1,033,128	0.42	65,317	0.03
Automobile and transportation equipment	2,582,633	1.79	6,456,126	2.61	6,364,094	2.99
Cement	74,728	0.05	7,491,029	3.03	3,759,551	1.76
Chemicals and pharmaceuticals	6,864,087	4.76	5,385,919	2.18	7,193,798	3.37
Construction	981,064	0.68	68,580	0.03	945,183	0.44
Electronic and electrical appliances	4,556,949	3.16	2,596,667	1.05	4,696,622	2.20
Exports / imports	6,453,513	4.48	354,928	0.14	10,659,593	5.00
Financial	2,174,595	1.51	4,133,846	1.67	87,860,530	41.21
Footwear and leather garments	732,576	0.51	5,251,141	2.12	8,568,481	4.02
Individuals	1,391,964	0.97	90,961,378	36.75	-	-
Insurance	-	-	1,486,685	0.60	-	-
Mining and quarrying	405,370	0.28	176	0.00	3,678,228	1.73
Power (electricity), gas, water, sanitary	7,977,099	5.53	21,846	0.01	9,969,589	4.68
Services	2,197,318	1.52	750,734	0.30	1,678,604	0.79
Sugar	1,713,491	1.19	694,083	0.28	1,669,624	0.78
Textile	67,206,477	46.62	16,164,778	6.53	26,485,001	12.42
Transport, storage and communication	6,387,000	4.43	28,024	0.01	4,587,716	2.15
Wholesale and retail trade	3,440,426	2.39	620,795	0.25	6,020,887	2.82
Others	28,962,134	20.09	104,007,855	42.02	28,990,747	13.60
	<u>144,143,950</u>	<u>100.00</u>	<u>247,507,718</u>	<u>100.00</u>	<u>213,193,565</u>	<u>100.00</u>

Segment by sector	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Public / Government	19,218,718	13.33	28,620,310	11.56	10,867,958	5.10
Private	124,925,232	86.67	218,887,408	88.44	202,325,607	94.90
	144,143,950	100.00	247,507,718	100.00	213,193,565	100.00

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

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Automobile and transportation equipment	85,688	69,222	98,186	57,518
Cement	25,000	22,312	25,000	20,920
Chemical and pharmaceuticals	33,789	3,204	34,003	–
Construction	24,006	12,944	136,506	7,728
Electronics and electrical appliances	837,821	718,649	854,508	691,410
Exports / imports	1,120,010	907,354	1,079,319	790,959
Footwear and leather garments	17,365	17,365	64,612	16,884
Individuals	22,442	4,942	57,835	9,509
Power (electricity), gas, water, sanitary	72,920	27,311	73,075	23,229
Services	240,250	136,116	247,381	101,262
Textile	12,796,622	10,309,430	13,101,012	9,127,412
Transport, storage and communication	12,335	5,794	116,961	111,353
Wholesale and retail trade	455,954	347,322	573,088	435,602
Others	1,229,334	873,896	1,268,001	641,536
	16,973,536	13,455,861	17,729,487	12,035,322

Details of non-performing advances and specific provisions by sector

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Private	16,973,536	13,455,861	17,729,487	12,035,322

Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	5,117,294	311,395,637	27,985,283	213,193,565

Total assets employed include intra group items of Rs. 99,480 thousand.

41.2 Market risk

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

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

41.3 Foreign exchange risk

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

The Group's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Group is not in the business of actively trading and market making activities. A conservative risk approach and the Group's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs generally and frequently provide foreign exchange to the inter-bank market.

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	271,592,146	245,892,289	2,261,317	27,961,174
United States Dollar	35,712,134	33,233,542	(2,674,220)	(195,628)
Euro	2,666,198	1,349,864	(1,294,347)	21,987
Great Britain Pound	651,484	2,558,940	1,920,008	12,552
Asian Currency Unit	568,463	372,900		195,563
Japanese Yen	126,302	1,006	(168,678)	(43,382)
Arab Emirates Dirham	3,239	128		3,111
Canadian Dollar	3,016	-	-	3,016
Australian Dollar	3,308	-	-	3,308
Saudi Riyal	10,383	-	(7,045)	3,338
Other currencies	58,964	1,685	(37,035)	20,244
	39,803,491	37,518,065	(2,261,317)	24,109
	<u>311,395,637</u>	<u>283,410,354</u>	<u>(2,261,317)</u>	<u>- 27,985,283</u>

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	275,312,800	250,417,027	3,607,429	28,503,202
United States Dollar	26,385,620	21,803,853	(5,328,145)	(746,378)
Euro	1,259,653	1,201,279	(20,233)	38,141
Great Britain Pound	535,202	2,363,251	1,815,373	(12,676)
Asian Currency Unit	715,061	329,836		- 385,225
Japanese Yen	14,385	4,637	(10,286)	(538)
Arab Emirates Dirham	23,688	114	(20,778)	2,796
Canadian Dollar	11,726	-	(10,238)	1,488
Australian Dollar	-	364		- (364)
Saudi Riyal	5,652	-	-	5,652
Other currencies	46,300	1,115	(33,122)	12,063
	28,997,287	25,704,449	(3,607,429)	(314,591)
	304,310,087	276,121,476		-28,188,611

41.4 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Group's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Group are reprised on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Group based on the earlier of contractual repricing or maturity date is as follows:

	Effective yield/interest rate %	Exposed to yield/interest risk											
		Total	Upto 1 month	Over 1 month to 3 months	over 3 months to 6 months	over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments	
2013													
Rupees in '000													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	21,208,774	-	-	-	-	-	-	-	-	-	-	21,208,774
Balances with other banks	0.11% to 7.00%	3,552,694	1,603,873	-	-	-	-	-	-	-	-	-	1,948,821
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	8.83% to 15.50%	142,327,147	50,736,474	18,981,779	143,477	143,477	22,335,479	2,118,823	8,805,519	26,481,911	-	-	12,366,750
Advances	1.00% to 23.00%	129,833,937	10,769,866	93,339,428	17,947,387	2,297,046	1,120,125	1,216,225	1,815,808	1,197,370	130,682	-	-
Other assets	-	6,377,881	-	-	-	-	-	-	-	-	-	-	6,377,881
		303,300,433	12,730,674	144,075,902	36,929,166	2,440,523	23,455,604	3,335,048	10,621,327	27,679,281	130,682	-	41,902,226
Liabilities													
Bills payable	-	3,982,213	-	-	-	-	-	-	-	-	-	-	3,982,213
Borrowings	5.00% to 8.40%	23,057,002	1,430,949	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	-	-	519,298
Deposits and other accounts	0.25% to 16.67%	247,507,718	67,356,865	29,630,741	56,579,232	14,986,688	2,005,012	2,047,271	4,598,773	572,096	-	-	69,731,040
Other liabilities	-	7,861,815	-	-	-	-	-	-	-	-	-	-	7,861,815
		282,408,748	68,787,814	38,747,444	65,701,075	16,357,204	2,439,826	2,497,298	5,037,283	746,438	-	-	82,094,366
On-balance sheet gap		20,891,685	(56,057,140)	105,328,458	(28,771,909)	(13,916,681)	21,015,778	837,750	5,584,044	26,932,843	130,682	-	(40,201,140)
Off-balance sheet financial instruments													
Forward purchase	-	58,594,354	-	-	-	-	-	-	-	-	-	-	58,594,354
Forward sale	-	(60,959,246)	-	-	-	-	-	-	-	-	-	-	(60,959,246)
Off-balance sheet gap		(2,364,892)	-	-	-	-	-	-	-	-	-	-	(2,364,892)
Total yield / interest risk sensitivity gap		18,526,793	(56,057,140)	105,328,458	(28,771,909)	(13,916,681)	21,015,778	837,750	5,584,044	26,932,843	130,682	-	(42,557,032)
Cumulative yield / interest risk sensitivity gap		18,526,793	(56,057,140)	49,271,318	20,499,409	6,582,728	27,598,506	28,436,256	34,020,300	60,953,143	61,083,825	-	18,526,793

