Habib Metropolitan Bank
(Subsidiary of Habib Bank AG Zurich)
Our Vision

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

BOARD OF DIRECTORS

CHAIRMAN
Kassim Parekh

PRESIDENT & CHIEF EXECUTIVE OFFICER
Sirajuddin Aziz

DIRECTORS
Ali S. Habib
Bashir Ali Mohammad
Mohamedali R. Habib*
Muhammad H. Habib
Sohail Hasan
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 Shahrah-e-Faisal,
Karachi 75350.
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the shareholders of Habib Metropolitan Bank Ltd will be held at the Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi on Saturday, March 29, 2014 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts, standalone as well as consolidated, of the Bank for the year ended December 31, 2013 together with the Directors' and Auditors' reports thereon.

2. To approve, as recommended by the Board of Directors, dividend @ 20 % (Rs. 2 per share) in the form of cash.

3. To elect 8 (eight) Directors as fixed by the Board.

4. To appoint Auditors for the financial year ending December 31, 2014 and fix their remuneration. The present Auditors, Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

ANY OTHER BUSINESS

5. To consider any other business with the permission of the Chair.

By order of the Board

MUHAMMAD IMRAN
Company Secretary

Karachi: February 25, 2014

NOTES:

1. The number of directors to be elected pursuant to Section 178(1) of the Companies Ordinance, 1984, has been fixed at 8 (eight). The following are the retiring directors.

   Mr. Ali S. Habib, Mr. Bashir Ali Mohammad, Mr. Kassim Parekh, Mr. Mohamedali R. Habib, Mr. Muhammad H. Habib, Mr. Sohail Hasan, Syed Zubair Ahmad Shah and Mr. Tariq Ikram.

2. Any member desirous to contest the election of Directors shall file the following with the Company Secretary of the Bank at its Registered Office, Spencer's Building, I. I. Chundrigar Road, Karachi, not later than fourteen days before the day of the above said meeting:

   a) His/her intention to offer himself/herself for the election in terms of Section 178(3) of the Companies Ordinance, 1984 together with the consent in Form 28. He/She should also confirm that:

      (i) He/she is not ineligible to become a director of the Bank under any applicable laws and regulations (including listing regulations of Stock Exchanges).
(ii) Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.

(iii) He/She is not serving as a director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.

b) Fit & Proper Test, Affidavit and a completed questionnaire as required in terms of BPRD Circular No. 4 of April 23, 2007.

3. Member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxy form is enclosed with the Annual report. A proxy must be a member of the Bank. Proxies, in order to be effective, must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty eight) hours before the meeting.

4. CDC account holders and sub-account holders are required to bring with them their National Identity Card along with the participants ID numbers and their account numbers in order to facilitate identification.

5. Members are requested to notify the change of addresses, if any.

6. The share transfer book of the bank will remain closed from March 18, 2014 to March 29, 2014 (both days inclusive).
CHAIRMAN’S REVIEW

Dear Shareholders,

On behalf of the directors of Habib Metropolitan Bank, it gives me immense pleasure to present this report, together with the financial statements of the Bank for the year ended December 31, 2013. The operating financial results and appropriations, as recommended by the Board of Directors, are summarized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before provisions and tax</td>
<td>7,221,046</td>
</tr>
<tr>
<td>Provision for non-performing loans &amp; investments</td>
<td>(2,109,230)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>5,111,816</td>
</tr>
<tr>
<td>Taxation - Current</td>
<td>(1,975,046)</td>
</tr>
<tr>
<td>- Prior</td>
<td>574,963</td>
</tr>
<tr>
<td>- Deferred</td>
<td>(185,291)</td>
</tr>
<tr>
<td></td>
<td>(1,585,644)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>3,526,172</td>
</tr>
<tr>
<td>Un-appropriated profit brought forward</td>
<td>6,035,228</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(67,891)</td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>9,493,509</td>
</tr>
<tr>
<td>Appropriations:</td>
<td></td>
</tr>
<tr>
<td>- Transfer to Statutory Reserve</td>
<td>(705,234)</td>
</tr>
<tr>
<td>- Cash dividend (Rs. 2 per share) – 2012</td>
<td>(2,095,663)</td>
</tr>
<tr>
<td></td>
<td>(2,800,897)</td>
</tr>
<tr>
<td>Un-appropriated profit carried forward</td>
<td>6,692,612</td>
</tr>
</tbody>
</table>

The Directors are pleased to propose a final cash dividend of Rs. 2 per share (20%) for the year under review.

