



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  
Mohamedali R. Habib\*  
Mohomed Bashir  
Muhammad H. Habib  
Sohail Hassan  
Syed Zubair Ahmad Shah  
Tariq Ikram

\* Executive Director

**AUDIT COMMITTEE**

Ali S. Habib  
Kassim Parekh  
Tariq Ikram

**CREDIT COMMITTEE**

Kassim Parekh  
Mohamedali R. Habib  
Muhammad H. Habib

**HUMAN RESOURCE & REMUNERATION COMMITTEE**

Kassim Parekh  
Mohamedali R. Habib  
Tariq Ikram

**COMPANY SECRETARY**

Muhammad Imran

**SHARE REGISTRAR**

Noble Computer Services (Private) Limited  
First Floor, Siddiqsons Tower,  
3-Jinnah C. H. Society, Main Shahr-e-Faisal,  
Karachi 75350.

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present unaudited accounts for the first quarter ended March 31, 2014.

The first quarter of 2014 ended on a promising note, with improvements in economic fundamentals. Following a deceleration in inflation during the quarter under review, the year-on-year inflation was registered at a low of 7.9 percent in February 2014 and Large Scale Manufacturing (LSM) posted strong growth. Meanwhile, fiscal deficit was contained during the first half of the year and the private sector witnessed growth of credit.

There has been a noticeable boost in investor confidence with the increase in foreign exchange reserves of the SBP and appreciation of the rupee by 6.0 percent against the US Dollar since the start of the current year. The Karachi Stock Exchange also registered a further growth of 7% during the quarter.

Going forward, consistent stream of financial flows will be required to sustain the appreciated Rupee, and to further increase investor confidence. Moreover, the external account needs to be reinforced by enhancing the competitiveness of country exports.

By the Grace of Allah, HabibMetro is progressing steadily. Bank's deposit increased to Rs. 270 bn as against Rs. 248 bn as at previous year-end. Investment and Advances stood at Rs. 229 bn and Rs. 120 bn respectively at end of current quarter.

The Bank posted a profit after tax (PAT) of Rs. 996 mn for the first quarter ended March 31, 2014 as compared to Rs. 758 mn in the same period last year, exhibiting an increase of 31%. This performance has translated into earnings per share of Re. 0.95. At end of current period, the Bank's net equity stands at Rs. 26.3 bn with a comfortable 16% 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 13th 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.

## HABIBMETRO

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With a network of 214 branches, Habib Metropolitan Bank is further strengthened and provides the technologically advanced services to its customers. Our call center "HabibMetro Connect" with a toll free contact number 0800HABIB (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: April 21, 2014

## UNCONSOLIDATED 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			
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>24,208,342</b>	21,208,774
Balances with other banks	5	<b>4,228,412</b>	3,552,565
Lendings to financial institutions	6	<b>2,500,000</b>	—
Investments	7	<b>229,122,837</b>	142,443,682
Advances	8	<b>119,690,256</b>	129,833,937
Operating fixed assets	9	<b>2,987,796</b>	3,034,564
Deferred tax assets	10	<b>2,876,531</b>	2,947,151
Other assets		<b>11,135,557</b>	8,433,372
		<b>396,749,731</b>	311,454,045
<b>LIABILITIES</b>			
Bills payable		<b>5,324,678</b>	3,982,213
Borrowings	11	<b>79,678,145</b>	23,057,002
Deposits and other accounts	12	<b>270,060,687</b>	247,643,587
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		<b>14,393,240</b>	8,787,067
		<b>369,456,750</b>	283,469,869
<b>NET ASSETS</b>			
		<b>27,292,981</b>	27,984,176
<b>REPRESENTED BY</b>			
Share capital		<b>10,478,315</b>	10,478,315
Reserves		<b>10,392,682</b>	10,193,511
Unappropriated profit		<b>5,390,361</b>	6,692,612
		<b>26,261,358</b>	27,364,438
Surplus on revaluation of assets - net of tax	13	<b>1,031,623</b>	619,738
		<b>27,292,981</b>	27,984,176
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director



