



هَذَا مِنْ فَضْلِ رَبِّي



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

PRESIDENT & CHIEF EXECUTIVE OFFICER

Sirajuddin Aziz

DIRECTORS

Ali S. Habib

Firasat Ali

Mohamedali R. Habib

Mohomed Bashir

Muhammad H. Habib

Sohail Hasan

Tariq Ikram

AUDIT COMMITTEE

Ali S. Habib

Kassim Parekh

Tariq Ikram

CREDIT COMMITTEE

Kassim Parekh

Mohamedali R. Habib

Muhammad H. Habib

Sirajuddin Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mohamedali R. Habib

Sirajuddin Aziz

Tariq Ikram

RISK MANAGEMENT COMMITTEE

Kassim Parekh

Sirajuddin Aziz

Sohail Hasan

COMPANY SECRETARY

Muhammad Imran

SHARE REGISTRAR

Noble Computer Services (Private) Limited

First Floor, Siddiqsons Tower,

3-Jinnah C. H. Society, Main Shahrah-e-Faisal,

Karachi 75350.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the nine months ended September 30, 2014.

The period under review witnessed stable macro-economic conditions, despite challenging developments on the political and environmental fronts. Real economic activity indicated rejuvenation with a 4.1 percent growth rate in FY14; this economic growth is expected to continue in FY15, as well. CPI Inflation declined to its all-year-low of 7.4 percent during July-August 2014. Inflationary pressures are expected to continue, with a projection of 8 percent average CPI inflation for FY15. However, this projection will be negatively impacted if electricity subsidies are slashed. On the external front, trade deficit continues to be a mark of concern, with declining private capital inflow further ailing the balance-of payments position.

By the Grace of Allah, HabibMetro continues its steady performance. Bank's deposit increased to Rs. 299 bn as against Rs. 247 bn at previous year end. Investments increased to Rs. 201 bn as against Rs. 142 bn at previous year end and advances stood to Rs. 128 bn as of September 30, 2014.

The Bank posted a Profit after Tax (PAT) of Rs. 3,125 mn for the nine months ended September 30, 2014 as compared to Rs. 2,616 mn in the same period last year, exhibiting an increase of 19.5%. This translates into earnings per share of Rs. 2.98. At end of current period, the Bank's net equity stands at Rs. 28.3 bn with a comfortable 15.5% capital adequacy level against the required 10%.

The Bank continues to enjoy AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the fourteenth 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.

The Islamic Banking business of the Bank is now established and has grown considerably during the period under review. In line, with our vision, HabibMetro Islamic banking brand 'SIRAT' - a path to success, was launched.

With a network of 230 branches, HabibMetro is further strengthened and provides the technologically advanced service to its customer through Web banking, globally accepted Visa Card and nationwide

ATM network. Our call center “HabibMetro connect ” with a toll free contact number 0800 HABIB (42242), is the Bank's centre point of contact and provides services round the clock.

During the quarter, the Board co-opted Mr. Firasat Ali in place of Syed Zubair Ahmad Shah, as the NIT nominee director. The Board wishes to place on record its deep appreciation of the constructive role played by Mr. Shah during his tenure.

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

On behalf of the Board

Sirajuddin Aziz

President & Chief Executive Officer

Karachi: October 22, 2014

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

AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		16,218,119	21,208,774
Balances with other banks	6	1,706,774	3,552,565
Lendings to financial institutions	7	15,553,384	—
Investments	8	201,053,162	142,443,682
Advances	9	128,542,457	129,833,937
Operating fixed assets	10	3,051,843	3,034,564
Deferred tax assets - net	11	3,231,419	2,947,151
Other assets		8,729,995	8,433,372
		378,087,153	311,454,045
LIABILITIES			
Bills payable		6,274,835	3,982,213
Borrowings	12	32,206,258	23,057,002
Deposits and other accounts	13	299,453,983	247,643,587
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		—	—
Other liabilities		11,260,952	8,787,067
		349,196,028	283,469,869
NET ASSETS		28,891,125	27,984,176
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,818,480	10,193,511
Unappropriated profit		7,095,246	6,692,612
		28,392,041	27,364,438
Surplus on revaluation of assets - net of deferred tax	14	499,084	619,738
		28,891,125	27,984,176
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 201