By Allah's grace, despite of current law & order and economic scenario, your Bank continued to make steady progress and achieved new milestones during the year. The Bank's deposits increased by 14% to Rs. 247.64 billion as compared to Rs. 217.80 billion at end of previous year. Advances increased by 17% to Rs. 129.83 billion at the year-end, whereas total assets exceeded Rs. 300 billion.

HabibMetro’s profit before provisions and taxation increased during the year 2013, which demonstrates the Bank's resilient earning capacity. This performance translates into a post - tax EPS of Rs 3.37 per share.

At year-end, HabibMetro’s equity stands at Rupees 27.36 billion, with a capital adequacy level of 16.13% against the required 10%.

This review forms an integral part of the Directors' Report to the Shareholders.

I would like to take this opportunity to place on record our sincere gratitude to Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion, diligence and admirable performance.

We bow to Allah and pray for His blessings and guidance.

On behalf of the Board

KASSIM PAREKH
Chairman

Karachi: February 25, 2014
Dear Shareholders,

It gives me great pleasure to present you the annual accounts of Habib Metropolitan Bank (HabibMetro), for the financial year ended December 31, 2013.

Your Bank is celebrating 21 years of service and I am thankful to all our stakeholders for their continued trust and confidence in us.

ECONOMIC AND BANKING REVIEW

The economy was challenged by the rise of inflationary expectations due to reduction in electricity subsidy, withdrawal of tax exemptions and enhancement of tax levied. Some of the fiscal measures, namely the two-phased electricity tariff increase in the first half of the fiscal year along with increase in sales tax and income tax rates, contributed to inflationary pressure.

However, some of the other fiscal measures implemented by the government are expected to impact the inflation outlook of FY14 - and alleviate inflationary pressures - by reducing budgetary borrowings from the banking system. Trade deficit is expected to increase to 7 percent of the GDP - with the quantum of the deficit projected to USD 17.7 Bill in FY14. This estimate accounts for the anticipated augmentation of 6 percent in export receipts due to the recently adopted GSP Plus status and the growth of an approximate 8 percent in import payments driven by an expected increase in domestic industry activity.

The relaxation in monetary policy played a role in the growth in private sector credit and thus, signs of economic stimulation have been sighted. However, worsening inflation outlook prompted the SBP to increase the policy rate by 50 basis points twice in the year under review - once in September and then again in November. Further, in September 2013, the SBP linked the minimum rate of return on average balances held in saving deposits with the interest rate corridor. Designed to ensure that deposit rates respond more strongly to policy rate changes, and geared towards deposit mobilization and growth in deposits, this measure will increase the banking sector's cost of deposits.

The Karachi Stock Exchange registered a growth of 15% during the year 2013 mainly due to foreign investors responding to the confidence building measures of Government for the equity markets.

BANK’S PERFORMANCE FOR THE YEAR

By Allah’s grace, your Bank continues to make steady progress in the present difficult conditions as reflected in the attached financial statements. During the year under review, the Bank's deposits increased by 13.7% to Rs. 248 Bill; in so growing, the Bank's deposits stayed ahead of the industry deposit growth curve. Meanwhile advances increased by 17.3%, reflecting the expansion in private credit flow of the economy.

In spite of operating amidst a relaxed monetary stance and low interest rates for most of the year, enhanced cost efficiency, improved liability profile and provisioning cushion allowed profitability to be maintained. The Bank's profit-after-tax amounted to Rs. 3.53 Bill at the end of year under review, exhibiting a slight increase of 3.5% from the Profit-after-tax posted at the end of year 2012. At year-end, HabibMetro's net equity stands at Rs. 27 Bill with a comfortable 16.1% capital adequacy level against the required 10%. The performance translates into earnings per share (EPS) of Rs. 3.37.

COMMITMENTS

No material changes in commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.
CREDIT RATING

By the grace of Allah, for the thirteenth consecutive year, the credit rating of the Bank has been maintained at AA+ (double AA plus) for long term and A1+ (A one plus) for short term by the Pakistan Credit Rating Agency Limited. 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.

