



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the first quarter
ended 31 March 2014
(Un-audited)

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

AS AT 31 MARCH 2014

	Note	31 March 2014 (Un-Audited)	31 December, 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		24,208,342	21,208,774
Balances with other banks	5	4,228,542	3,552,694
Lendings to financial institutions	6	2,500,000	—
Investments	7	229,003,135	142,327,147
Advances	8	119,690,256	129,833,937
Operating fixed assets	9	2,988,643	3,035,526
Deferred tax assets	10	2,876,519	2,947,155
Other assets		11,220,648	8,490,404
		396,716,085	311,395,637
LIABILITIES			
Bills payable		5,324,678	3,982,213
Borrowings	11	79,678,145	23,057,002
Deposits and other accounts	12	269,959,463	247,507,718
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		14,457,385	8,863,421
		369,419,671	283,410,354
NET ASSETS			
		27,296,414	27,985,283
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,392,682	10,193,511
Unappropriated profit		5,393,800	6,693,745
		26,264,797	27,365,571
Surplus on revaluation of assets - net of tax	13	1,031,617	619,712
		27,296,414	27,985,283
CONTINGENCIES AND COMMITMENTS			
	14		

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SYED ZUBAIR AHMAD SHAH
Director

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

FOR THE QUARTER ENDED 31 MARCH 2014

	Note	2014	2013
		Rupees in '000	
Mark-up / return / interest earned		7,140,956	6,429,718
Mark-up / return / interest expensed		(4,614,045)	(4,259,655)
Net mark-up / interest income		2,526,911	2,170,063
Provision against non-performing loans and advances	8.3	490,855	658,562
Provision for diminution in the value of investments	7.1	(3,276)	(8,616)
Bad debts written-off directly		—	—
		(487,579)	(649,946)
Net mark-up / interest income after provisions		2,039,332	1,520,117
Non mark-up / interest income			
Fee, commission and brokerage income		580,177	554,766
Dividend income		9,127	35,029
Income from dealing in foreign currencies		179,451	53,938
Gain on sale / redemption of securities		330,183	500,943
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—
Other income		73,047	57,682
Total non mark-up / interest income		1,171,985	1,202,358
		3,211,317	2,722,475
Non mark-up / interest expenses			
Administrative expenses		1,777,824	1,570,336
Other provisions / write offs		—	—
Other charges		34,511	34,596
Total non mark-up / interest expenses		(1,812,335)	(1,604,932)
		1,398,982	1,117,543
Extra ordinary / unusual items		—	—
Profit before taxation		1,398,982	1,117,543
Taxation - Current		560,754	490,450
- Prior years		—	1
- Deferred		(159,932)	(133,492)
		(400,822)	(356,959)
Profit after taxation		(998,160)	760,584
Basic and diluted earnings per share (Rupee)	15	0.95	0.73

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Director

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

FOR THE QUARTER ENDED 31 MARCH 2014

	2014	2013
	Rupees in '000	
Profit after taxation for the period	998,160	760,584
Other comprehensive income		
Items not to be reclassified to profit and loss in subsequent periods:		
Actuarial loss on defined benefit plan	(5,032)	(26,112)
Deferred tax on defined benefit plan	1,761	9,139
	(3,271)	(16,973)
Total comprehensive income	994,889	743,611

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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED 31 MARCH 2014