	Note	30 September 2014		30 September 2013	
		Quarter ended	Nine months ended	Quarter ended	Nine months ended
		Rupees in '000			
Mark-up / return / interest earned		8,149,806	23,543,211	6,018,411	18,527,659
Mark-up / return / interest expensed		(5,228,808)	(15,496,731)	(3,705,903)	(11,987,314)
Net mark-up / interest income		2,920,998	8,046,480	2,312,508	6,540,345
Provision against non-performing loans and advances - net	9.3	108,605	1,071,284	298,925	1,334,563
Provision for diminution in the value of investments - net	8.1	21,363	17,479	(2,288)	(2,993)
Bad debts written-off directly		—	—	—	—
		(129,968)	(1,088,763)	(296,637)	(1,331,570)
Net mark-up / interest income after provisions		2,791,030	6,957,717	2,015,871	5,208,775
Non mark-up / interest income					
Fee, commission and brokerage income		593,066	1,773,127	555,463	1,655,523
Dividend income		18,931	37,122	3,123	42,675
Income from dealing in foreign currencies - net		302,634	720,702	172,062	483,490
Gain on sale / redemption of securities - net		(3,258)	801,584	162,455	1,314,691
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—	—	—
Other income		79,695	230,619	112,334	228,001
Total non mark-up / interest income		991,068	3,563,154	1,005,437	3,724,380
		3,782,098	10,520,871	3,021,308	8,933,155
Non mark-up / interest expenses					
Administrative expenses		1,882,288	5,505,675	1,602,298	4,743,318
Other provisions / write offs		299,000	299,000	—	—
Other charges		34,530	88,753	34,590	120,730
Total non mark-up / interest expenses		(2,215,818)	(5,893,428)	(1,636,888)	(4,864,048)
		1,566,280	4,627,443	1,384,420	4,069,107
Extra ordinary / unusual items		—	—	—	—
Profit before taxation		1,566,280	4,627,443	1,384,420	4,069,107
Taxation – Current		508,205	1,696,797	490,937	1,506,320
– Prior		—	—	110,772	284,139
– Deferred		37,087	(194,198)	(52,120)	(337,087)
		(545,292)	(1,502,599)	(549,589)	(1,453,372)
Profit after taxation		1,020,988	3,124,844	834,831	2,615,735
Basic earnings per share (Rupees)	16	0.97	2.98	0.80	2.50

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	30 September 2014		30 September 2013	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation for the period	1,020,988	3,124,844	834,831	2,615,735
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	(34,137)	(2,427)	(3,605)	(10,814)
Deferred tax on defined benefit plan	11,948	849	1,262	3,785
	(22,189)	(1,578)	(2,343)	(7,029)
Total comprehensive income	998,799	3,123,266	832,488	2,608,706