2012

	Effective yield/interest rate %	Exposed to yield/interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1 month to 3 months	over 3 months to 6 months	over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	16,918,780	-	-	-	-	-	-	-	-	-	16,918,780
Balances with other banks	0.10% to 6.00%	5,151,149	1,469,829	-	-	-	-	-	-	-	-	3,681,320
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	6.00% to 15.50%	160,733,315	721,563	29,371,209	23,328,084	66,853,301	108,170	2,869,474	22,421,000	-	-	12,082,356
Advances	0.25% to 25.00%	110,444,198	11,447,783	75,200,417	15,836,302	2,711,934	1,493,149	905,919	1,290,743	60,434	-	-
Other assets	-	4,297,436	-	-	-	-	-	-	-	-	-	4,297,436
		297,544,878	13,639,175	104,571,626	39,164,386	69,565,235	1,601,319	3,775,393	23,711,743	60,434	-	36,979,892
Liabilities												
Bills payable	-	4,092,268	-	-	-	-	-	-	-	-	-	4,092,268
Borrowings	5.00% to 11.00%	45,102,640	23,207,098	9,456,016	9,257,839	1,086,526	437,594	330,987	168,217	-	-	638,410
Deposits and other accounts	0.25% to 16.67%	217,670,832	57,007,025	26,653,814	50,532,650	17,086,772	2,619,670	1,933,911	243,429	-	-	56,178,907
Other liabilities	-	7,703,502	-	-	-	-	-	-	-	-	-	7,703,502
		274,569,242	80,214,123	36,409,830	59,790,489	18,173,298	3,057,264	2,264,898	411,646	-	-	68,613,087
On-balance sheet gap		22,975,636	(66,574,948)	68,161,796	(20,626,103)	51,391,937	(1,455,945)	1,510,495	(1,158,932)	23,300,097	60,434	(31,633,195)
Off-balance sheet financial instruments												
Forward purchase		45,136,165	-	-	-	-	-	-	-	-	-	45,136,165
Forward sale		(51,020,826)	-	-	-	-	-	-	-	-	-	(51,020,826)
		(5,884,661)	-	-	-	-	-	-	-	-	-	(5,884,661)
Off-balance sheet gap		17,090,975	(66,574,948)	68,161,796	(20,626,103)	51,391,937	(1,455,945)	1,510,495	(1,158,932)	23,300,097	60,434	(37,517,856)
Total yield / interest risk sensitivity gap		17,090,975	(66,574,948)	1,586,848	(19,039,255)	32,352,682	30,896,737	32,407,232	31,248,300	54,548,397	54,608,831	17,090,975
Cumulative yield / interest risk sensitivity gap												

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

	2012			2013		
	(Rupees in '000)			(Rupees in '000)		
Reconciliation to total assets	303,300,433	297,544,878	274,569,242	282,408,748	274,569,242	1,552,234
Total financial assets						
Add: non financial assets						
Operating fixed assets	3,035,526	3,000,827				
Deferred tax assets	2,947,155	2,311,887				
Other assets	2,112,523	1,452,495				
	8,095,204	6,765,209				
Balance as per Statement of Financial Position	311,395,637	304,310,087	276,121,476	283,410,354	276,121,476	
Reconciliation to total liabilities						
Total financial liabilities						
Add: non financial liabilities						
Other liabilities				1,001,606	1,552,234	
Balance as per Statement of Financial Position						

41.5 Liquidity risk

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

The Group's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. The Bank's liquidity profile generally comprises of short-term, secured assets, in line with the Bank's credit strategy.

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

41.5.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Group

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

2013

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	21,208,774	21,208,774	-	-	-	-	-	-	-	-
Balances with other banks	3,552,694	3,552,694	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	142,327,147	12,627,613	39,134,952	16,322,621	664,525	26,269,021	10,315,783	9,530,885	27,461,747	-
Advances	129,833,937	25,051,846	47,484,298	29,467,950	14,470,723	3,935,522	3,624,496	3,693,658	1,974,762	130,682
Operating fixed assets	3,035,526	46,899	93,798	140,697	281,394	561,066	353,048	222,995	523,627	812,002
Deferred tax assets	2,947,155	116,451	98,825	163,353	435,050	452,945	484,202	1,042,861	259,515	(106,047)
Other assets	8,490,404	5,569,422	1,933,907	376,896	483,007	69,311	17,112	23,702	1,396	15,651
	311,395,637	68,173,699	88,745,780	46,471,517	16,334,699	31,287,865	14,794,641	14,514,101	30,221,047	852,288
Liabilities										
Bills payable	3,982,213	3,982,213	-	-	-	-	-	-	-	-
Borrowings	23,057,002	1,950,247	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	-
Deposits and other accounts	247,507,718	180,377,732	29,630,741	13,289,406	14,986,689	2,005,012	2,047,271	4,598,773	572,094	-
Other liabilities	8,863,421	4,109,122	1,578,241	723,390	1,074,053	93,778	98,163	676,354	510,320	-
Net assets / (liabilities)	283,410,354	190,419,314	40,325,685	23,134,639	17,431,258	2,533,604	2,595,461	5,713,637	1,256,756	-
	27,985,283	(122,245,615)	48,420,095	23,336,878	(1,096,559)	28,754,261	12,199,180	8,800,464	28,964,291	852,288
Share capital	10,478,315									
Reserves	10,193,511									
Unappropriated profit	6,693,745									
Surplus on revaluation of assets - net of tax	619,712									
	27,985,283									

41.5.2 Maturities of assets and liabilities - based on historical pattern of assets and liabilities of the Group

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

2013

	Rupees in '000									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets										
Cash and balances with treasury banks	21,208,774	21,208,774	-	-	-	-	-	-	-	-
Balances with other banks	3,552,694	3,552,694	-	-	-	-	-	-	-	-
Lendings to financial institutions										
Investments	142,327,147	12,627,613	39,134,952	16,322,621	664,525	26,269,021	10,315,783	9,530,885	27,461,747	-
Advances	129,833,937	25,051,846	47,484,298	29,467,950	14,470,723	3,935,522	3,624,496	3,693,658	1,974,762	130,682
Operating fixed assets	3,035,526	46,899	93,798	140,697	281,394	561,066	353,048	222,995	523,627	812,002
Deferred tax assets	2,947,155	116,451	98,825	163,353	435,050	452,945	484,202	1,042,861	259,515	(106,047)
Other assets	8,490,404	5,569,422	1,933,907	376,896	483,007	69,311	17,112	23,702	1,396	15,651
	311,395,637	68,173,699	88,745,780	46,471,517	16,334,699	31,287,865	14,794,641	14,514,101	30,221,047	852,288
Liabilities										
Bills payable	3,982,213	3,982,213	-	-	-	-	-	-	-	-
Borrowings	23,057,002	1,950,247	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	-
Deposits and other accounts	247,507,718	34,609,497	44,207,564	27,866,229	87,870,803	23,870,249	23,912,508	4,598,773	572,095	-
Other Liabilities	8,863,421	4,109,122	1,578,241	723,390	1,074,053	93,778	98,163	676,354	510,320	-
	283,410,354	44,651,079	54,902,508	37,711,462	90,315,372	24,398,841	24,460,698	5,713,637	1,256,757	-
Net assets / (liabilities)	27,985,283	23,522,620	33,843,272	8,760,055	(73,980,673)	6,889,024	(9,666,057)	8,800,464	28,964,290	852,288
Share capital	10,478,315									
Reserves	10,193,511									
Unappropriated profit	6,693,745									
Surplus on revaluation of assets - net of tax	619,712									
	27,985,283									

41.6 Operational risk

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

The Group's operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Tread way Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software, hardware and IT security.

