

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

هَذَا مِنْ فَضْلِ رَبِّي



**Habib Metropolitan Bank**

(Subsidiary of Habib Bank AG Zurich)

# Our Vision



Based on a foundation of trust,  
to be the most respected financial institution,  
delighting customers with excellence,  
enjoying the loyalty of a dedicated team,  
meeting the expectations of regulators and  
participating in social causes while  
providing superior returns to shareholders

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## CORPORATE INFORMATION



### BOARD OF DIRECTORS

#### CHAIRMAN

Kassim Parekh

#### CHIEF EXECUTIVE

Anjum Iqbal

#### DIRECTORS

Muhammad H. Habib

Reza S. Habib

Bashir Ali Mohammad

Tariq Ikram

Ronald V. Emerson

Wazir Ali Khoja

Mohamedali R. Habib\*

\* Executive Director

#### AUDIT COMMITTEE

Reza S. Habib

Kassim Parekh

Mohamedali R. Habib

#### COMPANY SECRETARY

Muhammad Imran

#### REGISTERED OFFICE

Ground Floor, Spencer's Building,

G.P.O. Box 1289, I.I. Chundrigar Road,

Karachi - 74200, Pakistan

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our unaudited accounts for the first quarter ended March 31, 2011.

The devastating floods in 2010 had led to massive pessimism and a gloomy outlook for the Country. However, as time passed, the flood damage has been less than anticipated, and the agricultural sector is seeing a revival with bumper crops for cotton, wheat, sugar cane and rice expected.

The Country's trade business went up to record levels with Exports showing a 24% increase and Imports at 18% growth over last year (Jul-Feb). The forward cover facility was also reopened by SBP to assist the importers and there was no significant devaluation during this period.

The Country's FX reserves crossed USD 18 billion in this time period, with worker remittances also hitting a record of USD 7 billion. This coupled with lower imports contributed to a surplus current account.

The Government also took measures to increase revenue collection and curb expenditure.

Looking forward, we expect that while the Agricultural sector will do well this year, the Manufacturing sector will continue to remain under stress due to the continuing energy shortage and issues of law and order. The shortage of natural gas will also be an issue while higher costs of materials and inflation will impact margins for manufacturers.

Despite present conditions, by Allah's grace your Bank continues to make steady progress as reflected in the attached financial statements. At the quarter end, the total assets of the Bank stood at Rs. 262 billion. The Bank's deposits increased to Rs. 167 billion as against Rs. 160 billion at the preceding year end while advances increased by Rs. 6 billion to close at Rs. 126 billion.

The Bank's post-tax profit for the quarter end amounted to Rs. 756 million as against Rs. 698 million for the same quarter of preceding year, reflecting an increase of 8%. This performance translates into an EPS of Rs. 0.87 per share. The Bank enjoys healthy fee based income and has managed to keep administration expenses under control while expanding the network.

At quarter end, HMB's net equity stands at Rs. 21.3 billion with a capital adequacy level of 10.6% against the required 10%.

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



With a branch network of 143 branches/sub branches (including Islamic Banking branches), your Bank provides full range of banking services including cash management services, e-salary services for corporate employees, on-line utility bills payment solutions on its ATMs and through our 24-hour call centre, on-line instant fund transfer facilities, SWIFT, teleinfo, web-info and mobile banking alerts (GSM) to the customers. The Bank plans to open more branches during the year and continue with its program for upgrading existing branches to provide better services.

Furthermore, our call centre “HMB Connect”, with a toll free contact number 0800 HABIB (42242), is the Bank’s centre point of contact and provides services round the clock. HMB Connect plans to add further innovative services on this platform for the ease and accessibility of customers.

During this quarter the Board was re-elected and Mr Anwar H. Japanwala retired from the Board. The Board wishes to place on record their profound appreciation for the valuable contribution made by Mr. Anwar H. Japanwala, during his association as Director since the incorporation of the Bank.