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KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	30 September 2014	30 September 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,627,443	4,069,107
Less: Dividend income	(37,122)	(42,675)
	<u>4,590,321</u>	<u>4,026,432</u>
Adjustments		
Depreciation	384,256	340,559
Provision against non-performing loans and advances – net	1,071,284	1,334,563
Provision for diminution in the value of investments – net	(24,705)	(84,371)
Net gain on sale of operating fixed assets	(2,841)	(54,201)
Actuarial loss on defined benefit plan	(2,427)	(7,209)
	<u>1,425,567</u>	<u>1,529,341</u>
	<u>6,015,888</u>	<u>5,555,773</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,553,384)	(3,933,419)
Advances	220,196	(6,324,288)
Other assets (excluding taxation)	(165,275)	(1,375,850)
	<u>(15,498,463)</u>	<u>(11,633,557)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,292,622	1,258,071
Borrowings	7,015,830	(24,573,079)
Deposits and other accounts	51,810,396	6,300,604
Other liabilities (excluding dividend)	2,471,535	342,482
	<u>63,590,383</u>	<u>(16,671,922)</u>
	<u>54,107,808</u>	<u>(22,749,706)</u>
Income tax paid	(1,828,144)	(1,504,803)
Net cash flows from operating activities	<u>52,279,664</u>	<u>(24,254,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(50,358,419)	36,835,338
Net investments in held-to-maturity securities	(8,436,231)	(9,624,394)
Dividend received	37,122	42,675
Investments in operating fixed assets	(402,750)	(390,501)
Proceeds from sale of operating fixed assets	4,055	107,150
Net cash flows from investing activities	<u>(59,156,223)</u>	<u>26,970,268</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,093,313)	(2,093,172)
Net cash flows from financing activities	<u>(2,093,313)</u>	<u>(2,093,172)</u>
(Decrease) / increase in cash and cash equivalents	<u>(8,969,872)</u>	<u>622,587</u>
Cash and cash equivalents at beginning of the period	24,535,318	20,863,944
Effect of exchange rate changes on cash and cash equivalents	(293,277)	567,541
Cash and cash equivalents at end of the period	<u>15,272,169</u>	<u>22,054,072</u>

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Share capital	Share premium	Statutory reserve	Reserves		Unappropriated profit	Total
				Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2013 - restated	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,228	26,001,820
Total comprehensive income for the nine months ended 30 September 2013							
Profit after tax	—	—	—	—	—	2,615,735	2,615,735
Other comprehensive income - net of tax	—	—	—	—	—	(7,029)	(7,029)
	—	—	—	—	—	2,608,706	2,608,706
Transfer to statutory reserve	—	—	523,000	—	—	(523,000)	—
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	—	—	—	—	—	(2,095,663)	(2,095,663)
Balance as at 30 September 2013	10,478,315	2,550,985	5,719,931	240,361	1,500,000	6,025,271	26,514,863
Total comprehensive income for the three months ended 31 December 2013							
Profit after tax	—	—	—	—	—	910,437	910,437
Other comprehensive income - net of tax	—	—	—	—	—	(60,862)	(60,862)
	—	—	—	—	—	849,575	849,575
Transfer to statutory reserve	—	—	182,234	—	—	(182,234)	—
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,692,612	27,364,438
Total comprehensive income for the nine months ended 30 September 2014							
Profit after tax	—	—	—	—	—	3,124,844	3,124,844
Other comprehensive income - net of tax	—	—	—	—	—	(1,578)	(1,578)
	—	—	—	—	—	3,123,266	3,123,266
Transfer to statutory reserve	—	—	624,969	—	—	(624,969)	—
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	—	—	—	—	—	(2,095,663)	(2,095,663)
Balance as at 30 September 2014	10,478,315	2,550,985	6,527,134	240,361	1,500,000	7,095,246	28,392,041

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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 190 (31 December 2013: 174) branches including 9 (31 December 2013: 6) Islamic Banking branches and 40 (31 December 2013: 40) 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** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2** The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular No. 10, dated 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 unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2013.

3.4 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary are presented separately.

4. ACCOUNTING POLICIES AND ESTIMATES

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2013.

4.2 The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

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

6. BALANCES WITH OTHER BANKS

	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
	(Rupees in '000)	
In Pakistan		
Current accounts	524,919	460,181
Deposit accounts	87,899	23,880
	612,818	484,061
Outside Pakistan		
Current accounts	1,093,956	1,488,635
Deposit accounts	-	1,579,869
	1,093,956	3,068,504
	1,706,774	3,552,565

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	1,300,000	-
Repurchase agreement lendings (Reverse repo)	14,253,384	-
	15,553,384	-