## HABIBMETRO

### UNCONSOLIDATED 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		<b>7,137,418</b>	6,426,432
Mark-up / return / interest expensed		<b>(4,615,792)</b>	(4,261,493)
<b>Net mark-up / interest income</b>		<b>2,521,626</b>	2,164,939
Provision against non-performing loans and advances	8.3	<b>490,855</b>	658,562
Provision for diminution in the value of investments	7.1	<b>(3,276)</b>	(8,616)
Bad debts written-off directly		<b>—</b>	—
		<b>(487,579)</b>	(649,946)
Net mark-up / interest income after provisions		<b>2,034,047</b>	1,514,993
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<b>569,306</b>	547,424
Dividend income		<b>8,887</b>	35,029
Income from dealing in foreign currencies		<b>179,451</b>	53,938
Gain on sale / redemption of securities		<b>330,197</b>	501,021
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'		<b>—</b>	—
Other income		<b>73,160</b>	57,501
Total non mark-up / interest income		<b>1,161,001</b>	1,194,913
		<b>3,195,048</b>	2,709,906
<b>Non mark-up / interest expenses</b>			
Administrative expenses		<b>1,765,085</b>	1,562,001
Other provisions / write offs		<b>—</b>	—
Other charges		<b>34,445</b>	34,500
Total non mark-up / interest expenses		<b>(1,799,530)</b>	(1,596,501)
		<b>1,395,518</b>	1,113,405
Extra ordinary / unusual items		<b>—</b>	—
<b>Profit before taxation</b>		<b>1,395,518</b>	1,113,405
Taxation - Current		<b>559,601</b>	489,041
- Prior years		<b>—</b>	—
- Deferred		<b>(159,937)</b>	(133,568)
		<b>(399,664)</b>	(355,473)
<b>Profit after taxation</b>		<b>995,854</b>	757,932
<b>Basic and diluted earnings per share (Rupee)</b>	15	<b>0.95</b>	0.72

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**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director

## UNCONSOLIDATED 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	995,854	757,932
<b>Other comprehensive income</b>		
<b>Items not to be reclassified to profit and loss in subsequent periods:</b>		
Actuarial loss on defined benefit plan	(5,032)	(26,112)
Deferred tax on defined benefit plan	1,761	9,139
	(3,271)	(16,973)
<b>Total comprehensive income</b>	<b>992,583</b>	<b>740,959</b>

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President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director

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

FOR THE QUARTER ENDED 31 MARCH 2014

	2014	2013
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,395,518	1,113,405
Less: Dividend income	(8,887)	(35,029)
	<b>1,386,631</b>	<b>1,078,376</b>
<b>Adjustments</b>		
Depreciation	122,764	111,620
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)
	<b>573,070</b>	<b>733,773</b>
	<b>1,959,701</b>	<b>1,812,149</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,500,000)	(4,000,000)
Advances	9,652,826	(9,198,687)
Other assets (excluding advance taxation)	(2,885,487)	900,459
	<b>4,267,339</b>	<b>(12,298,228)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,342,465	(140,093)
Borrowings	52,824,549	563,375
Deposits and other accounts	22,417,100	(12,646,536)
Other liabilities (excluding current taxation)	4,606,686	54,520
	<b>81,190,800</b>	<b>(12,168,734)</b>
	<b>87,417,840</b>	<b>(22,654,813)</b>
Income tax paid	(376,299)	(534,981)
<b>Net cash flows from operating activities</b>	<b>87,041,541</b>	<b>(23,189,794)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(81,547,421)	25,336,221
Net investments in held-to-maturity securities	(4,446,982)	(3,674,629)
Dividend received	8,887	35,029
Investments in operating fixed assets	(76,603)	(83,995)
Proceeds from sale of fixed assets	607	3,093
<b>Net cash flows from investing activities</b>	<b>(86,061,512)</b>	<b>21,615,719</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,101,208)	(1,101,350)
<b>Net cash flows from financing activities</b>	<b>(1,101,208)</b>	<b>(1,101,350)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(121,179)</b>	<b>(2,675,425)</b>
Cash and cash equivalents at beginning of the period	24,762,557	21,266,715
Effect of exchange rate changes on cash and cash equivalent	(520,516)	164,770
<b>Cash and cash equivalents at end of the period</b>	<b>24,120,862</b>	<b>18,756,060</b>