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

On behalf of the Board

Karachi: April 25, 2011

**Anjum Iqbal**  
Chief Executive

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT 31 MARCH 2011

	Note	31 March 2011 (Un-Audited)	31 December, 2010 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		12,473,182	13,923,393
Balances with other banks	5	2,208,922	3,123,094
Lendings to financial institutions	6	1,500,000	3,190,399
Investments	7	107,883,333	100,993,820
Advances	8	126,290,596	119,827,636
Operating fixed assets	9	3,362,791	3,352,702
Deferred tax assets - net	10	1,921,203	1,868,328
Other assets		6,658,494	5,931,280
		<b>262,298,521</b>	<b>252,210,652</b>
<b>LIABILITIES</b>			
Bills payable		3,410,734	2,572,954
Borrowings	11	63,365,341	62,529,729
Deposits and other accounts	12	167,204,565	160,457,975
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		7,034,039	6,341,861
		<b>241,014,679</b>	<b>231,902,519</b>
<b>NET ASSETS</b>		<b>21,283,842</b>	<b>20,308,133</b>
<b>REPRESENTED BY</b>			
Share capital		8,731,929	8,731,929
Reserves		10,048,829	8,151,443
Unappropriated profit		2,930,423	4,071,055
		<b>21,711,181</b>	<b>20,954,427</b>
Deficit on revaluation of assets - net of tax	13	(427,339)	(646,294)
		<b>21,283,842</b>	<b>20,308,133</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

*The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.*

**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

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

FOR THE QUARTER ENDED 31 MARCH 2011



	Note	2011	2010
		Rupees in '000	
<b>Mark-up / return / interest earned</b>		<b>6,442,304</b>	5,806,170
<b>Mark-up / return / interest expensed</b>		<b>(4,718,297)</b>	(4,136,338)
Net mark-up / interest income		<b>1,724,007</b>	1,669,832
Provision against non-performing loans and advances		<b>806,735</b>	558,363
Provision for diminution in the value of investments		<b>(2,402)</b>	—
Bad debts written-off directly		—	—
		<b>(804,333)</b>	(558,363)
Net mark-up / interest income after provisions		<b>919,674</b>	1,111,469
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<b>463,487</b>	402,097
Dividend income		<b>251,329</b>	115,114
Income from dealing in foreign currencies		<b>563,483</b>	330,953
Gain on sale / redemption of securities		<b>34,943</b>	47,135
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		—	—
Other income		<b>58,351</b>	57,542
Total non mark-up / interest income		<b>1,371,593</b>	952,841
		<b>2,291,267</b>	2,064,310
<b>Non mark-up / interest expenses</b>			
Administrative expenses		<b>1,196,248</b>	1,001,311
Other provisions / write-offs		—	—
Other charges		<b>30,273</b>	30,000
Total non mark-up / interest expenses		<b>(1,226,521)</b>	(1,031,311)
		<b>1,064,746</b>	1,032,999
Extra-ordinary / unusual items		—	—
<b>Profit before taxation</b>		<b>1,064,746</b>	1,032,999
Taxation – Current		<b>454,385</b>	434,369
– Prior years		—	—
– Deferred		<b>(146,393)</b>	(99,209)
		<b>(307,992)</b>	(335,160)
<b>Profit after taxation</b>		<b>756,754</b>	697,839
			(Restated)
<b>Basic and diluted earnings per share (Rupee)</b>	15	<b>0.87</b>	0.80

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Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE QUARTER ENDED 31 MARCH 2011

	2011	2010
	Rupees in '000	
Profit after taxation for the period	756,754	697,839
Other comprehensive income	-	-
<b>Comprehensive income transferred to equity</b>	<b>756,754</b>	<b>697,839</b>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of investments	312,473	36,705
Deferred tax on revaluation of investments	(93,518)	(12,847)
	<b>218,955</b>	<b>23,858</b>
<b>Total comprehensive income</b>	<b>975,709</b>	<b>721,697</b>

