



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

Blanck Page

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Kassim Parekh

PRESIDENT & CHIEF EXECUTIVE OFFICER

Sirajuddin Aziz

DIRECTORS

Ali S. Habib

Mohamedali R. Habib

Mohomed Bashir

Muhammad H. Habib

Sohail Hasan

Syed Zubair Ahmad Shah

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 half year ended June 30, 2014.

After many years of low growth, sentiments about the economy seem to have improved during FY14, reflected in rebound in real GDP growth, which stood at 4.1%; the rise in private sector credit; a contained fiscal deficit; the subdued inflation outlook; the sharp increase in FX reserves; and the appreciation and subsequent stability in the exchange rate. A positive investor sentiment, which is anticipated to be bolstered by the continuation of IMF program and the ongoing privatization drive, is expected to further improve the external position in FY15. However, the many challenges faced by the economy and need for structural reforms should not be discounted.

By the Grace of Allah, HabibMetro is progressing steadily. Bank's deposit increased to Rs. 277bn as against Rs. 248bn as at previous year-end. Investment and Advances stood at Rs. 206bn and Rs. 119bn respectively at end of half year.

The Bank posted a profit after tax (PAT) of Rs. 2,104mIn for the half year as compared to Rs1,780mIn in the same period last year, exhibiting an increase of 18.2%. This performance has translated into earnings per share of Rs. 2.01. At end of current period, the Bank's net equity stands at Rs. 27.4bn with a comfortable 15.6% 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 14th 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 a network of 214 branches, Habib Metropolitan Bank is further strengthened and provides the technologically advanced services to its customers 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.

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: August 21, 2014

INDEPENDENT AUDITORS' REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**Introduction**

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2014 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (herein after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarter ended 30 June 2014 have not been reviewed, and we do not express conclusion on them.

Karachi: August 21, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

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

AS AT 30 JUNE 2014

	Note	30 June 2014 (Un-Audited)	31 December, 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		26,651,312	21,208,774
Balances with other banks	6	5,057,816	3,552,565
Lendings to financial institutions	7	1,500,000	—
Investments	8	206,239,551	142,443,682
Advances	9	118,535,994	129,833,937
Operating fixed assets	10	2,958,595	3,034,564
Deferred tax assets - net	11	3,115,047	2,947,151
Other assets		13,374,778	8,433,372
		377,433,093	311,454,045
LIABILITIES			
Bills payable		7,875,661	3,982,213
Borrowings	12	52,963,361	23,057,002
Deposits and other accounts	13	277,241,626	247,643,587
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		—	—
Other liabilities		11,360,126	8,787,067
		349,440,774	283,469,869
NET ASSETS		27,992,319	27,984,176
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,614,511	10,193,511
Unappropriated profit		6,300,416	6,692,612
		27,393,242	27,364,438
Surplus on revaluation of assets - net of deferred tax	14	599,077	619,738
		27,992,319	27,984,176
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 21 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 HALF YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 Quarter ended	30 June 2014 Half year ended	30 June 2013 Quarter ended	30 June 2013 Half year ended
		Rupees in '000			
Mark-up / return / interest earned		8,255,987	15,393,405	6,231,529	12,509,248
Mark-up / return / interest expensed		(5,652,130)	(10,267,923)	(4,019,917)	(8,281,411)
Net mark-up / interest income		2,603,857	5,125,482	2,211,612	4,227,837
Provision against non-performing loans and advances - net	9.3	471,824	962,679	377,076	1,035,638
Provision for diminution in the value of investments - net	8.1	(608)	(3,884)	7,911	(705)
Bad debts written-off directly		—	—	—	—
		(471,216)	(958,795)	(384,987)	(1,034,933)
Net mark-up / interest income after provisions		2,132,641	4,166,687	1,826,625	3,192,904
Non mark-up / interest income					
Fee, commission and brokerage income		610,755	1,180,061	552,636	1,100,060
Dividend income		9,304	18,191	4,523	39,552
Income from dealing in foreign currencies - net		238,617	418,068	108,776	311,428
Gain on sale / redemption of securities - net		474,645	804,842	651,215	1,152,236
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		—	—	—	—
Other income		77,764	150,924	58,166	115,667
Total non mark-up / interest income		1,411,085	2,572,086	1,375,316	2,718,943
		3,543,726	6,738,773	3,201,941	5,911,847
Non mark-up / interest expenses					
Administrative expenses		1,858,303	3,623,387	1,579,019	3,141,020
Other provisions / write offs		—	—	—	—
Other charges		19,778	54,223	51,640	86,140
Total non mark-up / interest expenses		(1,878,081)	(3,677,610)	(1,630,659)	(3,227,160)
		1,665,645	3,061,163	1,571,282	2,684,687
Extra ordinary / unusual items		—	—	—	—
Profit before taxation		1,665,645	3,061,163	1,571,282	2,684,687
Taxation – Current		628,991	1,188,592	526,342	1,015,383
– Prior		—	—	173,367	173,367
– Deferred		(71,348)	(231,285)	(151,399)	(284,967)
		(557,643)	(957,307)	(548,310)	(903,783)
Profit after taxation		1,108,002	2,103,856	1,022,972	1,780,904
Basic earnings per share (Rupees)	16	1.06	2.01	0.98	1.70