While broadening risk awareness and assuring regulatory compliance, Internal Audit department of the Group is an important pillar of the Group's risk management and controls infrastructure, performing continuous reviews to improve the quality of the Group's internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the Group's risk mitigation endeavours.

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

41.7 Operational risk - Disclosures Basel II specific

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Group over the past three years. Figures of capital charge of operation risk for the year is Rs. 1,892,153 thousand (2012: Rs. 1,822,453 thousand).

42. KEY ISLAMIC BANKING OPERATIONS

42.1 The Bank is operating 6 (2012: 4) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2013 and for the year are as follows:

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013	2012
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		1,150,981	1,071,902
Balances with other banks		-	-
Due from financial institutions		-	-
Investments		14,042,730	16,401,280
Islamic financing and related assets	A-2	7,429,012	5,312,433
Operating fixed assets		18,940	13,358
Deferred tax assets		-	-
Other assets		2,738,851	862,624
		25,380,514	23,661,597
LIABILITIES			
Bills payable		148,884	141,298
Due to financial institutions		165,900	348,600
Deposits and other accounts			
– Current accounts		2,975,339	1,764,052
– Saving deposits		6,872,578	4,534,734
– Term deposits		11,231,401	10,240,495
– Others		154,578	106,287
– Deposits from financial institutions - remunerative		1,541,006	3,930,165
– Deposits from financial institutions - non - remunerative		9,957	1,607
		22,784,859	20,577,340
Due to head office		-	-
Other liabilities		649,396	905,466
		23,749,039	21,972,704
NET ASSETS		<u>1,631,475</u>	<u>1,688,893</u>
REPRESENTED BY			
Islamic banking fund		1,002,633	1,002,429
Reserves		-	-
Unappropriated / unremitted profit		505,306	546,851
		1,507,939	1,549,280
Surplus on revaluation of assets		123,536	139,613
		<u>1,631,475</u>	<u>1,688,893</u>

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,918,823	2,219,090
Profit / return on deposit and other dues expensed	(1,338,506)	(1,621,499)
Net spread earned	<u>580,317</u>	<u>597,591</u>
Provision against non performing financing	15,405	25,553
Provision for diminution in the value of investments	-	-
Provision for consumer financing ljarah	(64)	(17)
Bad debts written off directly	-	-
	<u>(15,341)</u>	<u>(25,536)</u>
Net spread after provisions	<u>564,976</u>	<u>572,055</u>
OTHER INCOME		
Fee, commission and brokerage income	22,808	21,933
Dividend income	-	-
Income from dealing in foreign currencies	12,413	10,898
Gain on sale / redemption of securities	-	-
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	37,085	47,008
Total other income	<u>72,306</u>	<u>79,839</u>
	<u>637,282</u>	<u>651,894</u>
OTHER EXPENSES		
Administrative expenses	131,976	105,043
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	<u>(131,976)</u>	<u>(105,043)</u>
	<u>505,306</u>	<u>546,851</u>
Extra-ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	<u>505,306</u>	<u>546,851</u>
42.2 Remuneration to Shariah Advisor / Board	<u>1,749</u>	<u>1,836</u>
42.3 Charity Fund		
Opening balance	-	10
Additions during the year	-	211
Payments / utilization during the year	-	(221)
Closing balance	<u>-</u>	<u>-</u>

		2013	2012
		Rupees in '000	
A-2	Islamic financing and related assets		
	Financings / investments / receivables		
	- Murabaha	A-2.2 5,669,333	3,811,939
	- Ijarah	198,293	422,920
	- Diminishing musharaka	1,122,334	614,446
	- Export refinance murabaha	165,900	343,176
	- Receivable from customer against murabaha	-	14,784
		<u>7,155,860</u>	<u>5,207,265</u>
	Advances		
	- Advance against murabaha	70,980	100,657
	- Advance against ijarah	4,686	4,511
	- Advance against diminishing musharika	197,486	-
		<u>273,152</u>	<u>105,168</u>
		<u>7,429,012</u>	<u>5,312,433</u>
A-2.1	Islamic mode of financing		
	Financings / investments / receivables	7,155,860	5,207,265
	Advances	273,152	105,168
		<u>7,429,012</u>	<u>5,312,433</u>
A-2.2	Murabaha financing		
	Murabaha receiveable - gross	6,009,883	4,062,448
	Less: Deferred murabaha income	(309,189)	(208,586)
	Provision against Murabaha Financing	(31,361)	(41,923)
		<u>5,669,333</u>	<u>3,811,939</u>

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

- General pool - local currency
- General pool - foreign currencies and
- Islamic Export Refinance Scheme musharaka pool

42.4.1 Nature of general pools local and foreign currencies

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

- b) Priority of utilization of funds
- Equity funds
 - Depositor funds
 - Placement / Investments of other IBI
 - Mudaraba placement of HabibMetro (Head Office)

- c) Weightages for distribution of profits

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

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

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

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

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

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

42.4.2 Islamic Export Refinance Scheme musharaka pool

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

42.5 Avenues / sectors of economy / business where mudaraba based deposits have been deployed.

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

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

a) Basis of profit allocation

	From July 01, 2013 to December 31, 2013		From April 01, 2013 to June 30, 2013		From January 01, 2013 to March 31, 2013	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency
- Rabbul Maal	50%	10%	50%	30%	50%	50%
- Mudarib	50%	90%	50%	70%	50%	50%

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment cost shall be borne by IBD as Mudarib.

c) Provisions

Specific provision amounting to Rs. 15,341 thousand has been made during the year 2013.

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

	2013		2012	
	Rupees in '000	%	Rupees in '000	%
Rabbul Maal	984,201	49.81%	722,573	30%
Mudarib	991,549	50.19%	1,686,005	70%
Distributable Income	<u>1,975,750</u>	<u>100.00%</u>	<u>2,408,578</u>	<u>100%</u>

42.8 Amount and percentage of mudarib share transferred to depositors through Hiba (if any)

	2013	2012
	Rupees in '000	
Mudarib share	991,549	1,686,005
Hiba	615,239	840,702
Hiba percentage of mudarib share	62%	50%

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

	2013	2012
	(Percentage)	
Profit rate earned (per annum)	9.81%	11.78%
Profit rate distributed to depositors (per annum)	6.86%	9.11%

43. GENERAL

43.1 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 25 February 2014 has proposed a cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2013: cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand) for approval by the shareholders in forthcoming Annual General Meeting.

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

43.3 Due against re-discounting of foreign documentary bills purchased by the Bank amounting to Rs. 3,533,471 thousand have been re-classified from advances.

