



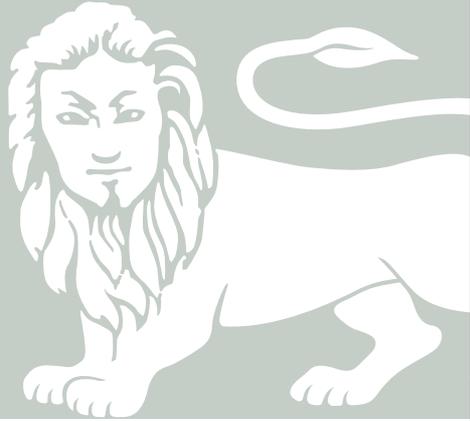
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Habib Metropolitan Bank

(Subsidiary of Habib Bank AG Zurich)

Our Vision



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

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CORPORATE INFORMATION



BOARD OF DIRECTORS

CHAIRMAN

Kassim Parekh

CHIEF EXECUTIVE

Anjum Iqbal

DIRECTORS

Ali S. Habib

Bashir Ali Mohammad

Mohamedali R. Habib*

Muhammad H. Habib

Ronald V. Emerson

Tariq Ikram

Wazir Ali Khoja

* Executive Director

AUDIT COMMITTEE

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 un-audited accounts for the nine months ended September 30, 2011.

During the period under review, SBP reduced the discount rate by 200bps to 12%. The decision to cut rates was reportedly based on its assessment that the rate of growth in inflation has moderated, external current account position is comfortable and government borrowing from SBP has reduced as per its commitment. This action has led to a reduction in lending rates and over time could help to stimulate the economy.

GDP is expected to grow to 4% in FY 2012 due to improved agriculture output which grew by 1.2% in FY2011 and is expected to rise by 4% in 2012. Initial projections indicate that the cotton, wheat, rice and sugarcane crops are all expected to do well in FY2012 despite some flood damage in Sindh.

Growth in the Large Scale Manufacturing segment remained flat. Overall manufacturing segment grew 3% in FY2011 with textile, food and beverages and pharmaceuticals sectors showing strong results. Other than textiles, these segments will continue to drive growth with the medium sized businesses taking the lead. Energy shortage and law and order will remain key issues that will affect the performance of the manufacturing sector.

The Current Account which during previous year had improved substantially because of higher exports and workers' remittances is expected to worsen next year largely due to increased imports brought about by both a price and volume increase in oil, while exports are not expected to increase at the same pace. Additionally, growth in home remittances remains under pressure.

Despite present conditions, by the grace of Allah your Bank continues its growth as reflected in the attached financial statements. During the period under review, at the period end, the total assets of the Bank stood at Rs. 280 billion against the Rs. 252 billion at last year end. Deposits crossed Rs. 171 billion as against Rs. 160 billion at the previous year end. Advances stood at Rs. 104 billion while Investments have increased to Rs. 142 billion.

Profit before tax for the period end is Rs. 3,026 million compared to Rs. 3,016 million for the same period in the preceding year. This translates into earning per share of Rs. 2.08.

At the period end, HMB's net equity stands at Rs. 23.1 billion with a comfortable 14.20% capital adequacy level (Basel II) 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) for the 11th consecutive year. These ratings denote a very high credit quality, a very low



expectation of credit risk and a very strong capacity for timely payment of financial commitments.

With the branch network of 144 locations, including 4 Islamic Banking locations, your Bank provides the modern and technologically advanced services to its customers including cash management services, e-salary services for corporate employees, on-line utility bills payment solutions on its ATMs and through 24-hour call centre, on-line instant fund transfer facilities, tele-info, web-info and mobile banking alerts (GSM). 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. The Bank plans to open more branches during the year and continue with its program for upgrading existing branches to provide better services.

The Board co-opted Mr. Ali S. Habib to fill the casual vacancy. Mr. Ali S. Habib is a seasoned industrialist and his vast experience includes directorship at various local and foreign companies. The Bank will greatly benefit from his knowledge and experience in diversified fields.

In the end, I would like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Last but not least, I would like to thank the staff of Habib Metropolitan Bank for their continued dedication and hard work in improving your Bank's performance.