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**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director

## UNCONSOLIDATED 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						
<b>Balance as at 1 January 2013</b>	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,228	26,001,820
<b>Changes in equity for the period ended 31 March 2013</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	757,932	757,932
Other comprehensive income - net of tax	-	-	-	-	-	(16,973)	(16,973)
<b>Transactions with owners, recorded directly in equity</b>							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	151,586	-	-	(151,586)	-
<b>Balance as at 31 March 2013</b>	10,478,315	2,550,985	5,348,517	240,361	1,500,000	4,528,938	24,647,116
<b>Changes in equity for the period ended 31 December 2013</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	2,768,240	2,768,240
Other comprehensive income - net of tax	-	-	-	-	-	(50,918)	(50,918)
<b>Transactions with owners, recorded directly in equity</b>							
Transfer to statutory reserve	-	-	553,648	-	-	(553,648)	-
<b>Balance as at 31 December 2013</b>	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,692,612	27,364,438
<b>Changes in equity for the period ended 31 March 2014</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	995,854	995,854
Other comprehensive income - net of tax	-	-	-	-	-	(3,271)	(3,271)
<b>Transactions with owners, recorded directly in equity</b>							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Transfer to statutory reserve	-	-	199,171	-	-	(199,171)	-
<b>Balance as at 31 March 2014</b>	<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>5,390,361</u>	<u>26,261,358</u>

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director

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

FOR THE QUARTER ENDED 31 MARCH 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** These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2013.

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

### 3. ACCOUNTING POLICIES AND ESTIMATES

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

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

#### 4. FINANCIAL RISK MANAGEMENT

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

#### 5. BALANCES WITH OTHER BANKS

	<b>31 March 2014</b> (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
<b>In Pakistan</b>		
Current accounts	<b>2,148,875</b>	460,181
Deposit accounts	<b>36,697</b>	23,880
	<b>2,185,572</b>	484,061
<b>Outside Pakistan</b>		
Current accounts	<b>564,894</b>	1,488,635
Deposit accounts	<b>1,477,946</b>	1,579,869
	<b>2,042,840</b>	3,068,504
	<b>4,228,412</b>	3,552,565

#### 6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	<b>2,500,000</b>	—
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## 7. INVESTMENTS

Note	31 March 2014 (Un-Audited)			31 December 2013 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
<b>Available-for-sale securities</b>						
Market treasury bills	78,392,939	28,103,211	106,496,150	54,387,024	–	54,387,024
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	104,205	–	104,205	104,205	–	104,205
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
	158,957,559	50,140,831	209,098,390	127,550,969	–	127,550,969
<b>Held-to-maturity securities</b>						
Pakistan investment bonds	17,759,284	–	17,759,284	14,112,302	–	14,112,302
Certificate of investments	800,000	–	800,000	–	–	–
<b>Subsidiary</b>						
Habib Metropolitan Financial Services Limited	300,000	–	300,000	300,000	–	300,000
<b>Investments at cost</b>	177,816,843	50,140,831	227,957,674	141,963,271	–	141,963,271
Less: Provision for diminution in the value of investments	7.1 (150,435)	–	(150,435)	(190,984)	–	(190,984)
<b>Investments – net of provisions</b>	177,666,408	50,140,831	227,807,239	141,772,287	–	141,772,287
Surplus / (deficit) on revaluation of available-for-sale securities – net	13 4,069,315	(2,753,717)	1,315,598	671,395	–	671,395
<b>Investments after revaluation of available-for-sale securities</b>	181,735,723	47,387,114	229,122,837	142,443,682	–	142,443,682

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



**8.1** Advances include Rs. 16,928,918 thousand (31 December 2013: 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>

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**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. 3,131,045 thousand).