8. INVESTMENTS

		30 September 2014 (Un-Audited)			31 December 2013 (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		57,564,080	–	57,564,080	54,387,024	–	54,387,024
Pakistan investment bonds	8.2	90,093,442	–	90,093,442	45,828,229	–	45,828,229
Ordinary shares of listed companies		820,679	–	820,679	230,409	–	230,409
Ordinary shares of unlisted companies		104,205	–	104,205	104,205	–	104,205
Preference shares of a listed company		–	–	–	40,000	–	40,000
Listed term finance certificates		1,622,977	–	1,622,977	866,305	–	866,305
Unlisted term finance certificates		468,133	–	468,133	582,963	–	582,963
Sukuk certificates and bonds		12,394,010	–	12,394,010	14,096,788	–	14,096,788
Open end mutual funds		14,810,046	–	14,810,046	11,415,046	–	11,415,046
Close end mutual funds		31,816	–	31,816	–	–	–
		177,909,388	–	177,909,388	127,550,969	–	127,550,969
Held-to-maturity securities							
Pakistan investment bonds		22,548,533	–	22,548,533	14,112,302	–	14,112,302
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Investments at cost		200,757,921	–	200,757,921	141,963,271	–	141,963,271
Provision for diminution in the value of investments	8.1	(166,279)	–	(166,279)	(190,984)	–	(190,984)
Investments - net of provisions		200,591,642	–	200,591,642	141,772,287	–	141,772,287
Surplus / (deficit) on revaluation of available-for-sale securities – net	14	461,520	–	461,520	671,395	–	671,395
Total investments		201,053,162	–	201,053,162	142,443,682	–	142,443,682

	Note	30 September 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		24,482	4,323
Recovered during the period / year		(7,003)	(6,203)
Net charge		17,479	(1,880)
Reversal of provision upon disposal of investments during the period / year		(38,360)	(81,378)
Provision written off during the period / year		(3,824)	–
Closing balance		166,279	190,984
8.2 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		114,807,925	118,698,461
Net investment in finance lease / ijarah financing			
In Pakistan		497,595	490,079
Net book value of assets in ijarah under IFAS-2		251,762	174,511
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,513,849	5,511,266
Payable outside Pakistan		22,823,995	19,269,633
		28,337,844	24,780,899
Advances - gross		143,895,126	144,143,950
Provision against non-performing advances			
– specific		(14,910,949)	(13,455,861)
– general		(441,720)	(854,152)
	9.3	(15,352,669)	(14,310,013)
Advances - net of provisions		128,542,457	129,833,937

9.1 Advances include Rs. 19,864,878 thousand (31 December 2013: Rs. 16,973,536 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2014 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	1,394,808	282,288	282,288
Doubtful	1,725,506	727,319	727,319
Loss	16,744,564	13,901,342	13,901,342
	19,864,878	14,910,949	14,910,949

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
	16,973,536	13,455,861	13,455,861

9.2 During the current year, the Bank 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. 350,306 thousand. Further, as of 30 September 2014, had the benefit of FSVs (including those availed upto previous year) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 3,248,099 thousand (31 December 2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs. 2,111,264 thousand (31 December 2013: Rs. 2,241,423 thousand). This amount of Rs. 2,111,264 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 September 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	1,843,905	-	1,843,905	2,182,078	500,478	2,682,556
Reversals	(360,189)	(412,432)	(772,621)	(571,446)	-	(571,446)
Net charge for the period / year	1,483,716	(412,432)	1,071,284	1,610,632	500,478	2,111,110
Amount written off	(28,628)	-	(28,628)	(190,093)	-	(190,093)
Closing balance	14,910,949	441,720	15,352,669	13,455,861	854,152	14,310,013

9.4 General provision includes provision of Rs. 1,984 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. 31,912 thousands (31 December 2013: Rs. 37,450 thousands) made against Small Enterprises (SEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 318,523 thousand (30 September 2013: Rs. 153,726 thousand) and Rs. 8,208 thousand (30 September 2013: Rs. 65,021 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 are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,201,612 thousand. (31 December 2013: Rs. 3,131,045 thousand).