On behalf of the Board

Karachi: October 27, 2011

Anjum Iqbal
Chief Executive

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

AS AT 30 SEPTEMBER 2011

	Note	30 September 2011 (Un-Audited)	31 December, 2010 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		14,516,109	13,923,393
Balances with other banks	5	2,808,816	3,123,094
Lendings to financial institutions	6	5,499,125	3,190,399
Investments	7	141,729,218	100,993,820
Advances	8	104,580,602	119,827,636
Operating fixed assets	9	3,392,573	3,352,702
Deferred tax assets - net	10	2,041,436	1,868,328
Other assets		5,193,387	5,931,280
		279,761,266	252,210,652
LIABILITIES			
Bills payable		3,878,134	2,572,954
Borrowings	11	74,549,275	62,529,729
Deposits and other accounts	12	171,075,549	160,457,975
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		6,999,101	6,341,861
		256,502,059	231,902,519
NET ASSETS			
		23,259,207	20,308,133
REPRESENTED BY			
Share capital		10,478,315	8,731,929
Reserves		8,586,443	8,151,443
Unappropriated profit		4,065,694	4,071,055
		23,130,452	20,954,427
Surplus/(Deficit) on revaluation of assets - net of deferred tax	13	128,755	(646,294)
		23,259,207	20,308,133
CONTINGENCIES AND COMMITMENTS			
	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 NINE MONTHS ENDED 30 SEPTEMBER 2011



Note	30 September 2011		30 September 2010	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Mark-up / return / interest earned	6,825,469	19,692,171	5,579,687	17,146,456
Mark-up / return / interest expensed	(4,792,904)	(14,040,695)	(3,768,846)	(11,899,869)
Net mark-up / interest income	2,032,565	5,651,476	1,810,841	5,246,587
Provision against non-performing loans and advances	692,970	2,333,135	813,758	2,172,282
Provision for diminution in the value of investments	2,977	53,404	1,870	86,453
Bad debts written-off directly	—	—	—	—
	(695,947)	(2,386,539)	(815,628)	(2,258,735)
Net mark-up / interest income after provisions	1,336,618	3,264,937	995,213	2,987,852
Non mark-up / interest income				
Fee, commission and brokerage income	395,595	1,287,517	375,053	1,179,738
Dividend income	227,547	802,078	170,430	405,724
Income from dealing in foreign currencies	288,879	1,092,613	368,265	1,141,818
(Loss) / Gain on sale / redemption of securities	(8,024)	208,523	17,615	209,081
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	—	—	—	—
Other income	59,325	175,793	57,867	194,029
Total non mark-up / interest income	963,322	3,566,524	989,230	3,130,390
	2,299,940	6,831,461	1,984,443	6,118,242
Non mark-up / interest expenses				
Administrative expenses	1,201,164	3,704,175	1,026,040	3,015,816
Other provisions / write-offs	—	—	—	—
Other charges	40,026	100,574	29,126	85,943
Total non mark-up/interest expenses	(1,241,190)	(3,804,749)	(1,055,166)	(3,101,759)
	1,058,750	3,026,712	929,277	3,016,483
Extra ordinary / unusual items	—	—	—	—
Profit before taxation	1,058,750	3,026,712	929,277	3,016,483
Taxation – Current	473,422	1,502,074	393,454	1,265,726
– Prior years	—	—	—	—
– Deferred	(157,842)	(651,387)	(131,018)	(388,058)
	(315,580)	(850,687)	(262,436)	(877,668)
Profit after taxation	743,170	2,176,025	666,841	2,138,815
			Rupees (Restated)	
Basic and diluted earnings per share	0.71	2.08	0.64	2.04

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
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	30 September 2011		30 September 2010	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
Rupees in '000				
Profit after taxation for the period	743,170	2,176,025	666,841	2,138,815
Other comprehensive income	-	-	-	-
Comprehensive income transferred to equity	743,170	2,176,025	666,841	2,138,815
Components of comprehensive income not reflected in equity				
Surplus / (Deficit) on revaluation of investments	1,009,549	1,253,328	(619,844)	(656,976)
Deferred tax on revaluation of investments	(351,891)	(478,279)	216,946	229,942
	657,658	775,049	(402,898)	(427,034)
Total comprehensive income	1,400,828	2,951,074	263,943	1,711,781

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
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011