Income from dealing in foreign currencies have been re-classified in Markup /return / interest earned by Rs. 1,411,700 thousand and Markup / return / interest expensed by Rs. 832,280 thousand.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 25, 2014 by the Board of Directors of the Bank.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

4. FULLY PAID-UP ORDINARY SHARES - UNLISTED

	Percentage of holding	Number of shares held	Cost	Breakup value of investment	Based on audited financial statements	Name of Chief Executive	Credit rating
			— Rupees in '000	—			
Pakistan Export Finance Guarantee Limited	5.26%	1,136,088	11,361	—	—	Under liquidation	**
DHA Cogen Limited	1.77%	5,000,000	50,000	78,800	31 December 2010	Mr. Michael Yap	**
Dawood Family Takaful Limited	4.67%	3,500,000	35,000	24,005	31 December 2012	Mr. Rizwan Ahmed Faridi	**
Society for World Wide Inter-Bank Fund Transfer (SWIFT)	—	36	7,844	11,881	31 December 2012	Mr. Lazaro Campos	**
			<u>104,205</u>				

** Ratings are not available

5. FULLY PAID-UP PREFERENCE SHARES - LISTED

	2013	2012
Chenab Limited	No. of shares	Rupees in '000
Preference shares of Rs. 10/- each	<u>4,000,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>40,000</u>

These are non-voting, cumulative preference shares and carry preferred dividend of 9.25% (2012: 9.25%) per annum on cumulative basis and have a market value of Rs. 8,360 thousand (2012: 1,640 thousand) as at 31 December 2013.

6. TERM FINANCE CERTIFICATES - LISTED

	No. of certificates of Rs. 5,000/- each		Market Value			Cost			Rating	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees in '000									
Allied Bank Limited I	10,000	10,000	25,055	50,777	24,940	49,880	**	AA	**	AA
Allied Bank Limited II	59,839	59,839	286,290	291,365	298,716	298,836	AA	AA	AA	AA
Askari Bank Limited I	-	5,000	-	24,915	-	24,925	-	AA-	-	AA-
Askari Bank Limited II	-	2,000	-	10,064	-	9,972	-	AA-	-	AA-
Askari Bank Limited III	15,000	15,000	76,003	82,731	74,880	74,910	AA-	AA-	AA-	AA-
Bank Al Habib Limited II	10,000	10,000	50,129	51,427	49,870	49,890	AA	AA	AA	AA
Bank Alfalah Limited V	7,350	-	37,544	-	36,743	-	AA-	-	AA-	-
Engro Chemical Pakistan Limited - IPO	20,000	20,000	99,760	97,345	99,760	99,800	**	A	**	A
Engro Chemical Pakistan Limited - Perpetual	24,000	-	111,864	-	119,630	-	**	-	**	-
Faysal Bank Limited I	-	1,974	-	2,466	-	2,462	AA-	AA-	AA-	AA-
Faysal Bank Limited II	-	7,994	20,048	40,543	19,906	39,638	AA-	AA-	AA-	AA-
Financial Receivables Securitization Limited	5,000	5,000	2,083	6,295	2,083	6,248	A+	A+	A+	A+
NIB Bank Limited	-	33,388	-	167,133	-	162,414	-	A+	-	A+
Pak Arab Fertilizer Limited	-	30,000	-	45,030	-	45,288	-	AA	-	AA
Pakistan Mobile Communication (Private) Limited	-	8,333	41,667	6,684	41,667	6,656	AA-	AA-	AA-	AA-
Soneri Bank Limited	-	17,000	-	21,106	-	21,199	-	A+	-	A+
Standard Chartered Bank Limited I	-	4,742	-	5,945	-	5,932	-	AAA	-	AAA
United Bank Limited II	-	6,500	-	32,378	-	31,880	-	AA	-	AA
United Bank Limited III	-	5,000	8,318	16,913	8,317	16,633	**	AA	**	AA
United Bank Limited IV	-	9,994	-	50,040	-	46,747	-	AA	-	AA
World Call Telecom Limited III	41,996	41,996	89,793	90,712	89,793	89,660	D	D	D	D
			848,554	1,093,869	866,305	1,082,970				

**Ratings are not available

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

	Coupon rate	Payment	Maturity date
Allied Bank Limited I	6 months KIBOR plus 190 bps	Semi annually	6-Dec-14
Allied Bank Limited II	6 months KIBOR plus 85 bps	Semi annually	28-Aug-19
Askari Bank Limited III	6 months KIBOR plus 150 bps	Semi annually	18-Nov-19
Bank Al Habib Limited II	6 months KIBOR plus 195 bps	Semi annually	7-Feb-15
Banl Alfalah Limited V	6 months KIBOR plus 125 bps	Semi annually	20-Feb-21
Engro Chemical Pakistan Limited - IPO	6 months KIBOR plus 155 bps	Semi annually	30-Nov-15
Engro Chemical Pakistan Limited - Perpetual	6 months KIBOR plus 170 bps	Semi annually	18-Nov-18
Faysal Bank Limited II	6 months KIBOR plus 225 bps	Semi annually	27-Dec-17
Financial Receivables Securitization Limited	6 months KIBOR plus 200 bps	Semi annually	14-Jan-14
Pakistan Mobile Communication (Private) Limited	6 months KIBOR plus 285 bps	Semi annually	17-Sep-18
United Bank Limited III	6 months KIBOR plus 170 bps	Semi annually	8-Sep-14
World Call Telecom Limited III	6 months KIBOR plus 160 bps	Semi annually	7-Oct-15

7. TERM FINANCE CERTIFICATES - UNLISTED

	2013	2012	2013	2012	2013	2012	2013	2012
	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	Rating	Cost Rupees in '000	Rating	Cost Rupees in '000	Rating	Cost Rupees in '000
Avani Hotels Limited (Chief Executive: Mr. Brayan Dinshawji Avani)	20,000	20,000	A-	37,230	84,914	A-	A-	84,914
Bunny's Limited (Chief Executive: Mr. Razaqat)	1,020	1,020	**	5,100	5,100	**	**	5,100
Bank Al Falah Limited IV (Chief Executive: Mr. Atif Bajwa)	15,000	15,000	AA-	74,880	74,910	AA-	AA-	74,910
Bank Al Habib Limited III (Chief Executive: Mr. Abbas D. Habib)	20,000	20,000	AA	99,640	99,720	AA	AA	99,720
Engro Chemical Pakistan Limited - Perpetual (Chief Executive: Mr. Khalid Siraj Subhani)	-	24,000	-	-	119,551	-	A	119,551
Faysal Bank Limited III (Chief Executive: Mr. Naved A. Khan)	30,000	30,000	AA-	149,820	149,880	AA-	AA-	149,880
New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)	10,000	10,000	**	21,138	21,138	**	**	21,138
Orix Leasing Pakistan Limited III (Chief Executive: Mr. Teizoon Kisat)	-	40,000	-	-	33,333	-	AA+	33,333
Pakistan International Airlines Corporation Limited (Managing Director: Mr. Muhammad Junaid Yunus)	27,411	27,411	**	136,945	136,945	**	**	136,945
Security Leasing Corporation Limited (Chief Executive: Mr. M. Khalid Ali)	10,000	10,000	**	8,210	9,227	**	**	9,227
Standard Chartered Bank Limited II (Chief Executive: Mr. Mohsin Ali Nathani)	10,000	10,000	AAA	50,000	50,000	AAA	AAA	50,000
				582,963	784,718			582,963
								784,718