	2014	2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,398,982	1,117,543
Less: Dividend income	(9,127)	(35,029)
	1,389,855	1,082,514
Adjustments		
Depreciation and amortization	122,879	111,738
Provision against non-performing loans and advances – net	490,855	658,562
Provision for diminution in the value of investments – net	(40,549)	(33,878)
Net (gain) on sale of fixed assets	–	(2,531)
	573,185	733,891
	1,963,040	1,816,405
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,500,000)	(4,000,000)
Advances	9,652,826	(9,198,687)
Other assets (excluding advance taxation)	(2,912,320)	854,031
	4,240,506	(12,344,656)
Increase / (decrease) in operating liabilities		
Bills payable	1,342,465	(140,093)
Borrowings	52,824,549	563,375
Deposits and other accounts	22,451,745	(12,608,914)
Other liabilities (excluding current taxation)	4,594,341	61,072
	81,213,100	(12,124,560)
Income tax paid	87,416,646	(22,652,811)
	(378,542)	(536,410)
Net cash flows from operating activities	87,038,104	(23,189,221)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(81,544,223)	25,335,919
Net investments in held-to-maturity securities	(4,446,982)	(3,674,629)
Dividend received	9,127	35,029
Investments in operating fixed assets	(76,603)	(84,266)
Proceeds from sale of fixed assets	607	3,093
Net cash flows from investing activities	(86,058,074)	21,615,146
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,101,208)	(1,101,350)
Net cash flows from financing activities	(1,101,208)	(1,101,350)
Decrease in cash and cash equivalents	(121,178)	(2,675,425)
Cash and cash equivalents at beginning of the period	24,762,686	21,266,748
Effect of exchange rate changes on cash and cash equivalent	(520,516)	164,770
Cash and cash equivalents at end of the period	24,120,992	18,756,093

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

FOR THE QUARTER ENDED 31 MARCH 2014

	Reserves					Unappropriated profit	Total
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2013	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,765	26,002,357
Changes in equity for the period ended 31 March 2013							
Total comprehensive income (profit for the period)	–	–	–	–	–	760,584	760,584
Other comprehensive income net of tax	–	–	–	–	–	(16,973)	(16,973)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	151,586	–	–	(151,586)	–
Balance as at 31 March 2013	10,478,315	2,550,985	5,348,517	240,361	1,500,000	4,532,127	24,650,305
Changes in equity for the period ended 31 December 2013							
Total comprehensive income (profit for the period)	–	–	–	–	–	2,766,184	2,766,184
Other comprehensive income net of tax	–	–	–	–	–	(50,918)	(50,918)
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	–	–	553,648	–	–	(553,648)	–
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,693,745	27,365,571
Changes in equity for the period ended 31 March 2014							
Total comprehensive income (profit for the period)	–	–	–	–	–	998,160	998,160
Other comprehensive income net of tax	–	–	–	–	–	(3,271)	(3,271)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	199,171	–	–	(199,171)	–
Balance as at 31 March 2014	<u>10,478,315</u>	<u>2,550,985</u>	<u>6,101,336</u>	<u>240,361</u>	<u>1,500,000</u>	<u>5,393,800</u>	<u>26,264,797</u>

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

FOR THE QUARTER ENDED 31 MARCH 2014

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (holding company) and Habib Metropolitan Financial Services Limited (wholly owned subsidiary company). The Group is engaged in providing Commercial Banking and Brokerage Services.

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all the three stock exchanges in Pakistan. The holding company operates 174 (31 December 2013: 174) branches, including 6 (31 December 2013: 6) Islamic banking branches and 40 (31 December 2013: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I Chundrigar Road, Karachi.

Habib Metropolitan Financial Services Limited (the subsidiary company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984. The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Kheকাশan Clifton, Karachi. The subsidiary company is a corporate member of the Karachi Stock Exchange Limited and engaged in equity brokerage services.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These consolidated condensed interim financial statements do not include all of the statements required for full financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2013.

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and methods of computation followed in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2013.

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

4. FINANCIAL RISK MANAGEMENT

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

5. BALANCES WITH OTHER BANKS

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
In Pakistan		
Current accounts	2,148,880	460,186
Deposit accounts	36,822	24,004
	2,185,702	484,190
Outside Pakistan		
Current accounts	564,894	1,488,635
Deposit accounts	1,477,946	1,579,869
	2,042,840	3,068,504
	4,228,542	3,552,694

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	2,500,000	—
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7. INVESTMENTS