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**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE QUARTER ENDED 31 MARCH 2011



	2011	2010
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,064,746	1,032,999
Less: Dividend income	(251,329)	(115,114)
	<b>813,417</b>	917,885
<b>Adjustments</b>		
Depreciation	93,602	71,086
Provision against non-performing loans and advances	806,735	558,363
Provision for diminution in the value of investments – net	(2,593)	(23,897)
Net (gain) on sale of fixed assets	(1)	(815)
	<b>897,743</b>	604,737
	<b>1,711,160</b>	1,522,622
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,690,399	(3,962,982)
Advances	(7,269,695)	(1,482,535)
Other assets	(727,214)	15,411
	<b>(6,306,510)</b>	(5,430,106)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	837,780	(99,365)
Borrowings	76,710	(3,789,952)
Deposits and other accounts	6,746,590	3,545,303
Other liabilities (excluding taxation and dividend)	669,561	450,087
	<b>8,330,641</b>	106,073
	<b>3,735,291</b>	(3,801,411)
Income tax paid	(431,678)	(671,608)
<b>Net cash flows from operating activities</b>	<b>3,303,613</b>	(4,473,019)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(6,824,447)	3,927,948
Net investments in held-to-maturity securities	250,000	(700,000)
Dividend received	251,329	115,114
Investments in operating fixed assets	(104,550)	(104,405)
Proceeds from sale of fixed assets	860	1,376
<b>Net cash flows from investing activities</b>	<b>(6,426,808)</b>	3,240,033
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(90)	–
<b>Net cash flows from financing activities</b>	<b>(90)</b>	–
<b>Decrease in cash and cash equivalents</b>	<b>(3,123,285)</b>	(1,232,986)
Cash and cash equivalents at beginning of the period	15,666,223	14,258,618
Effect of exchange rate changes on cash and cash equivalent	11,639	(25,917)
<b>Cash and cash equivalents at the end of the period</b>	<b>12,554,577</b>	12,999,715

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**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE QUARTER ENDED 31 MARCH 2011

	Reserves						Unappropriated profit	Total
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares		
Rupees in '000								
<b>Balance as at 1 January 2010</b>	7,527,525	2,550,985	3,296,489	240,361	1,500,000	-	3,773,782	18,889,142
<b>Changes in equity for the period ended 31 March 2010</b>								
Total comprehensive income (profit for the period)	-	-	-	-	-	-	697,839	697,839
<b>Transactions with owners recorded directly in equity</b>								
Transfer to reserve for issuance of bonus shares in the ratio of 16 shares for every 100 shares held	-	-	-	-	-	1,204,404	(1,204,404)	-
Cash dividend (Re. 1 per share)	-	-	-	-	-	-	(752,753)	(752,753)
	-	-	-	-	-	1,204,404	(1,957,157)	(752,753)
Transferred to statutory reserve	-	-	140,000	-	-	-	(140,000)	-
<b>Balance as at 31 March 2010</b>	7,527,525	2,550,985	3,436,489	240,361	1,500,000	1,204,404	2,374,464	18,834,228
<b>Changes in equity for the period ended 31 December 2010</b>								
Total comprehensive income (profit for the period)	-	-	-	-	-	-	2,120,199	2,120,199
<b>Transactions with owners recorded directly in equity</b>								
Issue of bonus share in the ratio of 16 shares for every 100 shares held	1,204,404	-	-	-	-	(1,204,404)	-	-
Transfer to statutory reserve	-	-	423,608	-	-	-	(423,608)	-
<b>Balance as at 31 December 2010</b>	8,731,929	2,550,985	3,860,097	240,361	1,500,000	-	4,071,055	20,954,427
<b>Changes in equity for the period ended 31 March 2011</b>								
Total comprehensive income (profit for the period)	-	-	-	-	-	-	756,754	756,754
<b>Transactions with owners recorded directly in equity</b>								
Transfer to reserve for issuance of bonus shares in the ratio of 20 shares for every 100 shares held	-	-	-	-	-	1,746,386	(1,746,386)	-
Transferred to statutory reserve	-	-	151,000	-	-	-	(151,000)	-
<b>Balance as at 31 March 2011</b>	<b>8,731,929</b>	<b>2,550,985</b>	<b>4,011,097</b>	<b>240,361</b>	<b>1,500,000</b>	<b>1,746,386</b>	<b>2,930,423</b>	<b>21,711,181</b>