	30 September	
	2011	2010
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,026,712	3,016,483
Less: Dividend income	(802,078)	(405,724)
	<u>2,224,634</u>	<u>2,610,759</u>
Adjustments		
Depreciation	294,359	231,513
Provision against non-performing loans and advances – net	2,333,135	2,172,282
Provision for diminution in the value of investments – net	42,332	54,157
Net (gain) on sale of fixed assets	(1,024)	(4,957)
	<u>2,668,802</u>	<u>2,452,995</u>
	<u>4,893,436</u>	<u>5,063,754</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,308,726)	(6,850,000)
Advances	12,913,899	(6,637,786)
Other assets	737,893	(1,440,270)
	<u>11,343,066</u>	<u>(14,928,056)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,305,180	199,407
Borrowings	11,779,517	(24,912,607)
Deposits and other accounts	10,617,574	14,480,567
Other liabilities (excluding taxation and dividend)	712,650	976,934
	<u>24,414,921</u>	<u>(9,255,699)</u>
	<u>40,651,423</u>	<u>(19,120,001)</u>
Income tax paid	(1,556,436)	(1,589,582)
Net cash flows from operating activities	<u>39,094,987</u>	<u>(20,709,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(38,974,402)	21,769,118
Net investments in held-to-maturity securities	(550,000)	(1,400,000)
Dividend received	802,078	405,724
Investments in operating fixed assets	(336,466)	(687,693)
Proceeds from sale of fixed assets	3,260	8,772
Net cash flows from investing activities	<u>(39,055,530)</u>	<u>20,095,921</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,048)	(750,617)
Net cash flows from financing activities	<u>(1,048)</u>	<u>(750,617)</u>
Increase / (decrease) in cash and cash equivalents	<u>38,409</u>	<u>(1,364,279)</u>
Cash and cash equivalents at beginning of the period	15,545,285	14,096,331
Effect of exchange rate changes on cash and cash equivalent	132,577	136,370
Cash and cash equivalents at the end of the period	<u>15,716,271</u>	<u>12,868,422</u>

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
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	Reserves						Total
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappropriated profit	
Rupees in '000							
Balance as at 1 January 2010	7,527,525	2,550,985	3,296,489	240,361	1,500,000	3,773,782	18,889,142
Changes in equity for the period ended 30 September 2010							
Total comprehensive income (profit for the period)	-	-	-	-	-	2,138,815	2,138,815
Transactions with owners, recorded directly in equity							
Issue of bonus shares in the ratio of 16 shares for every 100 shares held for the year ended 31 December 2009	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	-	-	428,000	-	-	(428,000)	-
Balance as at 30 September 2010	8,731,929	2,550,985	3,724,489	240,361	1,500,000	3,527,440	20,275,204
Changes in equity for the period ended 31 December 2010							
Total comprehensive income (profit for the period)	-	-	-	-	-	679,223	679,223
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	-	-	135,608	-	-	(135,608)	-
Balance as at 31 December 2010	8,731,929	2,550,985	3,860,097	240,361	1,500,000	4,071,055	20,954,427
Changes in equity for the period ended 30 September 2011							
Total comprehensive income (profit for the period)	-	-	-	-	-	2,176,025	2,176,025
Transactions with owners, recorded directly in equity							
Issue of bonus shares in the ratio of 20 shares for every 100 shares held for the year ended 31 December 2010	1,746,386	-	-	-	-	(1,746,386)	-
Transferred to statutory reserve	-	-	435,000	-	-	(435,000)	-
Balance as at 30 September 2011	10,478,315	2,550,985	4,295,097	240,361	1,500,000	4,065,694	23,130,452

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 STATEMENTS (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 the three stock exchanges in Pakistan. The Bank operates 135 (2010: 135) branches including 4 (2010: 4) Islamic banking branches and 9 (2010: 8) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) which is incorporated in Switzerland.

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

2. BASIS OF 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.

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

	30 September 2011	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
In Pakistan		
– Current accounts	276,879	414,336
– Deposit accounts	13,155	17,205
	290,034	431,541
Outside Pakistan		
– Current accounts	1,031,639	978,819
– Deposit accounts	1,487,143	1,712,734
	2,518,782	2,691,553
	2,808,816	3,123,094

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	1,000,000	2,100,000
Repurchase agreement lendings (Reverse repo)	4,499,125	640,399
Letter of placements	–	450,000
	5,499,125	3,190,399