The annexed notes 1 to 21 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 HALF YEAR ENDED 30 JUNE 2014

	30 June 2014		30 June 2013	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	1,108,002	2,103,856	1,022,972	1,780,904
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	36,742	31,710	(3,605)	(7,209)
Deferred tax on defined benefit plan	(12,860)	(11,099)	1,262	2,523
	23,882	20,611	(2,343)	(4,686)
Total comprehensive income	1,131,884	2,124,467	1,020,629	1,776,218

The annexed notes 1 to 21 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 CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,061,163	2,684,687
Less: Dividend income	(18,191)	(39,552)
	3,042,972	2,645,135
Adjustments		
Depreciation	250,605	226,657
Provision against non-performing loans and advances – net	962,679	1,035,638
Provision for diminution in the value of investments – net	(46,069)	(82,083)
Net gain on sale of operating fixed assets	(2,129)	(4,373)
Actuarial gain / (loss) on defined benefit plan	31,710	(7,209)
	1,196,796	1,168,630
	4,239,768	3,813,765
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,500,000)	(20,423,193)
Advances	10,335,264	(1,089,394)
Other assets (excluding taxation)	(4,703,430)	(1,488,550)
	4,131,834	(23,001,137)
Increase / (decrease) in operating liabilities		
Bills payable	3,893,448	1,307,634
Borrowings	27,638,425	38,849,127
Deposits and other accounts	29,598,039	1,022,337
Other liabilities (excluding dividend)	2,571,691	243,879
	63,701,603	41,422,977
	72,073,205	22,235,605
Income tax paid	(1,426,568)	(1,273,011)
Net cash flows from operating activities	70,646,637	20,962,594
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(55,291,575)	(13,967,467)
Net investments in held-to-maturity securities	(8,426,595)	(5,246,593)
Dividend received	18,191	39,552
Investments in operating fixed assets	(175,700)	(207,809)
Proceeds from sale of operating fixed assets	3,192	5,208
Net cash flows from investing activities	(63,872,487)	(19,377,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,094,295)	(2,092,808)
Net cash flows from financing activities	(2,094,295)	(2,092,808)
Increase / (decrease) in cash and cash equivalents	4,679,855	(507,323)
Cash and cash equivalents at beginning of the period	24,852,153	21,216,165
Effect of exchange rate changes on cash and cash equivalents	(610,112)	215,320
Cash and cash equivalents at end of the period	28,921,896	20,924,162

The annexed notes 1 to 21 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 HALF YEAR ENDED 30 JUNE 2014