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
FOR THE QUARTER ENDED 31 MARCH 2011



**1. STATUS AND NATURE OF BUSINESS**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The Bank operates 135 (2010: 135) branches including 4 (2010: 4) Islamic Banking Branches and 8 (2010: 8) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich (the holding company), which is incorporated in Switzerland.

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

**2. BASIS OF PREPARATION**

**2.1** These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

**2.2** These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with the requirement of section 245 of the Companies Ordinance 1984. These unconsolidated condensed interim financial statements are unaudited.

**2.3** These are separate unconsolidated condensed interim financial statements of the Bank in which investments in subsidiary is accounted for on the basis of direct equity interest and are not consolidated.

**3. ACCOUNTING POLICIES AND ESTIMATES**

**3.1** The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

**3.2** The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

#### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

#### 5. BALANCES WITH OTHER BANKS

	<b>31 March 2011</b> (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
<b>In Pakistan</b>		
– Current accounts	<b>213,435</b>	414,336
– Deposit accounts	<b>448</b>	17,205
	<b>213,883</b>	431,541
<b>Outside Pakistan</b>		
– Current accounts	<b>1,056,078</b>	978,819
– Deposit accounts	<b>938,961</b>	1,712,734
	<b>1,995,039</b>	2,691,553
	<b>2,208,922</b>	3,123,094

#### 6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	<b>1,500,000</b>	2,100,000
Repurchase agreement lendings (Reverse repo)	–	640,399
Letter of placements	–	450,000
	<b>1,500,000</b>	3,190,399

**7. INVESTMENTS**

	31 March 2011 (Un-Audited)			31 December 2010 (Audited)			
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000							
<b>Available-for-sale securities</b>							
Market Treasury Bills		17,942,404	32,443,437	50,385,841	20,254,957	24,133,119	44,388,076
Pakistan Investment Bonds		19,142,877	2,894,364	22,037,241	12,475,620	8,955,800	21,431,420
Ordinary shares of listed companies		445,323	-	445,323	241,530	-	241,530
Ordinary shares of unlisted companies		123,101	-	123,101	123,101	-	123,101
Preference shares of a listed company		40,000	-	40,000	40,000	-	40,000
Listed Term Finance Certificates		2,404,486	-	2,404,486	2,282,470	-	2,282,470
Unlisted Term Finance Certificates		3,878,128	-	3,878,128	4,060,056	-	4,060,056
Sukuk Certificates and Bonds		17,112,036	-	17,112,036	18,192,348	-	18,192,348
Open end mutual funds		11,305,124	-	11,305,124	10,147,832	-	10,147,832
Close end mutual funds		67,000	-	67,000	67,000	-	67,000
		<b>72,460,479</b>	<b>35,337,801</b>	<b>107,798,280</b>	<b>67,884,914</b>	<b>33,088,919</b>	<b>100,973,833</b>
<b>Held-to-maturity securities</b>							
Certificate of Investments		800,000	-	800,000	1,050,000	-	1,050,000
<b>Subsidiary</b>							
Habib Metropolitan Financial Services Limited		300,000	-	300,000	300,000	-	300,000
		<b>73,560,479</b>	<b>35,337,801</b>	<b>108,898,280</b>	<b>69,234,914</b>	<b>33,088,919</b>	<b>102,323,833</b>
<b>Investments at cost</b>							
Less: Provision for diminution in the value of investments		(253,339)	-	(253,339)	(255,932)	-	(255,932)
		<b>73,307,140</b>	<b>35,337,801</b>	<b>108,644,941</b>	<b>68,978,982</b>	<b>33,088,919</b>	<b>102,067,901</b>
<b>Investments – net of provisions</b>							
Deficit on revaluation of available-for-sale securities – net	13	(597,794)	(163,814)	(761,608)	(726,452)	(347,629)	(1,074,081)
		<b>72,709,346</b>	<b>35,173,987</b>	<b>107,883,333</b>	<b>68,252,530</b>	<b>32,741,290</b>	<b>100,993,820</b>
<b>Investments after revaluation of available-for-sale securities</b>							

