



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the half year
ended 30 June 2014
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT 30 JUNE 2014

	Note	30 June 2014 (Un-Audited)	31 December, 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		26,651,312	21,208,774
Balances with other banks	6	5,057,741	3,552,694
Lendings to financial institutions	7	1,500,000	—
Investments	8	206,119,070	142,327,147
Advances	9	118,535,994	129,833,937
Operating fixed assets	10	2,959,709	3,035,526
Deferred tax assets - net	11	3,115,104	2,947,155
Other assets		13,558,005	8,490,404
		377,496,935	311,395,637
LIABILITIES			
Bills payable		7,875,661	3,982,213
Borrowings	12	52,963,361	23,057,002
Deposits and other accounts	13	277,142,300	247,507,718
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		—	—
Other liabilities		11,516,148	8,863,421
		349,497,470	283,410,354
NET ASSETS		27,999,465	27,985,283
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,614,511	10,193,511
Unappropriated profit		6,307,630	6,693,745
		27,400,456	27,365,571
Surplus on revaluation of assets - net of deferred tax	14	599,009	619,712
		27,999,465	27,985,283
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 Quarter ended	30 June 2014 Half year ended	30 June 2013 Quarter ended	30 June 2013 Half year ended
		Rupees in '000			
Mark-up / return / interest earned		8,259,191	15,400,147	6,234,877	12,515,882
Mark-up / return / interest expensed		(5,650,467)	(10,264,512)	(4,018,460)	(8,278,116)
Net mark-up / interest income		2,608,724	5,135,635	2,216,417	4,237,766
Provision against non-performing loans and advances-net	9.3	471,824	962,679	377,076	1,035,638
Provision for diminution in the value of investments-net	8.1	(608)	(3,884)	7,911	(705)
Bad debts written-off directly		-	-	-	-
		(471,216)	(958,795)	(384,987)	(1,034,933)
Net mark-up / interest income after provisions		2,137,508	4,176,840	1,831,430	3,202,833
Non mark-up / interest income					
Fee, commission and brokerage income		625,041	1,205,218	564,293	1,119,059
Dividend income		9,304	18,431	4,523	39,552
Income from dealing in foreign currencies-net		238,617	418,068	108,776	311,428
Gain on sale / redemption of securities-net		474,645	804,828	651,412	1,152,355
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		-	-	-	-
Other income		77,808	150,855	59,051	116,733
Total non mark-up / interest income		1,425,415	2,597,400	1,388,055	2,739,127
		3,562,923	6,774,240	3,219,485	5,941,960
Non mark-up / interest expenses					
Administrative expenses		1,871,688	3,649,512	1,588,386	3,158,722
Other provisions / write-offs		-	-	-	-
Other charges		19,899	54,410	51,792	86,388
Total non mark-up / interest expenses		(1,891,587)	(3,703,922)	(1,640,178)	(3,245,110)
		1,671,336	3,070,318	1,579,307	2,696,850
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		1,671,336	3,070,318	1,579,307	2,696,850
Taxation - Current		630,943	1,191,697	529,035	1,019,485
- Prior years		-	-	173,367	173,368
- Deferred		(71,384)	(231,316)	(151,322)	(284,814)
		(559,559)	(960,381)	(551,080)	(908,039)
Profit after taxation		1,111,777	2,109,937	1,028,227	1,788,811
Basic earnings per share (Rupees)	16	1.06	2.01	0.98	1.71

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

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Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2014

	30 June 2014		30 June 2013	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	1,111,777	2,109,937	1,028,227	1,788,811
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	36,742	31,710	(3,605)	(7,209)
Deferred tax on defined benefit plans	(12,860)	(11,099)	1,262	2,523
	23,882	20,611	(2,343)	(4,686)
Total comprehensive income	1,135,659	2,130,548	1,025,884	1,784,125