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappropriated profit	Total
	Rupees in '000						
Balance as at 1 January 2013 - restated	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,228	26,001,820
Total comprehensive income for the six months ended 30 June 2013							
Profit after tax	-	-	-	-	-	1,780,904	1,780,904
Other comprehensive income - net of tax	-	-	-	-	-	(4,686)	(4,686)
	-	-	-	-	-	1,776,218	1,776,218
Transfer to statutory reserve	-	-	356,000	-	-	(356,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 June 2013	10,478,315	2,550,985	5,552,931	240,361	1,500,000	5,359,783	25,682,375
Total comprehensive income for the six months ended 31 December 2013							
Profit after tax	-	-	-	-	-	1,745,268	1,745,268
Other comprehensive income - net of tax	-	-	-	-	-	(63,205)	(63,205)
	-	-	-	-	-	1,682,063	1,682,063
Transfer to statutory reserve	-	-	349,234	-	-	(349,234)	-
Transactions with owners, recorded directly in equity							
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,692,612	27,364,438
Total comprehensive income for the six months ended 30 June 2014							
Profit after tax	-	-	-	-	-	2,103,856	2,103,856
Other comprehensive income - net of tax	-	-	-	-	-	20,611	20,611
	-	-	-	-	-	2,124,467	2,124,467
Transfer to statutory reserve	-	-	421,000	-	-	(421,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 June 2014	10,478,315	2,550,985	6,323,165	240,361	1,500,000	6,300,416	27,393,242

The annexed notes 1 to 21 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 HALF YEAR ENDED 30 JUNE 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 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 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 19 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

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

In Pakistan

Current accounts	1,586,041	460,181
Deposit accounts	74,031	23,880
	1,660,072	484,061

Outside Pakistan

Current accounts	1,915,675	1,488,635
Deposit accounts	1,482,069	1,579,869
	3,397,744	3,068,504
	5,057,816	3,552,565

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7.1	1,500,000	—
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7.1 This represents lendings to financial institution at markup rate of 10.50% per annum with maturity of 08 July 2014.

8. INVESTMENTS

		30 June 2014 (Un-Audited)			31 December 2013 (Audited)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000							
Available-for-sale securities							
Market treasury bills	8.2	42,386,408	11,062,099	53,448,507	54,387,024	–	54,387,024
Pakistan investment bonds		90,197,259	7,949,425	98,146,684	45,828,229	–	45,828,229
Ordinary shares of listed companies		895,009	–	895,009	230,409	–	230,409
Ordinary shares of unlisted companies		104,205	–	104,205	104,205	–	104,205
Preference shares of a listed company		–	–	–	40,000	–	40,000
Listed term finance certificates		1,047,848	–	1,047,848	866,305	–	866,305
Unlisted term finance certificates		567,818	–	567,818	582,963	–	582,963
Sukuk certificates and bonds		12,604,133	–	12,604,133	14,096,788	–	14,096,788
Open end mutual funds		15,999,291	–	15,999,291	11,415,046	–	11,415,046
Close end mutual funds		29,049	–	29,049	–	–	–
		163,831,020	19,011,524	182,842,544	127,550,969	–	127,550,969
Held-to-maturity securities							
Pakistan investment bonds		22,538,897	–	22,538,897	14,112,302	–	14,112,302
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Investments at cost		186,669,917	19,011,524	205,681,441	141,963,271	–	141,963,271
Provision for diminution in the value of investments	8.1	(144,915)	–	(144,915)	(190,984)	–	(190,984)
Investments net of provisions		186,525,002	19,011,524	205,536,526	141,772,287	–	141,772,287
Surplus / (deficit) on revaluation of available-for-sale securities – net	14	973,408	(270,383)	703,025	671,395	–	671,395
Total investments		187,498,410	18,741,141	206,239,551	142,443,682	–	142,443,682

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

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

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

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

9.2 During the current year, the 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. 209,028 thousand. Further, as of 30 June 2014, had the benefit of FSVs (including those availed upto previous year) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 3,270,263 thousand (31 December 2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs. 2,125,671 thousand (31 December 2013: Rs. 2,241,423 thousand). This amount of Rs. 2,125,671 thousand is not available for distribution of cash and stock dividend to the shareholders.