<b>8. ADVANCES</b>	Note	<b>31 March 2011</b>	31 December 2010	
		(Un-Audited)	(Audited)	
		Rupees in '000		
Loans, cash credits, running finances, etc.				
In Pakistan		<b>107,450,536</b>	100,914,709	
Net investments in finance lease / ijarah financing				
In Pakistan		<b>833,386</b>	906,984	
Net assets in ijarah under IFAS 2		<b>1,012,383</b>	901,886	
Bills discounted and purchased (excluding Market Treasury Bills)				
Payable in Pakistan		<b>5,871,896</b>	6,344,275	
Payable outside Pakistan		<b>19,433,798</b>	18,282,153	
		<b>25,305,694</b>	24,626,428	
Advances - gross		<b>134,601,999</b>	127,350,007	
Provision against non-performing advances				
- specific	8.1	<b>(8,252,484)</b>	(7,463,452)	
- general	8.3	<b>(58,919)</b>	(58,919)	
		<b>(8,311,403)</b>	(7,522,371)	
Advances - net of provisions		<b>126,290,596</b>	119,827,636	
<b>8.1</b> Advances include Rs. 11,761,796 thousand (2010: Rs 10,961,145 thousand) which have been placed under non-performing status as detailed below:				
		31 March 2011 (Un-Audited)		
<b>Category of Classification</b>	Classified advances	Provision Required	Provision Held	
	Rupees in '000			
Substandard	<b>151,609</b>	<b>27,313</b>	<b>27,313</b>	
Doubtful	<b>2,096,776</b>	<b>752,027</b>	<b>752,027</b>	
Loss	<b>9,513,411</b>	<b>7,473,144</b>	<b>7,473,144</b>	
	<b>11,761,796</b>	<b>8,252,484</b>	<b>8,252,484</b>	
		31 December 2010 (Audited)		
Category of Classification	Classified advances	Provision Required	Provision Held	
	Rupees in '000			
Substandard	348,017	73,725	73,725	
Doubtful	2,417,408	836,356	836,356	
Loss	8,195,720	6,553,371	6,553,371	
	<b>10,961,145</b>	<b>7,463,452</b>	<b>7,463,452</b>	

**8.2** In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the State Bank of Pakistan, during the quarter the Bank has further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.7.037 million and profit after taxation for the quarter ended 31 March 2011 would have been lower by approximately Rs. 4.574 million. As of 31 March 2011, had the benefit of FSVs not taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.1,987.256 million and accumulated profit would have been lower by Rs. 1,291.716 million. This amount of Rs. 1,291.716 million is not available for the distribution of cash and stock dividend to the shareholders.

**8.3** General provision includes provision of Rs. 22.478 million (2010: Rs. 22.117 million) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

#### **9. OPERATING FIXED ASSETS**

During the current period, additions and disposals in operating fixed assets amounted to Rs. 0.308 million (31 March 2010: Rs. 62.795 million) and Rs. 0.859 million (31 March 2010: Rs. 0.562 million) respectively.

#### **10. DEFERRED TAX ASSETS – NET**

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. 1,947.439 million.