**Ratings are not available

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

	Coupon rate	Payment	Maturity date
Avani Hotels Limited	1 Year KIBOR plus 250 bps	Semi annually	1-Nov-14
Bunny's Limited	6 months KIBOR plus 250 bps	Semi annually	10-Oct-16
Bank Al Falah Limited IV	6 months KIBOR plus 250 bps	Semi annually	2-Dec-17
Bank Al Habib Limited III	Fixed @ 15.50% per annum	Quarterly	15-Jun-17
Faysal Bank Limited III	6 months KIBOR plus 190 bps	Semi annually	27-Dec-17
New Allied Electronics Industries (Private) Limited	3 months KIBOR plus 275 bps	Quarterly	-
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 85 bps	Semi annually	19-Feb-15
Security Leasing Corporation Limited	Fixed @ 6% per annum	Monthly	28-Jan-22
Standard Chartered Bank Limited II	6 months KIBOR plus 75 bps	Semi annually	18-May-22

8. SUKUK CERTIFICATES AND BONDS

	2013	2012	2013	2012	2013	2012
	No. of certificates of Rs. 5,000/- each		Cost Rupees in '000		Rating	
Amreli Steel (Private) Limited	16,000	16,000	67,200	73,600	A-	A-
Engro Chemical Pakistan Limited I	20,000	20,000	100,000	97,036	**	**
Engro Chemical Pakistan Limited II	10,000	10,000	45,000	50,000	**	**
Engro Foods Limited	20,000	20,000	100,000	100,000	**	A+
GOP Ijarah Sukuk-5th Issue	-	904,000	-	4,520,000	-	**
GOP Ijarah Sukuk-8th Issue	180,000	180,000	900,000	900,000	**	**
GOP Ijarah Sukuk-9th Issue	60,259	260,534	301,295	1,302,669	**	**
GOP Ijarah Sukuk-10th Issue	45,000	701,082	225,000	3,505,410	**	**
GOP Ijarah Sukuk-11th Issue	200,000	200,000	1,000,000	1,000,000	**	**
GOP Ijarah Sukuk-12th Issue	-	1,420,000	-	7,100,000	-	**
GOP Ijarah Sukuk-13th Issue	450,000	-	2,250,000	-	**	-
GOP Ijarah Sukuk-14th Issue	1,552,200	-	7,761,000	-	**	-
K.S.Sulemanji Esmailji & Sons (Private) Limited	30,000	30,000	25,523	79,759	**	**
Liberty Power Technology Limited	109,942	105,261	464,707	505,085	**	A+
Maple Leaf Cement Limited I	21,000	21,000	89,832	99,813	BB+	BB+
Maple Leaf Cement Limited II	-	788	-	1,311	-	BB+
Sitara Energy Limited	11,273	9,864	21,136	35,227	**	**
Sitara Per Oxide Limited	20,000	20,000	78,262	88,244	**	**
Three Star Hosiery Mills Limited	1,900	1,900	9,500	9,500	**	**
WAPDA Sukuk Bonds 2nd Issue	70,000	70,000	233,333	291,667	**	**
WAPDA Sukuk Bonds 3rd Issue	85,000	-	425,000	-	**	**
			<u>14,096,788</u>	<u>19,759,321</u>		

**Ratings are not available

8.1 Other particulars of Sukuk certificates / bonds are as follows:

	Coupon rate	Payment	Maturity date
Amreli Steel (Private) Limited	3 months KIBOR plus 250 bps	Quarterly	9-Dec-16
Engro Chemical Pakistan Limited I	6 months KIBOR plus 150 bps	Semi annually	6-Sep-15
Engro Chemical Pakistan Limited II	6 months KIBOR plus 211 bps	Semi annually	30-Jun-17
Engro Foods Limited	6 months KIBOR plus 69 bps	Semi annually	13-Jan-17
GOP Ijarah Sukuk-8th Issue	* 6 months T Bills cut off	Semi annually	16-May-14
GOP Ijarah Sukuk-9th Issue	* 6 months T Bills cut off	Semi annually	26-Dec-14
GOP Ijarah Sukuk-10th Issue	* 6 months T Bills cut off	Semi annually	2-Mar-15
GOP Ijarah Sukuk-11th Issue	* 6 months T Bills cut off	Semi annually	30-Apr-15
GOP Ijarah Sukuk-13th Issue	* 6 months T Bills cut off	Semi annually	18-Sep-15
GOP Ijarah Sukuk-14th Issue	* 6 months T Bills cut off	Semi annually	28-Mar-16
K.S.Sulemanji Esmailji & Sons (Private) Limited	3 months KIBOR plus 140 bps	Quarterly	30-Jun-14
Liberty Power Technology Limited	3 months KIBOR plus 300 bps	Quarterly	18-Mar-21
Maple Leaf Cement Limited I	3 months KIBOR plus 100 bps	Quarterly	3-Dec-18
Sitara Energy Limited	6 months KIBOR plus 115 bps	Semi annually	16-May-15
Sitara Per Oxide Limited	3 months KIBOR plus 110 bps	Quarterly	19-Feb-20
Three Star Hosiery Mills Limited	6 months KIBOR plus 325 bps	Semi annually	4-Aug-14
WAPDA Sukuk Bonds 2nd Issue	6 months KIBOR plus 35 bps	Semi annually	13-Jul-17
WAPDA Sukuk Bonds 3rd Issue	6 months KIBOR plus 100 bps	Semi annually	14-Oct-21

*These rates are based on Reuters sheet applicable for next six months.