9.3 Particulars of specific provision against non-performing advances:

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

9.4 General provision includes provision of Rs. 2,116 thousand (31 December 2013: Rs. 2,894 thousand) made against consumer portfolio maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan. Moreover, general provision also includes provision of Rs. 33,115 thousands (31 December 2013: Rs. 37,450 thousands) made against Small Enterprises (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. 135,574 thousand (30 June 2013: Rs. 97,670 thousand) and Rs. 5,190 thousand (30 June 2013: Rs. 5,286 thousand) respectively.

11. DEFERRED TAX ASSETS

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items 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. 3,359,270 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

Repurchase agreement borrowings (Repo)

Against bills re-discounting

Unsecured

Call borrowing

Overdrawn nostro accounts

Overdrawn local bank accounts

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

13,983,066	18,679,476
89,577	136,751
1,603,706	1,796,348
15,676,349	20,612,575
18,654,540	–
3,912,962	1,925,129
38,243,851	22,537,704
11,932,278	–
1,370,700	399,825
1,416,532	119,473
14,719,510	519,298
52,963,361	23,057,002

HABIBMETRO

	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	110,961,493	100,894,176
Saving deposits	78,186,574	73,259,593
Current accounts (non-remunerative)	79,434,987	66,060,951
Others	3,747,743	3,085,411
	<u>272,330,797</u>	<u>243,300,131</u>
Financial Institutions		
Remunerative deposits	3,908,832	3,758,777
Non-remunerative deposits	1,001,997	584,679
	<u>4,910,829</u>	<u>4,343,456</u>
	<u>277,241,626</u>	<u>247,643,587</u>
14. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
Available-for-sale securities:		
Federal Government Securities		
Market treasury bills	(30,207)	(91,675)
Pakistan investment bonds	(284,091)	(92,551)
GOP ijarah sukuk	360,107	128,978
Fully paid-up ordinary shares and mutual funds	631,606	726,604
Preference shares of a listed company	–	6,720
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(13,337)	(17,751)
Unlisted term finance certificates	13,294	16,512
Sukuk certificates / bonds	25,653	(5,442)
	<u>703,025</u>	<u>671,395</u>
Related deferred tax liability - net	<u>(103,948)</u>	<u>(51,657)</u>
	<u>599,077</u>	<u>619,738</u>

	30 June 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	16,325,652	16,417,161
ii) Banking companies and other financial institutions	194,585	170,040
iii) Others	3,170,894	3,566,742
	<u>19,691,131</u>	<u>20,153,943</u>
15.3 Trade-related contingent liabilities		
Letters of credit	60,554,319	60,413,234
Acceptances	13,839,891	10,821,099
15.4 Commitments in respect of forward exchange contracts		
Purchase	91,430,956	58,594,354
Sale	93,113,918	60,959,246
15.5 Commitments in respect of operating leases		
Not later than one year	18,421	18,492
Later than one year and not later than five years	17,350	22,912
	<u>35,771</u>	<u>41,404</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>72,241</u>	<u>19,791</u>
15.7 Claims against bank not acknowledged as debt	<u>2,184,916</u>	<u>2,154,916</u>

HABIBMETRO

	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
15.8 Commitments in respect of Investments		
Purchase	<u>7,702,959</u>	<u>—</u>
Sale	<u>4,296,735</u>	<u>—</u>

15.9 Commitments in respect of forward lendings

The 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.

15.10 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 June 2014		30 June 2013	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	(Un-Audited)			
	Rupees in '000			
			(Restated)	(Restated)
Profit after taxation	<u>1,108,002</u>	<u>2,103,856</u>	<u>1,022,972</u>	<u>1,780,904</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>1.06</u>	<u>2.01</u>	<u>0.98</u>	<u>1.70</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 employee's retirement benefit plans.