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

FOR THE HALF YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,070,318	2,696,850
Less: Dividend income	(18,431)	(39,552)
	3,051,887	2,657,298
Adjustments		
Depreciation and Amortization	250,854	226,660
Provision against non-performing loans and advances – net	962,679	1,035,638
Provision for diminution in the value of investments – net	(46,069)	(82,083)
Net (gain) on sale of operating fixed assets	(2,129)	(4,373)
Actuarial gain / (loss) on defined benefit plan	31,710	(7,209)
	1,197,045	1,168,633
	4,248,932	3,825,931
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,500,000)	(20,423,193)
Advances	10,335,264	(1,089,394)
Other assets (excluding taxation)	(4,827,670)	(1,573,860)
	4,007,594	(23,086,447)
Increase / (decrease) in operating liabilities		
Bills payable	3,893,448	1,307,634
Borrowings	27,638,425	38,849,127
Deposits and other accounts	29,634,582	774,058
Other liabilities (excluding dividend)	2,651,358	570,122
	63,817,813	41,500,941
	72,074,339	22,240,425
Income tax paid	(1,431,629)	(1,277,296)
Net cash flows from operating activities	70,642,710	20,963,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(55,287,694)	(13,967,985)
Net investments in held-to-maturity securities	(8,426,595)	(5,246,593)
Dividend received	18,431	39,552
Investments in operating fixed assets and Intangible assets	(176,098)	(207,809)
Proceeds from sale of operating fixed assets	3,192	5,208
Net cash flows from investing activities	(63,868,764)	(19,377,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,094,295)	(2,092,808)
Net cash flows from financing activities	(2,094,295)	(2,092,808)
Increase / (decrease) in cash and cash equivalents	4,679,751	(507,306)
Cash and cash equivalents at beginning of the period	24,852,282	21,216,198
Effect of exchange rate changes on cash and cash equivalents	(610,112)	215,320
Cash and cash equivalents at end of the period	28,921,821	20,924,212

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

FOR THE HALF YEAR ENDED 30 JUNE 2014

	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappropriated profit	Total
	Rupees in '000						
Balance as at 1 January 2013 - restated	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 period ended 30 June 2013							
Profit after tax	-	-	-	-	-	1,788,811	1,788,811
Other comprehensive income - net of tax	-	-	-	-	-	(4,686)	(4,686)
	-	-	-	-	-	1,784,125	1,784,125
Transfer to statutory reserve	-	-	356,000	-	-	(356,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 June 2013	10,478,315	2,550,985	5,552,931	240,361	1,500,000	5,368,227	25,690,819
Total comprehensive income for the six months ended 31 December 2013							
Profit after tax	-	-	-	-	-	1,737,957	1,737,957
Other comprehensive income - net of tax	-	-	-	-	-	(63,205)	(63,205)
	-	-	-	-	-	1,674,752	1,674,752
Transfer to statutory reserve	-	-	349,234	-	-	(349,234)	-
Transactions with owners, recorded directly in equity							
	-	-	-	-	-	-	-
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
Total comprehensive income for the six months ended 30 June 2014							
Profit after tax	-	-	-	-	-	2,109,937	2,109,937
Other comprehensive income - net of tax	-	-	-	-	-	20,611	20,611
	-	-	-	-	-	2,130,548	2,130,548
Transfer to statutory reserve	-	-	421,000	-	-	(421,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 June 2014	10,478,315	2,550,985	6,323,165	240,361	1,500,000	6,307,630	27,400,456

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

FOR THE HALF YEAR ENDED 30 JUNE 2014

1. STATUS AND NATURE OF BUSINESS

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.

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 (31 December 2013: 174) branches, including 6 (31 December 2013: 6) Islamic banking branches and 40 (31 December 2013: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, 11 Chundrigar Road, Karachi.