	<b>31 March 2011</b>	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
<b>11. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	<b>23,214,038</b>	25,710,819
– under long term financing – export oriented projects	<b>1,160,697</b>	1,300,872
– under long term financing facility – locally manufactured plant and machinery	<b>1,704,600</b>	1,418,938
	<b>26,079,335</b>	28,430,629
Repurchase agreement borrowings	<b>35,073,119</b>	32,630,475
	<b>61,152,454</b>	61,061,104
<b>Unsecured</b>		
Call borrowings	–	100,000
Overdrawn nostro accounts	<b>2,125,242</b>	1,357,698
Overdrawn local bank accounts	<b>2,285</b>	10,927
Other short term borrowings	<b>85,360</b>	–
	<b>2,212,887</b>	1,468,625
	<b>63,365,341</b>	62,529,729
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<b>78,108,418</b>	69,954,427
Saving deposits	<b>40,893,865</b>	38,873,120
Current accounts (non-remunerative)	<b>40,311,446</b>	37,316,518
Others	<b>1,787,967</b>	1,818,566
	<b>161,101,696</b>	147,962,631
<b>Financial Institutions</b>		
Remunerative deposits	<b>5,440,146</b>	12,111,834
Non-remunerative deposits	<b>662,723</b>	383,510
	<b>6,102,869</b>	12,495,344
	<b>167,204,565</b>	160,457,975



**31 March**    31 December  
**2011**            2010  
(Un-Audited)    (Audited)  
Rupees in '000

**13. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX**

**Available-for-sale securities:**

**Federal Government Securities**

Market Treasury Bills	(49,107)	(132,006)
Pakistan Investment Bonds	(989,522)	(1,140,910)
GOP Ijarah Sukuk	76,700	73,714

**Fully paid-up ordinary shares – Listed**

**22,602**            (762)

**Term Finance Certificates**

Listed	(62,745)	(46,592)
Unlisted	(86)	(4,915)

**Sukuk Certificates and Bonds**

**(7,675)**            (30,806)

**Mutual funds**

Open end	222,317	189,756
Close end	25,908	18,440

**(761,608)**            (1,074,081)

Related deferred tax asset - net

**334,269**            427,787

**(427,339)**            (646,294)

**14. CONTINGENCIES AND COMMITMENTS**

**14.1 Direct credit substitutes**

Bank guarantees of indebtedness in favour of:

– Banking companies and other financial institutions	238,522	238,522
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**14.2 Transaction-related contingent liabilities**

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

i) Government	11,044,432	9,351,603
ii) Banking companies and other financial institutions	71,965	286,415
iii) Others	2,221,567	3,711,022

**13,337,964**            13,349,040

**14.3 Trade-related contingent liabilities**

Letters of credit

**50,515,115**            49,231,412

Acceptances

**15,490,124**            10,313,588

**14.4 Commitments in respect of forward exchange contracts**

Purchase

**62,565,735**            55,991,653

Sale

**82,991,395**            68,631,860

	<b>31 March 2011</b>	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
<b>14.5 Commitments in respect of operating leases</b>		
Not later than one year	<b>53,602</b>	57,991
Later than one year and not later than five years	<b>25,246</b>	30,154
	<b>78,848</b>	88,145
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	<b>114,608</b>	62,154
<b>14.7 Claims against bank not acknowledged as debt</b>	<b>2,401,910</b>	2,229,910
<b>14.8 Commitments in respect of forward lendings</b>		
The Bank makes commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.		
<b>14.9 Commitments in respect of syndicate financing</b>	<b>150,000</b>	253,691
<b>14.10 Commitments in respect of investment in sukuk certificates and term finance certificates</b>	<b>4,343</b>	48,572

**14.11 Taxation**

Income tax assessments of the Bank have been finalised upto the tax year 2008 (corresponding to the accounting year ended 31 December 2007). Certain appeals are pending for the tax years 2009 and 2010 (corresponding to the accounting years ended 31 December 2008 and 31 December 2009). However, adequate provisions are being held by the Bank.