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- under export refinance scheme
- under long term financing – export oriented projects
- under long term financing facility – locally manufactured plant and machinery

Against bills re-discounting

Unsecured

- Call borrowing
- Overdrawn nostro accounts
- Overdrawn local bank accounts

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

15,140,008	18,679,476
85,649	136,751
1,567,367	1,796,348
16,793,024	20,612,575
3,979,531	1,925,129
20,772,555	22,537,704
8,780,979	–
2,044,200	399,825
608,524	119,473
11,433,703	519,298
32,206,258	23,057,002

HABIBMETRO

	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	127,005,594	100,894,176
Saving deposits	92,206,620	73,259,593
Current accounts (non-remunerative)	74,082,295	66,060,951
Others	2,309,788	3,085,411
	295,604,297	243,300,131
Financial Institutions		
Remunerative deposits	2,937,593	3,758,777
Non-remunerative deposits	912,093	584,679
	3,849,686	4,343,456
	299,453,983	247,643,587
14. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
Available-for-sale securities:		
Federal Government Securities		
Market treasury bills	(9,763)	(91,675)
Pakistan investment bonds	(646,130)	(92,551)
GOP ijarah sukuk	171,097	128,978
Fully paid-up ordinary shares and mutual funds	884,870	726,604
Preference shares of a listed company	–	6,720
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(7,727)	(17,751)
Unlisted term finance certificates	13,468	16,512
Sukuk certificates / bonds	55,705	(5,442)
	461,520	671,395
Related deferred tax asset / (liability) - net	37,564	(51,657)
	499,084	619,738

	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	<u>8,000</u>	<u>31,670</u>
15.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	13,482,140	16,417,161
ii) Banking companies and other financial institutions	128,492	170,040
iii) Others	6,381,934	3,566,742
	<u>19,992,566</u>	<u>20,153,943</u>
15.3 Trade-related contingent liabilities		
Letters of credit	<u>48,453,304</u>	<u>60,413,234</u>
Acceptances	<u>15,687,591</u>	<u>10,821,099</u>
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>98,209,212</u>	<u>58,594,354</u>
Sale	<u>98,701,112</u>	<u>60,959,246</u>
15.5 Commitments in respect of operating leases		
Not later than one year	2,443	18,492
Later than one year and not later than five years	<u>35,979</u>	<u>22,912</u>
	<u>38,422</u>	<u>41,404</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>43,599</u>	<u>19,791</u>
15.7 Claims against bank not acknowledged as debt	<u>2,184,916</u>	<u>2,154,916</u>

15.8 Commitments in respect of forward lendings

The Bank makes commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.

15.9 Taxation

Income tax assessments of the Bank 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 September 2014		30 September 2013	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	(Un-Audited)			
	Rupees in '000			
Profit after taxation	<u>1,020,988</u>	<u>3,124,844</u>	<u>834,831</u>	<u>2,615,735</u>
	Number in '000			
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees			
Basic earnings per share	<u>0.97</u>	<u>2.98</u>	<u>0.80</u>	<u>2.50</u>

17. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 September 2014 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the period	179,325	136,023	5,220,156	49,351	306,775	1,077,055
Received during the period	16,016,467	47,637,378	735,585,179	358,213	1,017,087	3,788,501
Repaid during the period	(15,906,740)	(47,644,960)	(724,897,685)	(334,874)	(894,788)	(3,935,407)
At end of the period	289,052	128,441	15,907,650	72,690	429,074	930,149
Advances						
At beginning of the period	-	-	2,020,013	108,389	-	-
Disbursed during the period	-	-	27,620,531	59,878	-	-
Recovered during the period	-	-	(27,387,553)	(8,233)	-	-
At end of the period	-	-	2,252,991	160,034	-	-
Bank balances held by the Bank	185,893	-	38,981	-	-	-
Mark-up / return / interest receivable	-	-	23,171	-	-	-
Mark-up / return / interest payable	-	637	270,450	1,034	2,570	127,543
Management fee payable for technical and consultancy services*	216,850	-	-	-	-	-
Prepayments / Advance deposits	-	-	7,084	-	-	-
Insurance premium and other payables	30,900	-	508	-	-	-
Transaction-related contingent liabilities	-	-	2,280,527	-	-	-
Trade-related contingent liabilities	-	-	3,343,333	-	-	-