9. OPEN END MUTUAL FUNDS

	2013		2012		2013		2012		2013		2012		2013		2012	
	No. of Units		No. of Units		Net Asset Value		Rupees in '000		Net Asset Value		Rupees in '000		Rating		Rating	
ABL Cash Fund	73,752,002	52,679,924	737,881	527,337	699,228	506,202	AA (f)	AA (f)					AA (f)	AA (f)		
ABL Income Fund	16,871,242	24,538,718	168,844	245,760	159,087	228,408	A + (f)	A + (f)					A + (f)	A + (f)		
ABL Islamic Principal Preservation Fund	2,500,000	-	25,048	-	25,000	-	**	**					**	**		
ABL Stock Fund	3,929,242	2,719,061	49,805	32,932	50,000	30,000	5 Star	5 Star					5 Star	5 Star		
ABL Government Securities Fund	14,323,302	6,645,211	143,332	66,498	137,813	62,181	A + (f)	A + (f)					A + (f)	A + (f)		
ABL AMC Capital Protected Fund	2,862,273	2,508,675	29,850	27,053	25,000	25,000	A + (f)	A + (f)					A + (f)	A + (f)		
AKD Cash Fund	501,798	-	25,108	-	25,000	-	**	**					**	**		
Alfalah GHP Cash Fund	499,945	424,751	250,233	212,668	244,227	201,917	**	**					**	**		
Alfalah GHP Income Multiplier Fund	511,174	-	25,380	-	25,000	-	**	**					**	**		
Askani Sovereign Cash Fund	5,336,093	5,196,541	537,875	522,406	503,715	501,541	AAA (f)	AAA (f)					AAA (f)	AAA (f)		
Askani Asset Allocation Fund	-	471,154	-	21,773	-	20,227	-	-					-	-		
Askani High Yield Scheme	-	200,822	-	-	20,764	-	**	**					**	**		
Atlas Money Market Fund	754,203	638,274	379,176	322,361	357,161	305,451	AA (f)	AA (f)					AA (f)	AA (f)		
Atlas Stock Fund	-	179,967	-	75,751	-	70,000	-	-					-	-		
BMA Empress Cash Fund	3,183,113	8,158,504	32,193	82,744	31,444	79,716	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
BMA Chundigar Road Saving Fund	3,563,553	4,969,824	28,657	39,836	24,596	35,000	A + (f)	A + (f)					A + (f)	A + (f)		
Faysal Saving & Growth Fund	819,368	1,546,103	84,034	159,558	78,494	150,478	AA - (f)	AA - (f)					AA - (f)	AA - (f)		
First Habib Cash Fund	70,262	1,072,976	7,034	107,470	6,030	102,363	AA (f)	AA (f)					AA (f)	AA (f)		
First Habib Income Fund	498,024	747,180	49,843	74,774	46,461	71,417	AA (f)	AA (f)					AA (f)	AA (f)		
HBL Money Market Fund	8,331,879	3,119,856	842,272	315,758	810,135	298,786	AA (f)	AA (f)					AA (f)	AA (f)		
IGI Aggressive Income Fund	589,023	-	25,287	-	25,000	-	AAA(cp)	AAA(cp)					AAA(cp)	AAA(cp)		
IGI Capital Protected Fund	-	210,684	-	21,167	-	20,000	-	-					-	-		
IGI Income Fund	1,730,742	771,171	174,019	79,583	167,041	73,427	A + (f)	A + (f)					A + (f)	A + (f)		
IGI Money Market Fund	3,131,620	2,443,554	314,855	247,423	298,186	232,015	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
JS Cash Fund	715,705	1,403,487	73,202	143,338	66,268	133,367	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
Lakson Asset Allocation Global Commodities Fund	381,910	999,403	39,595	104,191	38,419	94,753	**	**					**	**		
Lakson Asset Allocation Developed Market Fund	499,585	529,147	56,120	55,908	52,895	50,000	**	**					**	**		
Lakson Asset Allocation Emerging Market Fund	164,745	528,789	17,439	56,532	16,759	50,000	**	**					**	**		
Lakson Income Fund	1,079,046	1,710,894	108,440	172,000	102,301	165,185	A + (f)	A + (f)					A + (f)	A + (f)		
Lakson Money Market Fund	7,832,039	8,792,609	783,913	880,582	729,312	844,361	AA (f)	AA (f)					AA (f)	AA (f)		
MCB Cash Management Optimizer	5,229,794	5,249,272	523,248	526,347	481,568	504,136	AA (f)	AA (f)					AA (f)	AA (f)		
MCB Dynamic Cash Fund	8,741,127	2,646,820	883,501	268,606	822,894	252,385	A + (f)	A + (f)					A + (f)	A + (f)		
MCB Stock Fund	-	261,948	-	27,755	-	25,279	-	-					-	-		
Meezan Cash Fund	6,818,857	7,586,013	341,544	380,363	315,960	360,096	AA (f)	AA (f)					AA (f)	AA (f)		
Meezan Islamic Income Fund	5,489,329	1,757,575	278,748	89,882	260,000	81,140	A - (f)	A - (f)					A - (f)	A - (f)		
Meezan Sovereign Fund	10,060,352	10,848,108	507,042	543,816	469,385	513,787	AA (f)	AA (f)					AA (f)	AA (f)		

	2013		2012		2013		2012		2013		2012	
	No. of Units	Net Asset Value	Rupees in '000	Cost	Rating	No. of Units	Net Asset Value	Rupees in '000	Cost	Rating	No. of Units	Net Asset Value
MSF Perpetual	3,065,171	153,350	1,783,610	130,655	AA (f)	35,600,993	153,350	1,783,610	130,655	**	3,065,171	153,350
NAFA Asset Allocation Fund	2,079,071	25,091	-	25,000	3 Star	-	25,091	-	25,000	-	2,079,071	25,091
Nafa Financial Sector Income Fund	27,564,123	289,503	188,528	264,855	A + (f)	18,245,085	289,503	188,528	264,855	A + (f)	27,564,123	289,503
Nafa Government Securities Liquid Fund	40,015,853	401,851	738,677	381,691	AAA (f)	73,474,591	401,851	738,677	381,691	AAA (f)	40,015,853	401,851
Nafa Stock Fund	-	-	99,705	-	-	10,981,780	-	99,705	-	-	-	-
Nafa Money Market Fund	88,522,152	886,266	105,326	836,489	AA (f)	10,497,165	886,266	105,326	836,489	AA (f)	88,522,152	886,266
NAFA Multi Asset Fund	1,982,255	25,125	-	25,000	4 Star	-	25,125	-	25,000	-	1,982,255	25,125
National Investment Trust	-	-	224,431	-	2 - Star	6,762,012	-	224,431	-	-	-	-
NIT Government Bond	20,349,796	211,906	107,524	194,575	AA (f)	10,224,706	211,906	107,524	194,575	AA (f)	20,349,796	211,906
NIT Income Fund	10,974,059	115,996	214,246	104,466	A + (f)	19,720,346	115,996	214,246	104,466	A + (f)	10,974,059	115,996
Pak Oman Government Securities Fund	-	-	29,694	-	-	2,882,903	-	29,694	-	-	-	-
Pakistan Stock Market Fund	-	-	59,594	-	-	940,866	-	59,594	-	-	-	-
PICIC Cash Fund	2,952,762	297,236	184,901	282,207	AA + (f)	1,840,205	297,236	184,901	282,207	AA + (f)	2,952,762	297,236
PICIC Energy Fund	5,765,859	77,709	-	75,000	-	-	77,709	-	75,000	-	5,765,859	77,709
PICIC Income Fund	1,488,204	149,547	93,453	138,652	A + (f)	925,458	149,547	93,453	138,652	A + (f)	1,488,204	149,547
Primus Cash Fund	2,640,321	264,160	10,377	260,868	AAA (f)	103,541	264,160	10,377	260,868	AAA (f)	2,640,321	264,160
Primus Daily Reserve Fund	5,192,978	519,730	-	500,000	**	-	519,730	-	500,000	**	5,192,978	519,730
UBL Asset Allocation Fund	917,485	92,650	-	90,000	**	-	92,650	-	90,000	**	917,485	92,650
UBL Liquidity Plus Fund	7,431,209	747,391	548,629	700,899	**	5,471,095	747,391	548,629	700,899	**	7,431,209	747,391
UBL Savings Income Fund	2,477,295	249,483	100,272	240,310	**	998,237	249,483	100,272	240,310	**	2,477,295	249,483
UBL Islamic Sovereign Fund	529,648	53,471	-	50,000	**	-	53,471	-	50,000	**	529,648	53,471
(Formerly: UBL Islamic Savings Fund)	-	-	55,779	-	-	1,354,522	-	55,779	-	-	-	-
United Stock Fund	-	-	-	52,168	**	-	-	-	52,168	-	-	-
		<u>12,124,747</u>	<u>10,976,918</u>	<u>11,415,046</u>			<u>12,124,747</u>	<u>10,976,918</u>	<u>11,415,046</u>			<u>12,124,747</u>
												<u>10,298,235</u>

**Ratings are not available

10. CLOSE END MUTUAL FUNDS

	2013		2012		2013		2012		2013		2012	
	No. of Units	Net Asset Value	Rupees in '000	Cost	Rating	No. of Units	Net Asset Value	Rupees in '000	Cost	Rating	No. of Units	Net Asset Value
Meezan Balanced Fund	-	-	17,912	-	**	1,549,500	-	17,912	-	**	-	-
PICIC Energy Fund	-	-	38,830	-	**	4,314,499	-	38,830	-	**	-	-
			<u>56,742</u>					<u>56,742</u>				<u>58,053</u>

**Ratings are not available

**ANNEXURE "II" AS REFERRED TO IN NOTE 12.8 OF THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs. 500,000/- OR ABOVE
PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013**