7. INVESTMENTS

	30 September 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							
Available-for-sale securities							
Market Treasury Bills		51,409,642	34,938,863	86,348,505	20,254,957	24,133,119	44,388,076
Pakistan Investment Bonds		12,554,789	9,414,485	21,969,274	12,475,620	8,955,800	21,431,420
Ordinary shares of listed companies		505,211	—	505,211	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		2,114,926	—	2,114,926	2,282,470	—	2,282,470
Unlisted Term Finance Certificates		3,871,472	—	3,871,472	4,060,056	—	4,060,056
Sukuk Certificates and Bonds		13,070,642	—	13,070,642	18,192,348	—	18,192,348
Open end mutual funds		11,838,104	—	11,838,104	10,147,832	—	10,147,832
Close end mutual funds		67,000	—	67,000	67,000	—	67,000
		95,594,887	44,353,348	139,948,235	67,884,914	33,088,919	100,973,833
Held-to-maturity securities							
Certificate of Investments		1,600,000	—	1,600,000	1,050,000	—	1,050,000
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	—	300,000	300,000	—	300,000
Investments at cost		97,494,887	44,353,348	141,848,235	69,234,914	33,088,919	102,323,833
Less: Provision for diminution in the value of investments 7.1		(298,264)	—	(298,264)	(255,932)	—	(255,932)
Investments – net of provisions		97,196,623	44,353,348	141,549,971	68,978,982	33,088,919	102,067,901
Surplus / (deficit) on revaluation of available-for-sale securities – net	13	78,516	100,731	179,247	(726,452)	(347,629)	(1,074,081)
Investments after revaluation of available-for-sale securities		97,275,139	44,454,079	141,729,218	68,252,530	32,741,290	100,993,820

7.1 Particulars of provision for diminution in the value of investments

	30 September 2011 (Un-Audited)	31 December 2010 (Audited)
Rupees in '000		
Opening balance	255,932	227,022
Charge for the period / year	53,404	103,785
Reversal of provision upon disposal of investments	(11,072)	(74,875)
Closing balance	298,264	255,932

8. ADVANCES

	Note	30 September 2011 (Un-Audited)	31 December 2010 (Audited)
Rupees in '000			
Loans, cash credits, running finances, etc.			
In Pakistan		91,436,398	100,914,709
Net investments in finance lease / ijarah financing			
In Pakistan		629,393	906,984
Net assets in ijarah under IFAS 2		903,230	901,886
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,747,307	6,344,275
Payable outside Pakistan		16,579,673	18,282,153
		21,326,980	24,626,428
Advances - gross		114,296,001	127,350,007
Provision against non-performing advances			
– specific	8.1	(9,645,269)	(7,463,452)
– general	8.3	(70,130)	(58,919)
		(9,715,399)	(7,522,371)
Advances - net of provisions		104,580,602	119,827,636

8.1 Advances include Rs. 13,586,756 thousand (2010: Rs 10,961,145 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2011 (Un-Audited) in Pakistan		
	Classified advances	Provision Required	Provision Held
Rupees in '000's			
Substandard	158,547	3,423	3,423
Doubtful	2,940,894	932,261	932,261
Loss	10,487,315	8,709,585	8,709,585
	13,586,756	9,645,269	9,645,269

Category of Classification	31 December 2010 (Audited) in Pakistan		
	Classified advances	Provision Required	Provision Held
Rupees in '000's			
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
	10,961,145	7,463,452	7,463,452

8.2 In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the State Bank of Pakistan, during the year 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. 319.720 million and profit after taxation for the nine months ended 30 September 2011 would have been lower by approximately Rs. 207.818 million. As of 30 September 2011, had the benefit of FSVs not taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 2,299.939 million and accumulated profit would have been lower by Rs. 1,494.960 million. This amount of Rs. 1,494.960 million is not available for the distribution of cash and stock dividend to the shareholders.

8.3 Particulars of specific provision against non-performing advances:

	30 September 2011 (Un-Audited)			31 December 2010 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	7,463,452	58,919	7,522,371	4,204,731	424,745	4,629,476
Charge for the period	2,717,906	11,211	2,729,117	3,826,217	-	3,826,217
Reversals	(395,982)	-	(395,982)	(522,628)	(365,826)	(888,454)
Net charge for the period / year	2,321,924	11,211	2,333,135	3,303,589	(365,826)	2,937,763
Amount written off	(140,107)	-	(140,107)	(44,868)	-	(44,868)
Closing balance	9,645,269	70,130	9,715,399	7,463,452	58,919	7,522,371

8.4 General provision includes provision of Rs. 20.145 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. 315.983 million (30 September 2010: Rs. 311.210 million) and Rs. 2.236 million (30 September 2010: Rs. 3.815 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. 2,436.656 million.