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 engaged in equity brokerage services.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchase and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 The financial results of the Islamic Banking branches of the Group have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transaction / balances. Key financial figures of the Islamic Banking branches are disclosed in note 19 to these consolidated condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case the requirements differ, the requirement of Companies Ordinance, 1984 the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO 411(I)/2008, dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

4. ACCOUNTING POLICIES AND ESTIMATES

- 4.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements of the Group for the year ended 31 December 2013.
- 4.2** The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the consolidated financial statements of the Group for the year ended 31 December 2013.

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6. BALANCES WITH OTHER BANKS

Note

**30 June
2014**
(Un-Audited)
31 December
2013
(Audited)
Rupees in '000

In Pakistan

Current accounts
Deposit accounts

1,586,041	460,186
73,956	24,004
1,659,997	484,190

Outside Pakistan

Current accounts
Deposit accounts

1,915,675	1,488,635
1,482,069	1,579,869
3,397,744	3,068,504
5,057,741	3,552,694

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings

7.1

1,500,000	—
1,500,000	—

7.1 This represents lending to financial institution at mark up of 10.50% per annum with maturity of 08 July 2014.

8. INVESTMENTS

Note	30 June 2014 (Un-Audited)			31 December 2013 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
Available-for-sale securities						
Market treasury bills	42,531,282	11,062,099	53,593,381	54,535,779	–	54,535,779
Pakistan investment bonds	90,197,259	7,949,425	98,146,684	45,828,229	–	45,828,229
Ordinary shares of listed companies	895,009	–	895,009	230,409	–	230,409
Ordinary shares of unlisted companies	138,955	–	138,955	138,955	–	138,955
Preference shares of a listed company	–	–	–	40,000	–	40,000
Listed term finance certificates	1,047,848	–	1,047,848	866,305	–	866,305
Unlisted term finance certificates	567,818	–	567,818	582,963	–	582,963
Sukuk certificates and bonds	12,604,133	–	12,604,133	14,096,788	–	14,096,788
Open end mutual funds	15,999,291	–	15,999,291	11,415,046	–	11,415,046
Close end mutual funds	29,049	–	29,049	–	–	–
	164,010,644	19,011,524	183,022,168	127,734,474	–	127,734,474
Held-to-maturity securities						
Pakistan Investment Bonds	22,538,897	–	22,538,897	14,112,302	–	14,112,302
Investments at cost	186,549,541	19,011,524	205,561,065	141,846,776	–	141,846,779
Provision for diminution in the value of investments	(144,915)	–	(144,915)	(190,984)	–	(190,984)
Investments – net of provisions	186,404,626	19,011,524	205,416,150	141,655,792	–	141,655,792
Surplus / (deficit) on revaluation of available-for-sale Investments – net	973,303	(270,383)	702,920	671,355	–	671,355
Total Investments	187,377,929	18,741,141	206,119,070	142,327,147	–	142,327,147

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	Note	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		190,984	274,242
Charge for the period / year		1,997	4,323
Recovered during the period / year		(5,881)	(6,203)
Net charge		(3,884)	(1,880)
Reversal of provision upon disposal of investments		(38,360)	(81,378)
Provision written off during the period / year		(3,825)	–
Closing balance		144,915	190,984
8.2 These carry mark-up rates ranging from 11.25% to 12.00% (31 December 2013: 11.25% to 12.00% per annum) and have maturity up to 19 July 2022. These include Rs. 158,500 thousand (31 December 2013: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.			
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		104,645,798	118,698,461
Net investments in finance lease / ijarah financing			
In Pakistan		512,384	490,079
Net book value of assets in Ijarah under IFAS-2		165,806	174,511
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,697,339	5,511,266
Payable outside Pakistan		23,758,732	19,269,633
		28,456,071	24,780,899
Advances - gross		133,780,059	144,143,950
Provision against non-performing advances			
– specific		(13,812,016)	(13,455,861)
– general		(1,432,049)	(854,152)
	9.3	(15,244,065)	(14,310,013)
Advances - net of provisions		118,535,994	129,833,937