7. INVESTMENTS		31 March 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		78,538,496	28,103,211	106,641,707	54,535,779	–	54,535,779
Pakistan investment bonds		49,669,656	22,037,620	71,707,276	45,828,229	–	45,828,229
Ordinary shares of listed companies		641,685	–	641,685	230,409	–	230,409
Ordinary shares of unlisted companies		138,955	–	138,955	138,955	–	138,955
Preference shares of a listed company		5,963	–	5,963	40,000	–	40,000
Listed term finance certificates		1,070,119	–	1,070,119	866,305	–	866,305
Unlisted term finance certificates		577,589	–	577,589	582,963	–	582,963
Sukuk certificates and bonds		13,541,611	–	13,541,611	14,096,788	–	14,096,788
Open end mutual funds		14,953,792	–	14,953,792	11,415,046	–	11,415,046
		159,137,866	50,140,831	209,278,697	127,734,474	–	127,734,474
Held-to-maturity securities							
Pakistan investment bonds		17,759,284	–	17,759,284	14,112,302	–	14,112,302
Certificate of investments		800,000	–	800,000	–	–	–
Investments at cost							
		177,697,150	50,140,831	227,837,981	141,846,776	–	141,846,776
Less: Provision for diminution in the value of investments	7.1	(150,435)	–	(150,435)	(190,984)	–	(190,984)
Investments – net of provisions							
		177,546,715	50,140,831	227,687,546	141,655,792	–	141,655,792
Surplus / (deficit) on revaluation of available-for-sale securities – net	13	4,069,306	(2,753,717)	1,315,589	671,355	–	671,355
Investments after revaluation of available-for-sale securities							
		181,616,021	47,387,114	229,003,135	142,327,147	–	142,327,147

	Notes	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
7.1 Particulars of provision for diminution in the value of investments			
Opening balance		190,984	274,242
Charge for the period / year		–	4,323
Recovered during the period / year		(3,276)	(6,203)
Net reversal for the period / year		(3,276)	(1,880)
Reversal of provision on disposal of investments		(33,448)	(81,378)
Investment written off during the period / year		(3,825)	–
Closing balance		150,435	190,984
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		108,321,176	118,698,461
Net investments in finance lease / ijarah financing			
In Pakistan		498,923	490,079
Assets held for Ijarah		142,694	174,511
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,660,374	5,511,266
Payable outside Pakistan		20,867,957	19,269,633
		25,528,331	24,780,899
Advances - gross		134,491,124	144,143,950
Provision against non-performing advances			
– specific		(13,538,505)	(13,455,861)
– general		(1,262,363)	(854,152)
	8.3	(14,800,868)	(14,310,013)
Advances - net of provisions		119,690,256	129,833,937

- 8.1** Advances include Rs. 16,928,918 thousand (31 December 2012: Rs. 16,973,536 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2014 (Un-Audited)		
	Classified advances	Provision Required	Provision Held
	Rupees in '000's		
Substandard	4,289	-	-
Doubtful	239,012	73,106	73,106
Loss	16,685,617	13,465,399	13,465,399
	<u>16,928,918</u>	<u>13,538,505</u>	<u>13,538,505</u>

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

- 8.2** During the current period, the Bank availed additional forced value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing advances by Rs. 38,627 thousand. Further, as of 31 March 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. 3,296,254 thousand (31 December 2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs. 2,142,565 thousand (31 December 2013: Rs. 2,241,423 thousand). This amount of Rs. 2,142,565 thousand is not available for distribution as cash and stock dividend to the shareholders.

- 8.3** Particulars of specific provision against non-performing advances:

	31 March 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	226,083	408,211	634,294	2,182,078	500,478	2,682,556
Reversals	(143,439)	-	(143,439)	(571,446)	-	(571,446)
Net charge for the period / year	82,644	408,211	490,855	1,610,632	500,478	2,111,110
Amount written off	-	-	-	(190,093)	-	(190,093)
Closing balance	<u>13,538,505</u>	<u>1,262,363</u>	<u>14,800,868</u>	<u>13,455,861</u>	<u>854,152</u>	<u>14,310,013</u>

8.4 General provision includes provision of Rs. 2,281 thousand (31 December 2013: Rs. 2,894 thousand) 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. Moreover, general provision also includes provision of Rs. 33,959 (31 December 2013: Rs. 37,450 thousand) 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.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 43,155 thousand (31 March 2013: Rs. 49,396 thousand) and Rs. 607 thousand (31 March 2013: Rs. 561 thousand) respectively.