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with CNIC No.)	Fathers's/Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest/ mark-up written-off	Total
				Principal	Interest/ mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
1	Aero Asia International (Pvt) Limited Ground Floor, Ebrahim Estate New Duty Free Shop, Shahrah-e-Faisal, Karachi	Abdul Rauf Tabani 42201-8259406-3 Azam Tabani 42201-0260653-5 Yaqoob Tabani 42201-9410252-9	M Siddiq Tabani M Siddiq Tabani M Siddiq Tabani	114,882	5,921	120,803	47,250	-	47,250
2	Ameer Bano H. No. 2/66-B, Kashmir Road, PECHS, Karachi.	Ameer Bano 42201-8684857-0	Reaz Ahmed Sharif	1,175	503	1,678	588	713	1,301
3	Any Agro (Pvt) Limited 61-L, Gulberg III, Lahore	Dr. Javaid Mehmood 35202-2588597-3 Umar Naseer 35202-1239216-5	Sheikh Muhammad Ahmed Sheikh Naseer Ahmed	28,999	4,087	33,086	28,999	4,087	33,086
4	Any Seeds (Pvt) Limited 31 Atta Turk Block,	Sarfraz Mahmood Sheikh 35202-0166546-1 Waqas Sarfraz Sheikh 35202-6956171-1 Ghais Sarfraz Sheikh 35202-6254541-9	Sh. Muhammad Latif Sarfraz Mahmood Sheikh Sarfraz Mahmood Sheikh	29,996	14,885	44,881	29,996	14,885	44,881

S. No.	Name and address of the borrower	Name of individuals/partners/directors (with CNIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest/mark-up written off	Total
				Principal	Interest/mark-up	Total			
1	2	3	4	5	6	7	8	9	10
Rupees in '000									
5	Arfeen Towel Industries Plot No WSA 3/3, F B Area, Karachi	Shahid Arfeen 42101-1834931-3	Abdul Hameed	37,796	6,200	43,996	37,741	6,200	43,941
6	Konain Apparel Suite No 6, Hub River Road, SITE Karachi	Muhammad Amin 42301-6940066-7	Ismail	5,216	544	5,760	3,534	1,144	4,678
7	Morgan Technologies (Pvt) Limited SA-09, 1st Floor, Shahnaz Arcade	Ghazanfar Jawaid 42000-0575388-9 Liaqat Jawaid 42000-0575392-1	Liaqat Jawaid Abdul Khaliq	5,133	-	5,133	2,951	-	2,951
8	MR Denim (Pvt) Limited F-53, Industrial Estate, Kot Lakhpat	Munir Ahmed Bhatti 35202-9316192-7 Mrs. Meraj Begum 35202-0532428-8 Mrs. Chanda Munir 35202-6648935-8	Muhammad Akram Bhatti w/o Muhammad Akram Bhatti w/o Munir Ahmed Bhatti	15,660	3,087	18,747	2,000	10,491	12,491
9	Rafi Cotton Industries Near Maqbool Cotton Factory,	Sheikh Fazal Elahi 36302-7039576-7 Sheikh Maqbool Elahi 36302-6936487-9	Sh. Muhammad Rafi Sh. Muhammad Rafi	27,858	1,583	29,441	27,858	1,583	29,441
10	Shahzad Apparel 1st 36/C, 24th Comm Street Ph II Ext, DHA, Karachi	Mohammad Ali Abbas 42301-1457508-3	Haji Ghulam Mohammad	33,461	66	33,527	8,461	1,425	9,886

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with CNIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year			Rupees in '000		
				Principal	Interest/ mark-up	Total	Principal written-off	Interest/ mark-up written off	Total
1	2	3	4	5	6	7	8	9	10
11	WN Holding Suite No 23, Hockey Stadium Madina Tower, Faisalabad	Muhammad Nafees 33100-4836478-5 Waseem Sarwar 33100-1525532-9 Muhammad Tehseen Sarwar 33100-1630032-9	Abdul Majeed Muhammad Sarwar Muhammad Sarwar Khan	5,177	855	6,032	177	855	1,032
12	Global Media & Marketing 10 Sania Arcade, Britto Road, Karachi	Syed Shams Najafi 42101-6734163-1	Syed Ibn-e-Hasan Najafi	2,600	763	3,363	-	846	846
13	Ismail Beverage Plot No. ST-2/3, Sector-19, Korangi Industrial Area Karachi	Imran Ismail 42201-9359877-1 Adnan Ismail 42000-0551282-1	Abdullah Ismail Abdullah Ismail	5,997	1,293	7,290	-	1,290	1,290
14	Maymar Holding 170/A, Block 3, Sir Syed Road, PECHS, Karachi	Abdul Rasheed 42201-4954977-9 Syed Abid Hassan 54400-9547506-1 Syed Mohsin Hasan 54400-3601118-1 Muhammad Zaifar 42201-0465645-3	Hashim Muhammad Shamim Syed Khaliq Hasan Syed Khaliq Hasan Mohammad Rafiq Ahmed	112,500	91,473	203,973	-	91,630	91,630
15	Millenium Power Tools Banglow No. 18, Karsaz Town House, Plot No. 12, Clifton-Karachi.	Aslam Qazi 61101-2960155-1 Lubna Ashfaq 42301-0818143-4	Qazi Mushtaq Ashraf Yousuf Tola	-	5,685	5,685	-	5,685	5,685

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with CNIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest/ mark-up written off	Total
				Principal	Interest/ mark-up	Total			
1	2	3	4	5	6	7	8	9	10
Rupees in '000									
16	Samana Sons Pilot House, Plaza Square, Karachi	Mohammad Farooq Samana 42201-5593810-9	Usman Suleman Samna	2,455	2,865	5,320	-	2,320	2,320
17	Tabani Corporation 43/J, Block-6, PECHS, Karachi	Adnan Ebrahim Tabani 42201-3110503-5 Abdul Rauf Tabani 42201-8259406-3 Muhammad Azam Tabani 42201-0260653-5	M. Ebrahim Tabani M. Siddique Tabani M. Siddique Tabani	13,396	7,917	21,313	-	7,917	7,917
				442,301	147,727	590,028	189,555	151,071	340,626

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HMB Connect: 0800HABIB (42242)
For information / query: info@habibmetro.com

KARACHI REGION:

Main Branch	Dastagir	Industrial Area Korangi Branch
Abul Hassan Isphani (Sub Branch of University Road)	(Sub Branch of Hussainabad)	Ittehad Branch
Aisha Manzil (Sub Branch of Hussainabad)	DHA Phase II Branch	Jodia Bazar Branch
Alamgir Road Branch	DHA Phase IV	Juna Market Branch
Allama Iqbal Road Branch	(Sub Branch of Khayaban-e-Sehar)	Karimabad Branch
Bahadurabad Branch	DHA Phase VI	Khalid Bin Walid Road Branch
Bilal Chowrangi (Sub Branch of Korangi)	(Sub Branch of Khayaban-e-Shehbaz)	Khayaban-e-Bokhari Branch
Block M N.Nazimabad (Sub Branch of Hyderi)	DMCHS Branch	Khayaban-e-Sehar Branch
Block N N.Nazimabad (Sub Branch of U.P. More)	Dhoraji Colony Branch	Khayaban-e-Shahbaz Branch
Boat Basin Branch	Eidgah (Sub Branch of City Court)	Khayaban-e-Tanzeem Branch
Bohri Bazar Branch	Falcon Complex Branch	Korangi Branch
Bombay Bazar (Sub Branch of Jodia Bazar)	Garden East Branch	Landhi Industrial Area Branch
Business Avenue Branch	Gizri Branch	Liaquatabad Branch
Ceramic Market Branch	Gulistan-e-Johar Branch	Lines Area Branch
Chandni Chowk Branch	Gulshan Chowrangi Branch	M.A. Jinnah Road Branch
Chartered Accountant's Avenue (Sub Branch of Gizri)	Gulshan-e-Ali (Sub Branch of Water Pump)	Malir City Branch
City Court Branch	Gulshan-e-Iqbal 13-C (Sub Branch of Hassan Square)	Manghopir Road SITE Branch
Civil Lines Branch	Gulshan-e-Iqbal Branch	Marriot Road Branch
Clifton Branch	Gulshan-e-Maymar Branch	Mereweather Branch
Cloth Market Branch	Hasrat Mohani Road (Sub Branch of Paper Market)	Mission Road Branch
D.H.A Branch	Hassan Square Branch	Mithadar Branch
Dalmia Road Branch	HBZ Plaza Branch	Naval Housing Society (Sub Branch of Gizri)
	Hussainabad Branch	NHS Complex Karsaz Branch
	Hyderi Branch	Nazimabad No.3 (Sub Branch of North Nazimabad)
		Nishtar Road Branch
		North Karachi Industrial Area Branch
		North Napier Road Branch

North Nazimabad Branch
 Paper Market Branch
 PaposhNagar Branch
 PIB Colony Branch
 Plaza Square Branch
 Port Qasim Branch
 Preedy Street Branch
 Progressive Plaza Branch
 S.I.T.E. Branch
 Saba Avenue Branch
 Saddar Branch
 Safoora Goth Branch
 Sehba Akhtar Road
 (Sub Branch of Gulshan Chowranghi)
 Shahbaz Commercial
 (Sub Branch of Khayaban-e-Bukhari)
 Shahrah-e-Faisal Branch
 Shahrah-e-Liaquat Branch
 Shahrah-e-Quaideen Branch
 Sharfabad
 (Sub Branch of Alamgir Road)
 Shershah Branch
 Shireen Jinnah Colony
 (Sub Branch of Clifton)
 Sindhi Muslim Society
 (Sub Branch of Shahrah-e-Quaideen)
 Soldier Bazar Branch
 South Park Avenue
 (Sub Branch of Ittehad)
 Stadium Road Branch
 Star Gate Branch
 Stock Exchange Branch
 Sunset Boulevard
 (Sub Branch of Gizri)
 Textile Plaza Branch
 Timber Market Branch
 Tipu Sultan Road

(Sub Branch of Stadium)
 University Road Branch
 UP More Branch
 Water Pump Branch
 West Wharf Branch
 ZAMZAMA Branch Karachi

LAHORE REGION:

Lahore Main Branch
 Azam Cloth Market
 (Sub Branch of Badami Bagh)
 Badami Bagh Branch
 Badian Road
 (Sub Branch of DHA Lahore)
 Baghbanpura Branch
 Brandreth Road Branch
 Cantt. Branch
 Circular Road Branch
 Davis Road Branch
 DHA Branch Lahore
 DHA Phase V
 (Sub Branch of Walton Road)
 EME Society
 (Sub Branch of Raiwind Road)
 Ferozepur Road Branch
 Fruit & Sabzi Market
 (Sub Branch of Ravi Road)
 Garden Town Branch
 Gulberg Branch
 Gulshan-e-Ravi Branch
 Iqbal Town Branch
 Johar Town Branch
 Main Boulevard Branch
 Mcleod Road
 (Sub Branch of Brandreth Road)
 Misri Shah
 (Sub Branch of Badami Bagh)
 Model Town Link Road Branch

(Sub Branch of Model Town Link Road)
 Model Town Link Road Branch
 Raiwind Road Branch
 Ravi Road Branch
 Samanabad
 (Sub Branch of Iqbal Town)
 Shadman Branch
 Shahalam Market Branch
 Shahdara Branch
 Shahrah-e-Quaid-e-Azam Branch
 Urdu Bazar Branch
 Valencia Town
 (Sub Branch of Raiwind Road)
 Wahadat Road
 (Sub Branch of Shadman)
 Walton Road Branch
 WAPDA TOWN
 (Sub Branch of Johar Town)

FAISALABAD REGION:

Faisalabad Main Branch
 Sargodha Road Branch
 Susan Road Branch
 University of Faisalabad
 (Sub Branch of Faisalabad Main)

ISLAMABAD REGION:

Islamabad Main Branch
 Bahria Town Branch
 E-11
 (Sub Branch, F-10 Markaz)
 F-10 Markaz Branch
 I-9 Branch
 I-10 Markaz Branch
 Markaz F-7 Branch

RAWALPINDI REGION:

Rawalpindi Main Branch
Iqbal Road Branch
Murree Road Branch
Raja Bazar Branch

SIALKOT REGION:

Sialkot Main Branch
Pasrur Road
(Sub Branch of Sialkot Main)
Small Industrial Estates Branch
Sohawa Branch
Ugoki Branch

MULTAN REGION:

Multan Main Branch
Ghalla Mandi Branch
Gulgasht Colony
(Sub Branch of Multan Main)

AZAD JAMMU KASHMIR REGION:

Arra Jattan Branch, Dadyal
Mirpur (A.K) Branch
Pang Peeran Branch

GILGIT BALTISTAN REGION:

Chillas Branch
Gilgit Branch
Skardu Branch

HYDERABAD REGION:

Hyderabad Branch
Latifabad Branch

PESHAWAR REGION:

Peshawar Main Branch
Khyber Bazar Branch
Rampura Branch

ISLAMIC BRANCHES:

Alfalah Court, Karachi
Gulberg, Lahore
Islamabad Branch
Rashid Minhas Road, Karachi
SITE Branch, Karachi
Zaibunnisa Street, Karachi

OTHER REGION:

Abbottabad Branch
Bahawalpur Branch
Bhalwal Branch
Chakwal Branch
D. G. Khan Branch
Gujranwala Branch
Gujrat Branch
Haroonabad Branch
Haripur Branch
Hasilpur Branch
Hub Chowki Branch
Jauharabad Branch
Jhelum Branch
Kamoke Branch
Kasur Branch
Khanna Branch
Kharian City Branch
Lalamusa Branch
Mansehra Branch
Mardan Branch
Mingora Branch
Mouza Kachi Jamal Branch
Nankana Sahib Branch
Okara Branch
Quetta Branch
Rahim Yar Khan Branch
Sahiwal Branch
Sadiqabad Branch
Sargodha Branch
Sukkur Branch
Talagang Branch
Wah Cantt. Branch
Yazman Mandi Branch

PROXY FORM

I/We _____

of _____

being member (s) of Habib Metropolitan Bank Limited and holding _____

ordinary shares, as per Register folio _____

hereby appoint _____ Folio No. _____

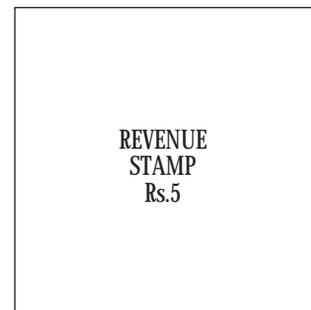
of _____

or failing him _____ Folio No. _____

of _____

another member of the Bank to vote for my / our behalf at the 22nd Annual General Meeting of the Bank to be held on March 27, 2014 and at any adjournment thereof.

As witness my / our hand this _____ day of March 2014.



Signature of Member(s)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of meeting.