- 9.1 Advances include Rs. 17,749,552 thousand (31 December 2013: Rs. 16,973,536 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2014 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	382,103	74,460	74,460
Doubtful	818,159	263,706	263,706
Loss	16,549,290	13,473,850	13,473,850
	<u>17,749,552</u>	<u>13,812,016</u>	<u>13,812,016</u>

Category of Classification	31 December 2013 (Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	14,053	386	386
Doubtful	134,771	29,102	29,102
Loss	16,824,712	13,426,373	13,426,373
	<u>16,973,536</u>	<u>13,455,861</u>	<u>13,455,861</u>

- 9.2 During the current year, the Group availed additional Forced Sale Value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing advances by Rs. 209,028 thousand. Further, as of 30 June 2014, 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. 3,270,263 thousand (31 December 2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs. 2,125,671 thousand (31 December 2013: Rs. 2,241,423 thousand) This amount of Rs. 2,125,671 thousand is not available for distribution of cash and stock dividend to the shareholders.

9.3 Particulars of specific provision against non-performing advances:

	30 June 2014 (Un-Audited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	13,455,861	854,152	14,310,013	12,035,322	353,674	12,388,996
Charge for the period / year	744,971	577,897	1,322,868	2,182,078	500,478	2,682,556
Reversals	(360,189)	-	(360,189)	(571,446)	-	(571,446)
Net charge for the period / year	384,782	577,897	962,679	1,610,632	500,478	2,111,110
Amount written off	(28,627)	-	(28,627)	(190,093)	-	(190,093)
Closing balance	<u>13,812,016</u>	<u>1,432,049</u>	<u>15,244,065</u>	<u>13,455,861</u>	<u>854,152</u>	<u>14,310,013</u>

9.4 General provision includes provision of Rs. 2,116 thousand (31 December 2013: Rs. 2,894 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. 33,115 thousands (31 December 2013: Rs. 37,450 thousands) made against Small Enterprises (SE's) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 135,972 thousand (30 June 2013: Rs. 97,670 thousand) and Rs. 97,670 thousand (30 June 2013: Rs. 5,286 thousand) respectively.

11. DEFERRED TAX ASSETS

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 will now be 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 will be allowed upto 1% of such total gross advances.

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

With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,359,270 thousand. (31 December 2013: Rs. 3,131,045 thousand).

	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
12. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	13,983,066	18,679,476
– under long term financing – export oriented projects	89,577	136,751
– under long term financing facility – locally manufactured plant and machinery	1,603,706	1,796,348
	15,676,349	20,612,575
Repurchase agreement borrowings	18,654,540	–
Against bills re-discounting	3,912,962	1,925,129
	38,243,851	22,537,704
Unsecured		
Call borrowings	11,932,278	–
Overdrawn nostro accounts	1,370,700	399,825
Overdrawn local bank accounts	1,416,532	119,473
	14,719,510	519,298
	52,963,361	23,057,002
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	110,961,493	100,894,176
Saving deposits	78,186,574	73,259,593
Current accounts (non-remunerative)	79,434,987	66,060,951
Others	3,747,743	3,085,411
	272,330,797	243,300,131
Financial Institutions		
Remunerative deposits	3,837,651	3,660,137
Non-remunerative deposits	973,852	547,450
	4,811,503	4,207,587
	277,142,300	247,507,718

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30 June 2014
(Un-Audited)
31 December 2013
(Audited)
Rupees in '000

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

Available-for-sale securities:

Federal Government Securities

Market treasury bills	(30,312)	(91,715)
Pakistan investment bonds	(284,091)	(92,551)
GOP ijarah sukuk	360,107	128,978

Fully paid-up ordinary shares and mutual funds

631,606 726,604

Preference shares of a listed company

– 6,720

Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	(13,337)	(17,751)
Unlisted term finance certificates	13,294	16,512
Sukuk certificates and bonds	25,653	(5,442)