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

	31 December 2013 (Audited)						
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the year	91,390	126,923	6,010,887	24,338	151,459	1,830,080	8,235,077
Received during the year	17,604,101	58,554,957	752,573,987	389,590	1,036,460	6,186,611	836,345,706
Repaid during the year	(17,516,166)	(58,545,857)	(753,364,718)	(364,577)	(881,144)	(6,939,636)	(837,612,098)
At end of the year	179,325	136,023	5,220,156	49,351	306,775	1,077,055	6,968,685
Advances							
At beginning of the year	–	–	1,602,820	25,668	–	–	1,628,488
Disbursed during the year	–	–	37,133,684	105,179	–	–	37,238,863
Recovered during the year	–	–	(36,716,491)	(22,458)	–	–	(36,738,949)
At end of the year	–	–	2,020,013	108,389	–	–	2,128,402
Bank balances held by the Bank	99,480	–	208,512	–	–	–	307,992
Overdrawn bank balances held by the Bank	–	–	72,336	–	–	–	72,336
Mark-up / return / interest receivable	6	–	13,088	–	–	–	13,094
Mark-up / return / interest payable	–	697	131,556	3,099	2,097	96,065	233,514
Management fee payable for technical and consultancy services*	164,350	–	–	–	–	–	164,350
Prepayments / Advance deposits	–	–	4,561	–	–	–	4,561
Insurance premium and other payables	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

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

Transactions during the period	For the period ended 30 September 2014 (Un-Audited)						
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	-	-	94,952	7,986	-	-	102,938
Mark-up / return / interest expensed	-	5,416	681,302	1,828	21,527	81,214	791,287
Commission / brokerage / bank charges recovered	5,059	27	88,872	-	-	-	93,958
Commission / brokerage / bank charges paid	322	424	997	-	-	-	1,743
Rent income	-	900	-	-	-	-	900
Salaries and allowances	-	-	-	199,731	-	-	199,731
Directors' fees	-	-	-	-	6,900	-	6,900
Contribution to defined benefit plan	-	-	-	-	-	95,238	95,238
Contribution to defined contribution plan	-	-	-	-	-	93,146	93,146
Rent expenses	-	-	12,661	-	-	-	12,661
Insurance premium expenses	6,700	-	1,752	-	-	-	8,452
Maintenance, electricity, stationery & entertainment	-	-	35,289	-	-	-	35,289
Management fee expense for technical and consultancy services*	167,750	-	-	-	-	-	167,750
Donation	-	-	9,440	-	-	-	9,440
Professional / other charges paid	-	-	1,401	-	-	-	1,401

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

Transactions during the period

For the period ended 30 September 2013 (Un-Audited)

	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	133	107,701	4,009	–	–	111,843
Mark-up / return / interest expensed	–	4,846	448,715	1,930	9,986	94,766	560,243
Commission / brokerage / bank charges recovered	3,667	22	274,615	–	–	–	278,304
Commission / brokerage / bank charges paid	263	648	18,949	–	–	–	19,860
Rent income	–	900	495	–	–	–	1,395
Gain on sale / redemption of securities	–	–	11,366	–	–	–	11,366
Salaries and allowances	–	–	–	171,297	–	–	171,297
Directors' fees	–	–	–	–	6,160	–	6,160
Contribution to defined benefit plan	–	–	–	–	–	79,200	79,200
Contribution to defined contribution plan	–	–	–	–	–	85,460	85,460
Rent expenses	–	–	10,542	–	–	–	10,542
Insurance premium expenses	15,500	–	15,002	–	–	–	30,502
Maintenance, electricity, stationery & entertainment	–	–	27,710	–	–	–	27,710
Management fee expense for technical and consultancy services*	136,398	–	–	–	–	–	136,398
Donation	–	–	1,440	–	–	–	1,440
Professional / other charges paid	–	–	2,807	–	–	–	2,807