**15. BASIC AND DILUTED EARNINGS PER SHARE**

	<b>For the Quarter ended 31 March</b>	
	<b>2011</b>	2010
	(Un-Audited)	
	Rupees in '000	
Profit after taxation	<b>756,754</b>	697,839
	Number in '000	
Weighted average number of ordinary shares	<b>873,193</b>	873,193
	Rupees	
Basic and diluted earnings per share	<b>0.87</b>	0.80

**15.1** The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

## 16. TRANSACTIONS WITH RELATED PARTIES

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

Contributions to the accounts in respect of employee retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

31 March 2011 (Un-Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
Rupees in '000						
<b>Deposits</b>						
At beginning of the period	93,074	143,544	3,220,383	60,493	1,233,885	4,751,379
Received during the period	3,526,140	15,148,082	115,675,079	63,934	89,666	134,502,901
Repaid during the period	(3,474,813)	(15,179,600)	(114,476,684)	(64,325)	(68,685)	(133,264,107)
At the end of the period	144,401	112,026	4,418,778	60,102	1,254,866	5,990,173
<b>Advances</b>						
At the beginning of the period	-	-	2,198,466	22,276	-	2,220,742
Disbursed during the period	-	-	9,811,373	362	-	9,811,735
Recovered during the period	-	-	(10,295,930)	(1,187)	-	(10,297,117)
At the end of the period	-	-	1,713,909	21,451	-	1,735,360
Bank balances held by the Bank	236,446	-	82,150	-	-	318,596
Overdrawn bank balances held by the Bank	-	-	(1,329,381)	-	-	(1,329,381)
Mark-up/return/interest payable	-	889	-	-	-	889
Management fee payable for technical and consultancy services*	174,412	-	-	-	-	174,412
Prepayments	-	-	12,548	-	-	12,548
Transaction-related contingent liabilities	-	25,000	982,661	-	-	1,007,661
Trade-related contingent liabilities	-	-	1,914,265	-	-	1,914,265
Advance received against prepaid card	-	-	1,381	-	-	1,381
Advance received against insurance premium	-	-	16	-	-	16

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

31 December 2010 (Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
Rupees in '000						
<b>Deposits</b>						
At the beginning of the year	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Received during the year	10,155,609	132,920,884	401,599,525	192,382	4,451,142	549,319,542
Repaid during the year	(10,081,985)	(133,049,226)	(401,910,557)	(177,927)	(4,067,783)	(549,287,478)
At the end of the year	93,074	143,544	3,220,383	60,493	1,233,885	4,751,379
<b>Advances</b>						
At the beginning of the year	-	-	1,740,927	15,540	-	1,756,467
Disbursed during the year	-	-	30,558,362	12,331	-	30,570,693
Recovered during the year	-	-	(30,100,823)	(5,595)	-	(30,106,418)
At the end of the year	-	-	2,198,466	22,276	-	2,220,742
Bank balances held by the bank	164,431	-	57,588	-	-	222,019
Overdrawn bank balances held by the bank	(48,942)	-	(763,041)	-	-	(811,983)
Mark-up/return/interest payable	-	1,515	-	-	-	1,515
Management fee payable for technical and consultancy services*	137,100	-	-	-	-	137,100
Prepayments	-	-	14,789	-	-	14,789
Transaction-related contingent liabilities	-	25,000	1,023,991	-	-	1,048,991
Trade-related contingent liabilities	-	-	2,002,067	-	-	2,002,067
Advance received against prepaid card	-	-	1,609	-	-	1,609
Advance received against insurance premium	-	-	54	-	-	54