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

	30 June 2014 (Un-Audited)						
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Deposits							
At beginning of the period	179,325	136,023	5,220,156	25,789	306,775	1,077,055	6,945,123
Received during the period	10,232,503	31,318,638	431,342,259	239,123	973,794	2,284,485	476,390,802
Repaid during the period	(9,943,811)	(31,355,295)	(426,315,603)	(226,419)	(858,010)	(2,577,970)	(471,277,108)
At end of the period	468,017	99,366	10,246,812	38,493	422,559	783,570	12,058,817
Advances							
At beginning of the period	-	-	2,020,013	76,011	-	-	2,096,024
Disbursed during the period	-	-	18,704,378	59,878	-	-	18,764,256
Recovered during the period	-	-	(18,297,839)	(6,674)	-	-	(18,304,513)
At end of the period	-	-	2,426,552	129,215	-	-	2,555,767
Bank balances held by the Bank	118,472	-	37,799	-	-	-	156,271
Mark-up / return / interest receivable	-	-	15,612	-	-	-	15,612
Mark-up / return / interest payable	-	495	173,173	1,280	2,743	112,200	289,891
Management fee payable for technical and consultancy services*	162,550	-	-	-	-	-	162,550
Prepayments / Advance deposits	-	-	4,459	-	-	-	4,459
Insurance premium and other payables	30,200	-	851	-	-	-	31,051
Transaction-related contingent liabilities	-	-	2,471,929	-	-	-	2,471,929
Trade-related contingent liabilities	-	-	4,214,735	-	-	-	4,214,735
Advance received against prepaid card	-	-	1	-	-	-	1

* 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	261,968	1,036,460	6,186,611	836,218,084
Repaid during the year	(17,516,166)	(58,545,857)	(753,364,718)	(260,517)	(881,144)	(6,939,636)	(837,508,038)
At end of the year	179,325	136,023	5,220,156	25,789	306,775	1,077,055	6,945,123
Advances							
At beginning of the year	-	-	1,602,820	25,668	-	-	1,628,488
Disbursed during the year	-	-	37,133,684	70,660	-	-	37,204,344
Recovered during the year	-	-	(36,716,491)	(20,317)	-	-	(36,736,808)
At end of the year	-	-	2,020,013	76,011	-	-	2,096,024
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	950	2,097	96,065	231,365
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 June 2014 (Un-Audited)						
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	-	-	45,603	5,188	-	-	50,791
Mark-up / return / interest expensed	-	3,411	371,426	1,415	13,539	54,238	444,029
Commission / brokerage / bank charges recovered	3,263	16	48,144	-	-	-	51,423
Commission / brokerage / bank charges paid	220	355	521	-	-	-	1,096
Rent income	-	600	-	-	-	-	600
Salaries and allowances	-	-	-	131,077	-	-	131,077
Directors' fees	-	-	-	-	4,650	-	4,650
Contribution to defined benefit plan	-	-	-	-	-	63,738	63,738
Contribution to defined contribution plan	-	-	-	-	-	61,727	61,727
Rent expenses	-	-	9,222	-	-	-	9,222
Insurance premium expenses	6,000	-	1,320	-	-	-	7,320
Maintenance, electricity, stationery & entertainment	-	-	24,707	-	-	-	24,707
Management fee expense for technical and consultancy services*	113,450	-	-	-	-	-	113,450
Donation	-	-	2,960	-	-	-	2,960
Professional / other charges paid	-	-	956	-	-	-	956

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

Transactions during the period

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

	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up / return / interest earned	–	133	64,227	1,095	–	–	65,455
Mark-up / return / interest expensed	–	3,295	323,287	286	6,863	74,119	407,850
Commission / brokerage / bank charges recovered	2,193	18	185,458	–	–	–	187,669
Commission / brokerage / bank charges paid	186	481	6,205	–	–	–	6,872
Rent income	–	600	495	–	–	–	1,095
Gain on sale of operating fixed assets	–	–	11,366	–	–	–	11,366
Salaries and allowances	–	–	–	84,897	–	–	84,897
Directors' fees	–	–	–	–	4,360	–	4,360
Contribution to defined benefit plan	–	–	–	–	–	52,800	52,800
Contribution to defined contribution plan	–	–	–	–	–	56,801	56,801
Rent expenses	–	–	9,258	–	–	–	9,258
Insurance premium expenses	7,500	–	15,002	–	–	–	33,855
Maintenance, electricity, stationery & entertainment	–	–	22,188	–	–	–	22,188
Management fee expense for technical and consultancy services*	77,115	–	–	–	–	–	77,115
Donation	–	–	960	–	–	–	960
Professional / other charges paid	–	–	2,577	–	–	–	2,577