10. 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 upto 1% of such total gross advances.

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

With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,274,019 thousand (31 December 2013: Rs. 3,548,384 thousand).

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	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
11. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	17,182,458	18,679,476
– under long term financing – export oriented projects	119,179	136,751
– under long term financing facility – locally manufactured plant and machinery	1,689,715	1,796,348
	18,991,352	20,612,575
Repurchase agreement borrowings	47,286,099	–
Against bills re-discountings	3,418,946	1,925,129
	69,696,397	22,537,704
Unsecured		
Call borrowings	5,665,856	–
Overdrawn nostro accounts	3,650,704	399,825
Overdrawn local bank accounts	665,188	119,473
	9,981,748	519,298
	79,678,145	23,057,002
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	119,965,208	100,894,176
Saving deposits	76,924,753	73,259,593
Current accounts (non-remunerative)	65,140,611	66,060,951
Others	3,057,204	3,058,411
	265,087,776	243,300,131
Financial Institutions		
Remunerative deposits	4,276,222	3,660,137
Non-remunerative deposits	595,465	547,450
	4,871,687	4,207,587
	269,959,463	247,507,718

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
13. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX		
Available-for-sale securities:		
Federal Government Securities		
Market Treasury Bills	(40,979)	(91,715)
Pakistan Investment Bonds	305,732	(92,551)
GOP Ijarah Sukuk	300,971	128,978
Fully paid-up ordinary shares and mutual funds	705,314	726,604
Fully paid-up preference shares of a listed company	620	6,720
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	5,070	(17,751)
Unlisted term finance certificates	23,741	16,512
Sukuk certificates / bonds	15,120	(5,442)
	<u>1,315,589</u>	<u>671,355</u>
Related deferred tax liability - net	(283,972)	(51,643)
	<u>1,031,617</u>	<u>619,712</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	<u>8,000</u>	<u>31,670</u>
14.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	15,126,607	16,417,161
ii) Banking companies and other financial institutions	192,370	170,040
iii) Others	3,291,812	3,566,742
	<u>18,610,789</u>	<u>20,153,943</u>
14.3 Trade-related contingent liabilities		
Letters of credit	57,305,172	60,413,234
Acceptances	<u>10,762,527</u>	<u>10,821,099</u>

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	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
14.4 Commitments in respect of forward exchange contracts		
Purchase	<u>93,749,978</u>	<u>58,594,354</u>
Sale	<u>87,883,609</u>	<u>60,959,246</u>
14.5 Commitments in respect of operating leases		
Not later than one year	<u>20,236</u>	<u>20,293</u>
Later than one year and not later than five years	<u>22,143</u>	<u>25,019</u>
	<u>42,379</u>	<u>45,312</u>
14.6 Commitments for the acquisition of operating fixed assets	<u>9,258</u>	<u>19,791</u>
14.7 Claims against the Bank not acknowledged as debt	<u>2,154,916</u>	<u>2,154,916</u>
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 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 Inland Revenue (ATIR). However, adequate provisions are being held by the Bank.

15. BASIC AND DILUTED EARNINGS PER SHARE

	31 March 2014 (Un-Audited)	31 March 2013
	Rupees in '000	
Profit after taxation	<u>998,160</u>	<u>760,584</u>
	Numbers in '000	
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>
	Rupee	
Basic and diluted earnings per share	<u>0.95</u>	<u>0.73</u>

16. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 March 2014 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	179,325	5,220,156	25,789	306,775	1,077,055	6,809,100
Received during the period	3,755,906	178,405,381	164,018	98,284	1,468,053	183,891,642
Repaid during the period	(3,812,813)	(176,932,210)	(124,996)	(57,991)	(1,799,220)	(182,727,230)
At end of the period	122,418	6,693,327	64,811	347,068	745,888	7,973,512
Advances						
At beginning of the year	-	2,020,013	76,466	-	-	2,096,479
Disbursed during the period	-	10,763,877	59,878	-	-	10,823,755
Recovered during the period	-	(11,334,237)	(5,649)	-	-	(11,339,886)
At end of the period	-	1,449,653	130,695	-	-	1,580,348
Bank balances held by the Bank	98,563	21,808	-	-	-	120,371
Overdrawn bank balances held by the Bank	942,942	-	-	-	-	942,942
Mark-up/return/interest receivable	-	17,808	-	-	-	17,808
Mark-up/return/interest payable	-	172,570	959	2,103	105,477	281,109
Management fee payable for technical and consultancy services*	98,500	-	-	-	-	98,500
Prepayments /Advance deposits	-	3,379	-	-	-	3,379
Insurance premium and other payable	30,200	4,419	-	-	-	34,619
Transaction-related contingent liabilities	-	2,304,974	-	-	-	2,304,974
Trade-related contingent liabilities	-	3,168,779	-	-	-	3,168,779
Advance received against prepaid card	-	38	-	-	-	38
Receivable/(Payable) against Purchase/sale of securities	19,332	-	(89)	-	-	19,243

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

	31 December 2013 (Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	91,390	6,010,887	24,338	151,459	1,830,080	8,108,154
Received during the year	17,604,101	752,573,987	261,968	1,036,460	6,186,611	777,663,127
Repaid during the year	(17,516,166)	(753,364,718)	(260,517)	(881,144)	(6,939,636)	(778,962,181)
At end of the year	179,325	5,220,156	25,789	306,775	1,077,055	6,809,100
Advances						
At beginning of the year	–	1,602,820	26,101	–	–	1,628,921
Disbursed during the year	–	37,133,684	70,682	–	–	37,204,366
Recovered during the year	–	(36,716,491)	(20,317)	–	–	(36,736,808)
At end of the year	–	2,020,013	76,466	–	–	2,096,479
Bank balances held by the 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	–	131,556	950	2,097	96,065	230,668
Management fee payable for technical and consultancy services*	164,350	–	–	–	–	164,350
Prepayments /Advance deposits	–	4,561	–	–	–	4,561
Insurance premium and other payable	24,200	989	–	–	–	25,189
Transaction-related contingent liabilities	–	2,123,093	–	–	–	2,123,093
Trade-related contingent liabilities	–	5,195,352	–	–	–	5,195,352
Advance received against prepaid card	–	152	–	–	–	152
Receivable/(Payable) against Purchase/sale of securities	9,839	(20)	(271)	–	–	9,548

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

Transactions during the period	For the period ended 31 March 2014 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	20,554	1,378	-	-
Mark-up/return/interest expensed	-	157,355	673	6,338	32,647
Commission/brokerage/bank charges recovered	2,903	21,446	41	-	-
Commission/brokerage/bank charges paid	88	317	-	-	-
Salaries and allowances	-	-	77,562	-	-
Directors' fees	-	-	-	2,175	-
Contribution to defined benefit plan	-	-	-	-	30,666
Contribution to defined contribution plan	-	-	-	-	30,866
Rent expenses	-	4,017	-	-	-
Insurance premium expenses	6,000	644	-	-	-
Maintenance, electricity, stationery & entertainment expenses	-	12,034	-	-	-
Management fee expense for technical and consultancy services*	49,400	-	-	-	-
Donation paid	-	1,480	-	-	-
Professional/ other charges	-	341	-	-	-

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

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For the period ended 31 March 2013 (Un-Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up/return/interest earned	–	18,620	553	–	–	19,173
Mark-up/return/interest expensed	–	155,464	543	2,356	46,926	205,289
Commission/brokerage/bank charges recovered	1,296	11,709	13	–	–	13,018
Commission/brokerage/bank charges paid	40	333	–	–	–	373
Rent income	–	297	–	–	–	297
Commission/brokerage/bank charges paid	–	11,366	–	–	–	11,366
Salaries and allowances	–	–	42,196	–	–	42,196
Directors' fees	–	–	–	2,410	–	2,410
Contribution to defined benefit plan	–	–	–	–	26,400	26,400
Contribution to defined contribution plan	–	–	–	–	25,222	25,222
Rent expenses	–	4,695	–	–	–	4,695
Insurance premium expenses	–	15,678	–	–	–	15,678
Maintenance, electricity, stationery & entertainment expenses	–	11,479	–	–	–	11,479
Management fee expense for technical and consultancy services*	– 34,874	–	–	–	–	34,874
Donation paid	–	480	–	–	–	480
Professional / other charges	–	947	–	–	–	947