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



**For the period ended 31 March 2011 (Un-Audited)**

<b>Transaction during the period</b>	<b>Holding Company</b>	<b>Subsidiary</b>	<b>Associates</b>	<b>Key Management Personnel</b>	<b>Directors' Fees</b>	<b>Retirement Benefit Plans</b>	<b>Total</b>
	Rupees in '000						
Mark-up/return/interest earned	-	-	28,729	376	-	-	29,105
Mark-up/return/interest expensed	-	2,924	122,274	2,654	-	81,820	209,672
Commission/brokerage/bank charges recovered	-	131	2,866	-	-	-	2,997
Rent income	-	300	246	-	-	-	546
Salaries and allowances	-	-	-	27,861	-	-	27,861
Directors' fees	-	-	-	-	1,030	-	1,030
Contribution to defined benefit plan	-	-	-	-	-	18,000	18,000
Contribution to defined contribution plan	-	-	-	-	-	18,701	18,701
Bank charges paid	113	48	7,316	-	-	-	7,477
Rent expenses	-	-	4,163	-	-	-	4,163
Insurance premium expensed	-	-	7,885	-	-	-	7,885
Maintenance, Electricity, Stationary & Entertainment	-	-	5,348	-	-	-	5,348
Management fee expense for technical and consultancy services*	37,312	-	-	-	-	-	37,312
Donation	-	-	480	-	-	-	480
Share registration charges	-	-	336	-	-	-	336

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

Transaction during the period	For the period ended 31 March 2010 (Un-Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors' Fees	Retirement Benefit Plan	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	31,805	341	-	-	32,146
Mark-up/return/interest expensed	-	6,958	100,552	1,497	-	49,693	158,700
Commission/brokerage/bank charges recovered	-	124	6,150	-	-	-	6,274
Rent income	-	300	223	-	-	-	523
Salaries and allowances	-	-	-	27,799	-	-	27,799
Directors' fees	-	-	-	-	2,050	-	2,050
Contribution to defined benefit plan	-	-	-	-	-	12,000	12,000
Contribution to defined contribution plan	-	-	-	-	-	15,384	15,384
Bank charges paid	82	56	2,239	-	-	-	2,377
Rent expenses	-	-	4,163	-	-	-	4,163
Insurance premium expensed	-	-	7,316	-	-	-	7,316
Maintenance, Electricity, Stationary & Entertainment	-	-	5,087	-	-	-	5,087
Management fee expense for technical and consultancy services*	22,100	-	-	-	-	-	22,100
Donation	-	-	480	-	-	-	480
Share registration charges	-	-	334	-	-	-	334

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

## 17. KEY ISLAMIC BANKING OPERATIONS

17.1 The Bank is operating 4 (2010: 4) Islamic banking branches in Pakistan. The balance sheet of these branches as at 31 March 2011 is as follows:

### BALANCE SHEET

	31 March 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
<b>ASSETS</b>		
Cash and balances with treasury banks	621,728	713,721
Balances with and due from financial institutions	—	—
Investments	7,651,076	8,949,438
Financing and receivables		
- Murabaha	3,826,300	2,955,742
- Ijara	1,358,517	1,340,624
- Diminishing Musharaka	480,475	495,831
- Export Refinance Murabaha	438,111	443,775
- Foreign Documentary Bills Purchased	155,387	229,866
	6,258,790	5,465,838
Due from head office	—	—
Other assets	974,743	936,743
	<b>15,506,337</b>	<b>16,065,740</b>
<b>LIABILITIES</b>		
Bills payable	73,694	91,025
Deposits and other accounts		
- Current deposits	979,152	1,089,391
- Saving deposits	3,502,578	3,132,614
- Fixed deposits	5,367,825	5,120,843
- Deposits from financial institutions - remunerative	3,283,258	3,922,899
- Deposits from financial institutions - non-remunerative	2,669	2,946
	13,135,482	13,268,693
Borrowings	458,111	468,775
Due to head office	116,452	198,331
Other liabilities	785,235	898,358
	<b>14,568,974</b>	<b>14,925,182</b>
<b>NET ASSETS</b>	<b>937,363</b>	<b>1,140,558</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	802,134	802,141
Unappropriated profit	103,563	313,875
	<b>905,697</b>	<b>1,116,016</b>
Surplus on revaluation of assets	31,666	24,542
	<b>937,363</b>	<b>1,140,558</b>

**18. GENERAL**

The figures have been rounded off to nearest thousand rupees.

**19. DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 25 April 2011.

**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director