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

18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 9 (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 September 2014 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,177,579	1,150,981
Balances with other banks		—	—
Due from financial institutions		6,789,363	—
Investments		13,740,469	14,042,730
Islamic financing and related assets	A-2	6,829,585	7,429,012
Operating fixed assets		31,514	18,940
Deferred tax assets - net		—	—
Other assets		317,479	2,738,851
		28,885,989	25,380,514
LIABILITIES			
Bills payable		264,195	148,884
Due to financial institutions		43,100	165,900
Deposits and other accounts			
- Current accounts		3,986,950	2,975,339
- Saving accounts		7,648,490	6,872,578
- Term deposits		13,328,265	11,231,401
- Others		87,767	154,578
- Deposits from financial institutions - remunerative		1,031,855	1,541,006
- Deposits from financial institutions - non remunerative		35,282	9,957
		26,118,609	22,784,859
Due to head office	18.5	412,102	—
Other liabilities		624,783	649,396
		27,462,789	23,749,039
NET ASSETS		1,423,200	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,566	1,002,633
Reserves		—	—
Unappropriated profit		214,175	505,306
		1,216,741	1,507,939
Surplus on revaluation of assets		206,459	123,536
		1,423,200	1,631,475

**18.2 PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

	30 September 2014 (Un-Audited)	30 September 2013 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,652,894	1,421,378
Profit / return on deposit and other dues expensed	(1,332,440)	(994,320)
Net spread earned	320,454	427,058
Provision against non performing financing	148,696	11,100
Provision for diminution in the value of investments	-	-
Provision for consumer financing Ijarah	-	-
Bad debts written off directly	-	-
	148,696	11,100
Net spread after provisions	171,758	415,958
OTHER INCOME		
Fee, commission and brokerage income	21,510	16,480
Dividend income	-	-
Income from dealing in foreign currencies - net	10,097	9,517
Gain on sale / redemption of securities - net	119,583	-
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	-	-
Other income	33,932	28,281
Total other income	185,122	54,278
	356,880	470,236
OTHER EXPENSES		
Administrative expenses	142,922	91,716
Other provisions / write-offs	-	-
Other charges	(217)	-
Total other expenses	142,705	91,716
	214,175	378,520
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	214,175	378,520
18.3 Remuneration to Shariah Advisor / Board	1,847	1,149

	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
18.4 Charity Fund			
Opening balance		-	-
Additions during the period		2	-
Payments / utilization during the period		-	-
Closing Balance		<u>2</u>	<u>-</u>
A-2 ISLAMIC FINANCING AND RELATED ASSETS			
Financings / investments / receivables			
- Murabaha	A-2.2	4,567,746	5,669,333
- Ijarah		275,045	198,293
- Diminishing musharika		1,325,290	1,122,334
- Export refinance murabaha		68,100	165,900
		<u>6,236,181</u>	<u>7,155,860</u>
Advances			
- Advance against murabaha		277,926	70,980
- Advance against ijarah		13,693	4,686
- Advance against diminishing musharika		211,425	197,486
- Advance against istisna		71,216	-
		<u>574,260</u>	<u>273,152</u>
Assets / Inventories			
- Istisna Goods		19,144	-
		<u>6,829,585</u>	<u>7,429,012</u>
A-2.1 Islamic mode of financing			
Financings / investments / receivables		6,236,181	7,155,860
Advances		574,260	273,152
Assets / Inventories		19,144	-
		<u>6,829,585</u>	<u>7,429,012</u>
A-2.2 Murabaha financing			
Murabaha receivable - gross		4,964,060	6,009,883
Less: Deferred murabaha income		(215,683)	(309,189)
Provision against murabaha financing		(180,631)	(31,361)
		<u>4,567,746</u>	<u>5,669,333</u>

18.5 Deposit and other accounts includes redeemable capital of Rs. 22,008,610 thousand (31 December 2013: Rs. 19,644,985 thousand) and deposits on Qard basis of Rs. 4,109,999 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.

19. GENERAL

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

The figures have been rounded off to nearest thousand rupees.

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 22 October 2014.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director