	30 September 2011	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
11. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	19,074,377	25,710,819
– under long term financing – export oriented projects	819,028	1,300,872
– under long term financing facility – locally manufactured plant and machinery	1,874,169	1,418,938
	21,767,574	28,430,629
Repurchase agreement borrowings	44,320,471	32,630,475
	66,088,045	61,061,104
Unsecured		
Call borrowings	6,738,853	100,000
Overdrawn nostro accounts	1,591,048	1,357,698
Overdrawn local bank accounts	17,606	10,927
Other short term borrowing	113,723	–
	8,461,230	1,468,625
	74,549,275	62,529,729
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,137,055	69,954,427
Saving deposits	43,490,888	38,873,120
Current accounts (non-remunerative)	43,843,800	37,316,518
Others	1,852,391	1,818,566
	164,324,134	147,962,631
Financial Institutions		
Remunerative deposits	6,381,726	12,111,834
Non-remunerative deposits	369,689	383,510
	6,751,415	12,495,344
	171,075,549	160,457,975



	30 September 2011	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
13. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Available-for-sale securities:		
Federal Government Securities		
Market Treasury Bills	211,648	(132,006)
Pakistan Investment Bonds	(141,251)	(1,140,910)
GOP Ijarah Sukuk	81,243	73,714
Fully paid-up ordinary shares – Listed	63,778	(762)
Preference shares of a listed company	4,000	–
Term Finance Certificates		
Listed	(17,586)	(46,592)
Unlisted	336	(4,915)
Sukuk Certificates and Bonds	(4,121)	(30,806)
Mutual funds		
Open end	(42,796)	189,756
Close end	23,996	18,440
	<u>179,247</u>	<u>(1,074,081)</u>
Related deferred tax (liabilities) / assets - net	<u>(50,492)</u>	<u>427,787</u>
	<u>128,755</u>	<u>(646,294)</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	226,686	238,522
14.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	10,818,633	9,351,603
ii) Banking companies and other financial institutions	42,997	286,415
iii) Others	2,431,974	3,711,022
	<u>13,293,604</u>	<u>13,349,040</u>
14.3 Trade-related contingent liabilities		
Letters of credit	53,210,507	49,231,412
Acceptances	10,685,055	10,313,588
14.4 Commitments in respect of forward exchange contracts		
Purchase	61,786,094	55,991,653
Sale	75,639,241	68,631,860

	30 September 2011 (Un-Audited)	31 December 2010 (Audited)
Rupees in '000		
14.5 Commitments in respect of operating leases		
Not later than one year	48,158	57,991
Later than one year and not later than five years	29,030	30,154
	77,188	88,145
14.6 Commitments for the acquisition of operating fixed assets	80,490	62,154
14.7 Claims against the Bank not acknowledged as debt	2,401,910	2,229,910
14.8 Commitments in respect of forward lendings		
The Bank makes commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.		
14.9 Commitments in respect of syndicate financing	150,000	253,691
14.10 Commitments in respect of investment in sukuk certificates and term finance certificates	-	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

	Quarter ended 30 September 2011 (Un-Audited)	Nine months ended 30 September 2011 (Un-Audited)	Quarter ended 30 September 2010	Nine months ended 30 September 2010
Rupees in '000				
Profit after taxation	743,170	2,176,025	666,841	2,138,815
	Number in '000			
Weighted average number of ordinary shares	1,047,831	1,047,831	1,047,831	1,047,831
	Rupees			
Basic and diluted earnings per share	0.71	2.08	0.64	2.04

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 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 September 2011 (Un-Audited)

	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
Rupees in '000						
Deposits						
At beginning of the period	93,074	143,544	3,220,383	60,493	1,233,885	4,751,379
Received during the period	10,504,097	48,944,002	420,715,712	200,251	3,324,188	483,688,250
Repaid during the period	(10,524,790)	(48,962,729)	(418,514,917)	(202,315)	(3,107,093)	(481,311,844)
At the end of the period	72,381	124,817	5,421,178	58,429	1,450,980	7,127,785
Advances						
At the beginning of the period	-	-	2,198,466	22,276	-	2,220,742
Disbursed during the period	-	-	42,831,238	11,283	-	42,842,521
Recovered during the period	-	-	(43,403,977)	(4,556)	-	(43,408,533)
At the end of the period	-	-	1,625,727	29,003	-	1,654,730
Bank balances held by the Bank	274,223	-	19,965	-	-	294,188
Receivable against sale of securities	-	1,292	-	-	-	1,292
Overdrawn bank balances held by the Bank	-	-	(957,179)	-	-	(957,179)
Mark-up/return/interest payable	-	1,084	-	-	-	1,084
Management fee payable for technical and consultancy services*	157,633	-	-	-	-	157,633
Prepayments	-	-	25,048	-	-	25,048
Transaction-related contingent liabilities	-	25,000	1,298,008	-	-	1,323,008
Trade-related contingent liabilities	-	-	2,427,124	-	-	2,427,124
Advance received against prepaid card	-	-	2,122	-	-	2,122
Advance received against insurance premium	-	-	352	-	-	352