## HABIBMETRO

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
<b>11. BORROWINGS</b>		
<b>Secured</b>		
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-discounting	3,418,946	1,925,129
	69,696,397	22,537,704
<b>Unsecured</b>		
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
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
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	3,085,411
	265,087,776	243,300,131
<b>Financial Institutions</b>		
Remunerative deposits	4,351,806	3,758,777
Non-remunerative deposits	621,105	584,679
	4,972,911	4,343,456
	270,060,687	247,643,587

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
<b>13. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>		
<b>Available-for-sale securities:</b>		
<b>Federal Government Securities</b>		
Market Treasury Bills	(40,970)	(91,675)
Pakistan Investment Bonds	305,732	(92,551)
GOP Ijarah Sukuk	300,971	128,978
<b>Fully paid-up ordinary shares and mutual funds</b>	<b>705,314</b>	<b>726,604</b>
<b>Fully paid-up preference shares of a listed company</b>	<b>620</b>	<b>6,720</b>
<b>Term finance certificates, sukuk certificates and bonds</b>		
Listed term finance certificates	5,070	(17,751)
Unlisted term finance certificates	23,741	16,512
Sukuk certificates / bonds	15,120	(5,442)
	<b>1,315,598</b>	<b>671,395</b>
Related deferred tax liability - net	(283,975)	(51,657)
	<b>1,031,623</b>	<b>619,738</b>
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	<b>8,000</b>	<b>31,670</b>
<b>14.2 Transaction-related contingent liabilities</b>		
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	3,316,812	3,566,742
	<b>18,635,789</b>	<b>20,153,943</b>
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit	57,305,172	60,413,234
Acceptances	10,762,527	10,821,099

## HABIBMETRO

	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
<b>14.4 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>93,749,978</b>	58,594,354
Sale	<b>87,883,609</b>	60,959,246
<b>14.5 Commitments in respect of operating leases</b>		
Not later than one year	<b>18,498</b>	18,492
Later than one year and not later than five years	<b>20,361</b>	22,912
	<b>38,859</b>	41,404
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	<b>9,258</b>	19,791
<b>14.7 Claims against the Bank not acknowledged as debt</b>	<b>2,154,916</b>	2,154,916

#### 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	<b>995,854</b>	757,932
	Numbers in '000	
Weighted average number of ordinary shares	<b>1,047,831</b>	1,047,831
	Rupee	
Basic and diluted earnings per share	<b>0.95</b>	0.72

## 16. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiary, companies with common directorship, key management personnel, directors and 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)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
<b>Deposits</b>						
At beginning of the year	179,325	136,023	5,220,156	25,789	306,775	1,077,055
Received during the period	3,755,906	14,712,164	178,405,381	164,018	98,284	1,468,053
Repaid during the period	(3,812,813)	(14,746,565)	(176,932,210)	(124,996)	(57,991)	(1,799,220)
At end of the period	122,418	101,622	6,693,327	64,811	347,068	745,888
<b>Advances</b>						
At beginning of the year	-	-	2,020,013	76,011	-	-
Disbursed during the period	-	-	10,763,877	59,878	-	-
Recovered during the period	-	-	(11,334,237)	(5,307)	-	-
At end of the period	-	-	1,449,653	130,582	-	-
Bank balances held by the Bank	98,563	-	21,808	-	-	-
Overdrawn bank balances held by the Bank	942,942	-	-	-	-	-
Mark-up/return/interest receivable	-	-	17,808	-	-	-
Mark-up/return/interest payable	-	580	172,570	959	2,103	105,477
Management fee payable for technical and consultancy services*	98,500	-	-	-	-	-
Prepayments /Advance deposits	-	-	3,379	-	-	-
Insurance premium and other payable	30,200	-	4,419	-	-	-
Transaction-related contingent liabilities	-	-	2,304,974	-	-	-
Trade-related contingent liabilities	-	-	3,168,779	-	-	-
Advance received against prepaid card	-	-	38	-	-	-
Payable against purchase of securities	-	34,318	-	-	-	-