702,920 671,355

Related deferred tax liability - net

(103,911) (51,643)

599,009 619,712

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of
banking companies and other financial institutions

8,000 31,670

15.2 Transaction-related contingent liabilities

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

i) Government	16,325,652	16,417,161
ii) Banking companies and other financial institutions	194,585	170,040
iii) Others	3,178,894	3,566,742

19,699,131 20,153,943

15.3 Trade-related contingent liabilities

Letters of credit

60,554,319 60,413,234

Acceptances

13,839,891 10,821,099

	30 June 2104 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>91,430,956</u>	<u>58,594,354</u>
Sale	<u>93,113,918</u>	<u>60,959,246</u>
15.5 Commitments in respect of operating leases		
Not later than one year	<u>21,488</u>	<u>20,293</u>
Later than one year and not later than five years	<u>17,350</u>	<u>25,019</u>
	<u>38,838</u>	<u>45,312</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>72,241</u>	<u>19,791</u>
15.7 Claims against the Bank not acknowledged as debt	<u>2,184,916</u>	<u>2,154,916</u>
15.8 Commitments in respect of investments		
Purchase	<u>7,702,959</u>	<u>—</u>
Sale	<u>4,296,735</u>	<u>—</u>
15.9 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.

15.10 Taxation

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

16. BASIC EARNINGS PER SHARE

	30 June 2014	30 June 2013	
	Quarter ended	Half year ended	Quarter ended
			Half year ended
	(Un-Audited)		
	Rupees in '000		
Profit after taxation	<u>1,111,777</u>	<u>2,109,937</u>	<u>1,028,227</u>
	Number in '000		<u>1,788,811</u>
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees		
Basic earnings per share	<u>1.06</u>	<u>2.01</u>	<u>0.98</u>
			<u>1.71</u>

17. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 June 2014 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	179,325	5,220,156	25,789	306,775	1,077,055	6,809,100
Received during the period	10,232,503	431,342,259	239,123	973,794	2,284,485	445,072,164
Repaid during the period	(9,943,811)	(426,315,603)	(226,419)	(858,010)	(2,577,970)	(439,921,813)
At end of the period	468,017	10,246,812	38,493	422,559	783,570	11,959,451
Advances						
At beginning of the period	-	2,020,013	76,466	-	-	2,096,479
Disbursed during the period	-	18,704,378	59,878	-	-	18,764,256
Recovered during the period	-	(18,297,839)	(6,674)	-	-	(18,304,513)
At end of the period	-	2,426,552	129,670	-	-	2,556,222
Bank balances held by the Group	118,472	37,799	-	-	-	156,271
Mark-up/return/interest receivable	-	15,612	-	-	-	15,612
Mark-up/return/interest payable	-	173,173	1,280	2,743	112,200	289,396
Management fee payable for technical and consultancy services*	162,550	-	-	-	-	162,550
Prepayments /Advance deposits	-	4,459	-	-	-	4,459
Insurance premium and other payable	30,200	851	-	-	-	31,051
Transaction-related contingent liabilities	-	4,214,735	-	-	-	4,214,735
Trade-related contingent liabilities	-	4,183,008	-	-	-	4,183,008
Advance received against prepaid card	-	1	-	-	-	1
Receivable / payable) against Purchase / Sale of Securities	105,160	-	(32)	-	-	105,128

* Management fee is as per the agreement with the ultimate parent company.