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

17. KEY ISLAMIC BANKING OPERATIONS

The Bank is operating 6 (31 December 2013: 6) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 March 2014 are as follows:

17.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,115,593	1,150,981
Balances with other banks		—	—
Due from financial institutions		1,200,000	—
Investments		16,820,698	14,042,730
Islamic financing and related assets	A-2	5,890,670	7,429,012
Operating fixed assets		18,548	18,940
Deferred tax assets		—	—
Other assets		3,356,585	2,738,851
		28,402,094	25,380,514
LIABILITIES			
Bills payable		173,014	148,884
Due to financial institutions		102,500	165,900
Deposits and other accounts			
- Current accounts		3,051,143	2,975,339
- Saving accounts		7,036,735	6,872,578
- Term deposits		13,497,081	11,231,401
- Others		46,615	154,578
- Deposits from financial institutions - remunerative		2,343,839	1,541,006
- Deposits from financial institutions - non remunerative		10,808	9,957
		25,986,221	22,784,859
Due to head office		—	—
Other liabilities		712,699	649,396
		26,974,434	23,749,039
NET ASSETS		1,427,660	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,463	1,002,633
Reserves		—	—
Unappropriated / unremitted profit		82,542	505,306
		1,085,005	1,507,939
Surplus on revaluation of assets		342,655	123,536
		1,427,660	1,631,475

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17.2 PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED 31 MARCH 2014

	31 March 2014 (Un-Audited)	31 March 2013 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	504,577	487,001
Profit / return on deposit and other dues expensed	(406,897)	(365,159)
Net spread earned	97,680	121,842
Provision against non performing financing	671	11,887
Provision for diminution in the value of investments	-	-
Provision for consumer financing ljarah	-	-
Bad debts written off directly	-	-
	671	11,887
Net spread after provisions	97,009	109,955
OTHER INCOME		
Fee, commission and brokerage income	6,715	5,405
Dividend income	-	-
Income from dealing in foreign currencies	3,517	2,972
Gain on sale/redemption of securities	10,429	-
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	10,806	8,742
Total other income	31,467	17,119
	128,476	127,074
OTHER EXPENSES		
Administrative expenses	45,934	26,126
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	45,934	26,126
	82,542	100,948
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	82,542	100,948

17.3 Remuneration to Shariah Advisor/ Board

600	459
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17.4 CHARITY FUND

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
Opening balance	-	-
Additions during the period	2	-
Payments / utilization during the period	-	-
Closing Balance	2	-

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	Note	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
A-2 ISLAMIC FINANCING AND RELATED ASSETS			
Financings / investments / receivables			
- Murabaha	A-2.2	3,935,621	5,669,333
- Ijarah		166,537	198,293
- Diminishing musharika		1,336,881	1,122,334
- Export refinance murabaha		144,333	165,900
- Al Bai financing		12,425	-
- Receivable from customer against murabaha		5,167	-
		5,600,964	7,155,860
Advances			
- Advance against murabaha		51,073	70,980
- Advance against ijarah		134,335	4,686
- Advance against diminishing musharika		104,298	197,486
		289,706	273,152
		5,890,670	7,429,012
A-2.1 Islamic mode of financing			
Financings / investments / receivables		5,600,964	7,155,860
Advances		289,706	273,152
		5,890,670	7,429,012
A-2.2 Murabaha financing			
Murbaha receivable - gross		4,176,887	6,009,883
Less: Deferred murabaha income		(209,060)	(309,189)
Provision against murabaha financing		(32,206)	(31,361)
		3,935,621	5,669,333

18. GENERAL

The figures have been rounded off to the nearest thousand rupees.

19. DATE OF AUTHORISATION FOR ISSUE

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

SYED ZUBAIR AHMAD SHAH
Director