\* 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						
<b>Deposits</b>							
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
<b>Advances</b>							
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 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

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

Transactions during the period	For the period ended 31 March 2014 (Un-Audited)						
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	20,554	1,378	-	-	21,932
Mark-up/return/interest expensed	-	1,747	157,355	673	6,338	32,647	198,760
Commission/brokerage/bank charges recovered	1,573	6	21,446	-	-	-	23,025
Commission/brokerage/bank charges paid	88	232	317	-	-	-	637
Rent income	-	300	-	-	-	-	300
Salaries and allowances	-	-	-	70,622	-	-	70,622
Directors' fees	-	-	-	-	2,175	-	2,175
Contribution to defined benefit plan	-	-	-	-	-	30,666	30,666
Contribution to defined contribution plan	-	-	-	-	-	30,866	30,866
Rent expenses	-	-	4,017	-	-	-	4,017
Insurance premium expenses	6,000	-	644	-	-	-	6,644
Maintenance, electricity, stationery & entertainment expenses	-	-	12,034	-	-	-	12,034
Management fee expense for technical and consultancy services*	49,400	-	-	-	-	-	49,400
Donation paid	-	-	1,480	-	-	-	1,480
Professional / other charges paid	-	-	341	-	-	-	341

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



## Transactions during the period

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

	Holding company	Subsidiary	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	–	1,838	155,464	543	2,356	46,926	207,127
Commission/brokerage/bank charges recovered	1,296	13	11,181	–	–	–	12,490
Commission/brokerage/bank charges paid	40	172	333	–	–	–	545
Rent income	–	300	297	–	–	–	597
Gain on sale / redemption of securities	–	–	11,366	–	–	–	11,366
Salaries and allowances	–	–	–	39,059	–	–	39,059
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 paid	–	–	947	–	–	–	947

\* Management fee is as per the agreement with the holding 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			
<b>ASSETS</b>			
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
		<b>28,402,094</b>	<b>25,380,514</b>
<b>LIABILITIES</b>			
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
		<b>25,986,221</b>	<b>22,784,859</b>
Due to head office		—	—
Other liabilities		712,699	649,396
		<b>26,974,434</b>	<b>23,749,039</b>
<b>NET ASSETS</b>		<b>1,427,660</b>	<b>1,631,475</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,002,463	1,002,633
Reserves		—	—
Unappropriated / unremitted profit		82,542	505,306
		<b>1,085,005</b>	<b>1,507,939</b>
Surplus on revaluation of assets		342,655	123,536
		<b>1,427,660</b>	<b>1,631,475</b>

## HABIBMETRO

### 17.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED 31 MARCH 2014

	31 March 2014 (Un-Audited)	31 March 2013 (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
<b>OTHER INCOME</b>		
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
<b>OTHER EXPENSES</b>		
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	—	—
<b>PROFIT BEFORE TAXATION</b>	<b>82,542</b>	<b>100,948</b>

### 17.3 Remuneration to Shariah Advisor/ Board

	600	459
	31 March 2014 (Un-Audited)	31 December 2013 (Audited)

### 17.4 CHARITY FUND

Opening balance	—	—
Additions during the period	2	—
Payments / utilization during the period	—	—
Closing Balance	2	—

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

## 18. GENERAL

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

## 19. DATE OF AUTHORISATION FOR ISSUE

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**TARIQ IKRAM**  
Director

**SYED ZUBAIR AHMAD SHAH**  
Director