	31 December 2013 (Audited)					
	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	179,325	5,220,156	25,789	306,775	1,077,055	6,809,100
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	-	2,020,013	76,466	-	-	2,096,479
Bank balances held by the Group	99,480	208,512	-	-	-	307,992
Overdrawn bank balances held by the Group	-	72,336	-	-	-	72,336
Mark-up/return/interest receivable	6	13,088	-	-	-	13,094
Mark-up/return/interest payable	-	131,556	950	2,097	96,065	230,668
Management fee payable for technical and consultancy services*	164,350	-	-	-	-	164,350
Prepayments /Advance deposits	-	4,561	-	-	-	4,561
Insurance Premium and other payable	24,200	989	-	-	-	25,189
Transaction-related contingent liabilities	-	2,123,093	-	-	-	2,123,093
Trade-related contingent liabilities	-	5,195,352	-	-	-	5,195,352
Advance received against prepaid card	-	152	-	-	-	152
Receivable / (payable) against Purchase / Sale of Securities	9,839	(20)	(271)	-	-	9,548

* Management fee is as per the agreement with the ultimate parent company.

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Transactions during the period	For the period ended 30 June 2014 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	45,603	5,188	-	-
Mark-up/return/interest expensed	-	371,426	1,415	13,539	54,238
Commission/brokerage/bank charges recovered	7,426	48,179	100	-	-
Commission/brokerage/bank charges paid	220	521	-	-	-
Salaries and allowances	-	-	144,658	-	-
Directors' fees	-	-	-	4,650	-
Contribution to defined benefit plan	-	-	-	-	63,738
Contribution to defined contribution plan	-	-	-	-	61,727
Rent expenses	-	9,222	-	-	-
Insurance premium expenses	6,000	1,320	-	-	-
Maintenance, Electricity, Stationery & Entertainment	-	24,707	-	-	-
Management fee expense for technical and consultancy services*	113,450	-	-	-	-
Donation	-	2,960	-	-	-
Professional/ other charges paid	-	956	-	-	-

* Management fee is as per the agreement with the ultimate parent company.

	For the period ended 30 June 2013 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	64,227	1,095	-	-
Mark-up/return/interest expensed	-	323,287	286	6,382	74,119
Commission/brokerage/bank charges recovered	2,964	186,671	36	-	-
Commission/brokerage/bank charges paid	186	6,205	-	-	-
Rent income	-	495	-	-	-
Loss on sale of fixed assets	-	11,366	-	-	-
Salaries and allowances	-	-	91,144	-	-
Directors' fees	-	-	-	4,360	-
Contribution to defined benefit plan	-	-	-	-	52,800
Contribution to defined contribution plan	-	-	-	-	56,801
Rent expenses	-	9,258	-	-	-
Insurance premium expenses	7,500	15,002	-	-	-
Maintenance, Electricity, Stationery & Entertainment	-	22,188	-	-	-
Management fee expense for technical and consultancy services*	77,115	-	-	-	-
Donation	-	960	-	-	-
Professional / other charges paid	-	2,577	-	-	-

* Management fee is as per the agreement with the ultimate parent company.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	30 June 2014 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income*	10,889,817	4,199,403	6,640,042	21,729,262
Total expenses*	(9,070,228)	(3,817,478)	(5,771,238)	(18,658,944)
Net Income	1,819,589	381,925	868,804	3,070,318
Segment assets	221,534,527	1,593,197	154,369,211	377,496,935
Segment liabilities	69,184,150	126,992,963	153,320,357	349,497,470

	30 June 2013 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income*	7,995,538	3,436,841	5,822,060	17,254,439
Total expenses*	(6,212,286)	(3,231,698)	(5,113,605)	(14,557,589)
Net Income	1,783,252	205,143	708,455	2,696,850
Segment assets	215,285,220	1,219,119	125,246,704	341,751,044
Segment liabilities	88,174,973	108,490,340	117,264,499	313,929,812

* Includes Rs. 3,731,715 thousands (30 June 2013: Rs. 1,999,430 thousands) of inter-segment revenues and expenses.