* 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						
Deposits						
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
Advances						
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



Transactions during the period	For the period ended 30 September 2011 (Un-Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plans	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	86,762	2,071	-	-	88,833
Mark-up/return/interest expensed	-	9,247	442,446	6,496	-	124,616	582,805
Commission/brokerage/bank charges recovered	-	359	8,394	-	-	-	8,753
Rent income	-	900	851	-	-	-	1,751
Salaries and allowances	-	-	-	87,874	-	-	87,874
Directors' fees	-	-	-	-	3,560	-	3,560
Contribution to defined benefit plan	-	-	-	-	-	54,000	54,000
Contribution to defined contribution plan	-	-	-	-	-	65,788	65,788
Bank charges paid	1,324	156	8,371	-	-	-	9,851
Rent expenses	-	-	12,640	-	-	-	12,640
Insurance premium expenses	-	-	24,409	-	-	-	24,409
Maintenance, Electricity, Stationary & Entertainment	-	-	23,708	-	-	-	23,708
Management fee expense for technical and consultancy services*	127,258	-	-	-	-	-	127,258
Donation	-	-	2,440	-	-	-	2,440
Professional / other charges	-	-	7,191	-	-	-	7,191

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

Transactions during the period	For the period ended 30 September 2010 (Un-Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plan	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	78,628	1,060	-	-	79,688
Mark-up/return/interest expensed	-	21,091	417,249	4,777	-	112,314	555,431
Commission/brokerage/bank charges recovered	-	388	8,007	-	-	-	8,395
Rent income	-	900	692	-	-	-	1,592
Salaries and allowances	-	-	-	84,704	-	-	84,704
Directors' fees	-	-	-	-	4,590	-	4,590
Contribution to defined benefit plan	-	-	-	-	-	36,000	36,000
Contribution to defined contribution plan	-	-	-	-	-	54,221	54,221
Bank charges paid	2,291	149	7,303	-	-	-	9,743
Rent expenses	-	-	12,085	-	-	-	12,085
Insurance premium expenses	-	-	22,894	-	-	-	22,894
Maintenance, Electricity, Stationary & Entertainment	-	-	18,080	-	-	-	18,080
Management fee expense for technical and consultancy services*	102,662	-	-	-	-	-	102,662
Donation	-	-	1,440	-	-	-	1,440
Professional / other charges	-	-	967	-	-	-	967

* 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 30 September 2011 is as follows:

BALANCE SHEET	30 September 2011	31 December 2010
	(Un-Audited)	(Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	684,705	713,721
Balances with and due from financial institutions	-	-
Investments	11,746,113	8,949,438
Financing and receivables		
- Murabaha	3,784,271	2,955,742
- Ijara	1,110,614	1,340,624
- Diminishing Musharaka	604,633	495,831
- Export Refinance Murabaha	125,000	443,775
- Foreign Documentary Bills Purchased	57,726	229,866
	5,682,244	5,465,838
Other assets	1,487,068	936,743
	19,600,130	16,065,740
LIABILITIES		
Bills payable	71,559	91,025
Deposits and other accounts		
- Current deposits	1,470,801	1,089,391
- Saving deposits	3,406,648	3,132,614
- Term deposits	6,947,098	5,120,843
- Deposits from financial institutions - remunerative	3,818,062	3,922,899
- Deposits from financial institutions - non-remunerative	11,126	2,946
	15,653,735	13,268,693
Borrowings	470,000	468,775
Due to head office	1,126,056	198,331
Other liabilities	831,015	898,358
	18,152,365	14,925,182
NET ASSETS	1,447,765	1,140,558
REPRESENTED BY		
Islamic banking fund	1,002,187	802,141
Unappropriated profit	377,721	313,875
	1,379,908	1,116,016
Surplus on revaluation of assets	67,857	24,542
	1,447,765	1,140,558

18. GENERAL

The figures have been rounded off to the 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 27 October 2011.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director