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

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	30 June 2014 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income*	10,853,379	4,199,403	6,640,042	21,692,824
Total expenses*	(9,042,945)	(3,817,478)	(5,771,238)	(18,631,661)
Net Income	1,810,434	381,925	868,804	3,061,163
Segment assets	221,470,685	1,593,197	154,369,211	377,433,093
Segment liabilities	69,127,454	126,992,963	153,320,357	349,440,774

	30 June 2013 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000 (Restated)			
Total income*	7,964,673	3,436,841	5,822,060	17,223,574
Total expenses*	(6,193,584)	(3,231,698)	(5,113,605)	(14,538,887)
Net Income	1,771,089	205,143	708,455	2,684,687
Segment assets	215,305,496	1,219,119	125,246,704	341,771,319
Segment liabilities	88,203,705	108,490,340	117,264,499	313,958,544

* Includes Rs. 3,727,133 thousands (30 June 2013: Rs. 1,995,383 thousands) of inter-segment revenues and expenses.

19. KEY ISLAMIC BANKING OPERATIONS

19.1 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 30 June 2014 are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,160,871	1,150,981
Balances with other banks		—	—
Due from financial institutions		—	—
Investments		15,315,659	14,042,730
Islamic financing and related assets	A-2.1	6,302,001	7,429,012
Operating fixed assets		19,132	18,940
Deferred tax assets - net		—	—
Other assets		4,705,140	2,738,851
		27,502,803	25,380,514
LIABILITIES			
Bills payable		95,513	148,884
Due to financial institutions		176,300	165,900
Deposits and other accounts			
- Current accounts		3,593,301	2,975,339
- Saving accounts		6,396,059	6,872,578
- Term deposits		12,934,085	11,231,401
- Others		226,876	154,578
- Deposits from financial institutions - remunerative		1,636,530	1,541,006
- Deposits from financial institutions - non remunerative		46,693	9,957
		24,833,544	22,784,859
Due to head office		—	—
Other liabilities		787,706	649,396
		25,893,063	23,749,039
NET ASSETS		1,609,740	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,470	1,002,633
Reserves		—	—
Unappropriated profit		220,829	505,306
		1,223,299	1,507,938
Surplus on revaluation of assets		386,441	123,536
		1,609,740	1,631,475

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

	30 June 2014 (Un-Audited)	30 June 2013 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,057,426	953,472
Profit / return on deposit and other dues expensed	(880,414)	(686,699)
Net spread earned	177,012	266,773
Provision against non performing financing	4,767	2,447
Provision for diminution in the value of investments	—	—
Provision for customer financing ljarah	—	—
Bad debts written off directly	—	—
	4,767	2,447
Net spread after provisions	172,245	264,326
OTHER INCOME		
Fee, commission and brokerage income	14,695	10,833
Dividend income	—	—
Income from dealing in foreign currencies - net	6,553	6,128
Gain on sale / redemption of securities - net	92,181	—
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	22,037	18,629
Total other income	135,466	35,590
	307,711	299,916
OTHER EXPENSES		
Administrative expenses	86,882	56,676
Other provisions / write-offs	—	—
Other charges	—	—
Total other expenses	86,882	56,676
	220,829	243,240
Extra ordinary / unusual items	—	—
PROFIT BEFORE TAXATION	220,829	243,240
19.3 Remuneration to Shariah Advisor / Board	1,200	536

HABIBMETRO

**30 June
2014**
(Un-Audited)

**31 December
2013**
(Audited)

Rupees in '000

19.4 Charity Fund

Opening balance	-	-
Additions during the period	23	-
Payments / utilization during the period	(23)	-
Closing Balance	-	-

A-2 ISLAMIC FINANCING AND RELATED ASSETS

Financings / investments / receivables

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

Advances

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

Assets / Inventories

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

A-2.1 Islamic mode of financing

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

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

20. GENERAL

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

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

20.3 Figures of the profit and loss account for the quarters ended 30 June 2014 and 30 June 2013 have not been subjected to limited scope review by the auditors.

21. DATE OF AUTHORISATION FOR ISSUE

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director