19. KEY ISLAMIC BANKING OPERATIONS

- 19.1 The Group is operating 6 (31 December 2013: 6) Islamic Banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 June 2014 are as follow.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,160,871	1,150,981
Balances with other banks		—	—
Due from financial institutions		—	—
Investments		15,315,659	14,042,730
Islamic financing and related assets	A-2.1	6,302,001	7,429,012
Operating fixed assets		19,132	18,940
Deferred tax assets - net		—	—
Other assets		4,705,140	2,738,851
		27,502,803	25,380,514
LIABILITIES			
Bills payable		95,513	148,884
Due to financial institutions		176,300	165,900
Deposits and other accounts			
- Current accounts		3,593,301	2,975,339
- Saving accounts		6,396,059	6,872,578
- Term deposits		12,934,085	11,231,401
- Others		226,876	154,578
- Deposits from financial institutions - remunerative		1,636,530	1,541,006
- Deposits from financial institutions - non remunerative		46,693	9,957
	19.5	24,833,544	22,784,859
Due to head office		—	—
Other liabilities		787,706	649,396
		25,893,063	23,749,039
NET ASSETS			
		1,609,740	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,470	1,002,633
Reserves		—	—
Unappropriated profit		220,829	505,306
		1,223,299	1,507,939
Surplus on revaluation of assets		386,441	123,536
		1,609,740	1,631,475

**19.2 PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	30 June 2014 (Un-Audited)	30 June 2013 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,057,426	953,472
Profit / return on deposit and other dues expensed	(880,414)	(686,699)
Net spread earned	177,012	266,773
Provision against non performing financing	4,767	2,447
Provision for diminution in the value of investments	-	-
Provision for customer financing ljarah	-	-
Bad debts written off directly	-	-
	4,767	2,447
Net spread after provisions	172,245	264,326
OTHER INCOME		
Fee, commission and brokerage income	14,695	10,833
Dividend income	-	-
Income from dealing in foreign currencies - net	6,553	6,128
Gain on sale / redemption of securities - net	92,181	-
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	22,037	18,629
Total other income	135,466	35,590
	307,711	299,916
OTHER EXPENSES		
Administrative expenses	86,882	56,676
Other provisions / write-offs	-	-
Other charges	-	-
Total other expenses	86,882	56,676
	220,829	243,240
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	220,829	243,240

19.3 Remuneration to Shariah Advisor / Board

30 June 2014 (Un-Audited)	31 December 2013 (Audited)
1,200	536

19.4 Charity Fund

	Rupees in '000	
Opening balance	-	-
Additions during the period	23	-
Payments / utilization during the period	(23)	-
Closing Balance	-	-

30 June 31 December
2014 2013
(Un-Audited) (Audited)
Rupees in '000

A-2 ISLAMIC FINANCING AND RELATED ASSETS

Financings / investments / receivables

- Murabaha	3,462,439	5,669,333
- Ijarah	189,586	198,293
- Diminishing musharaka	1,394,403	1,122,334
- Export refinance murabaha	176,300	165,900
- Al Bai Financing	9,152	-
	5,231,880	7,155,860

Advances

- Advance against murabaha	668,420	70,980
- Advance against ijarah	114,057	4,686
- Advance against diminishing musharika	274,150	197,486
	1,056,627	273,152

Assets / Inventories

- Istisna Goods	13,494	-
	13,494	-
	6,302,001	7,429,012

A-2.1 Islamic mode of financing

Financings / investments / receivables	5,231,880	7,155,860
Advances	1,056,627	273,152
Assets / Inventories	13,494	-
	6,302,001	7,429,012

19.5 Deposit and other accounts includes redeemable capital of Rs. 20,966,674 thousand (31 December 2013: Rs. 19,644,985 thousand) and deposits on Qard basis of Rs. 3,866,870 thousand (31 December 2013: Rs. 3,139,874 thousand). Redeemable capital consists of remunerative deposits (savings and fixed) which are on Modaraba basis and all non-remunerative deposits are classified as on Qard basis.

20. GENERAL

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

20.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

21. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 21 August 2014.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director