ENHANCED REACH TO OUR CUSTOMERS

With Allah's blessings, HabibMetro enhanced its outreach by 31 new branches in 2013; 21 new cities were penetrated, as the Bank increased its footprint to 214 branches in 49 cities across Pakistan.

The Bank's network now comprises 100 branches in the North and 114 branches in the South, with 109 of the same located in the business hub of Karachi. In the year under review, 26 of the new branches were opened in the North to capitalize upon the business opportunities in the area which had remained untapped by the Bank heretofore. Besides this, with HBZ's international presence and the Bank's extensive correspondent relationships across the globe, our trade business continues to demonstrate strong volumes. Your Bank enjoys correspondent relationships with banks of repute in more than 100 countries with a large number of banks having formal credit lines for the Bank. With innovative products, strong technological support and outstanding service standards, it continues to be the Bank of choice for the country's commercial and trade business houses.

Your Bank's subsidiary company Habib Metropolitan Financial Services (HMFS), provides convenient and trusted equity brokerage and custody services.

ALTERNATIVE DELIVERY CHANNELS

Maintaining exemplary service quality remains fundamental to your Bank's strategy. During the year, the Bank installed 23 new Automated Teller Machines (ATMs) taking the total number of ATMs to 161 across the country. HabibMetro has launched VISA services for its customers and has also implemented a secure web banking infrastructure with enhanced security over the internet.

HUMAN RESOURCES

The capacity and function of the Bank's training facility now stands enhanced, with a greater number of training needs being catered to internally. During the period, many in-house and external trainings were conducted. Along with this, the Bank is enhancing its existing management trainee program enrolling industry best talent to work for your Bank and build their careers in the field of banking in a highly motivating work environment. Your Bank remains an equal opportunity employer providing exciting careers and growth to prospective bankers.

CORPORATE SOCIAL RESPONSIBILITIES

Being a conscientious corporate citizen, Bank acknowledges its corporate social responsibilities and continues to make regular contributions to a host of non-profit/social organizations. During the year, the Bank extended assistance in three major areas i.e. education, health care and welfare spending for under-privileged. These donations amount to Rs. 35.5 Mill.

The Citizens Foundation remains one of the larger recipients and through them; the Bank is running six schools in under privileged rural areas where more than 1,000 children are enrolled. A detail of your Bank's other social contributions towards education, health etc. can be found in the notes to the accounts.

Your Bank is a leading taxpayer with more than Rs. 2.05 Bill paid during 2013 to the Government of Pakistan as direct taxes. Furthermore, an additional amount of about Rs. 6.92 Bill was collected through the Bank's network comprising of indirect tax deductions and recoveries for the exchequer.
CORPORATE GOVERNANCE - CHANGE IN THE BOARD OF DIRECTORS

During the year, the Board co-opted Mr. Sohail Hasan as an independent non-executive director to fill the casual vacancy arisen and Syed Zubair Ahmad Shah joined in place of Mr. Wazir Ali Khoja, as the NIT nominee director.

Mr. Sohail Hasan is a Fellow member of the Institute of Chartered Accountants in England and Wales as well as of Pakistan. He remained partner for over 35 years in a leading accounting firm A. F. Ferguson & Co., a member firm of Price Waterhouse Coopers. He has extensive experience in accounting, audit, tax and management advisory services covering government agencies, multinationals & private and public sector companies.

Mr. S. Zubair Ahmad is MBA from IBA Karachi and MPhil in economics from Glasgow University UK. Mr. Ahmad has served at senior management levels in Federal Government, Public/Private sectors and reputable Financial Institutions during his career ranging over 35 years. He also represents NIT as Nominee Director in a number of companies.

The Board welcomes them and hopes that Bank will greatly benefit from their knowledge and experience in diversified fields. The Board also wishes to place on record its deep appreciation of the constructive role played by the outgoing nominee director, Mr. Wazir Ali Khoja.

BOARD MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during the year 2013 and the attendance by each director / committee member are given as under:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Board of Directors</th>
<th>Board Audit Committee</th>
<th>Board Credit Committee</th>
<th>Human Resource &amp; Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Kassim Parekh</td>
<td>*3</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Ali S. Habib</td>
<td>*3</td>
<td>*4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Bashir Ali Mohammad</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Mohamedali R. Habib</td>
<td>4</td>
<td>-</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Muhammad H. Habib</td>
<td>*3</td>
<td>-</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Sohail Hasan</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Syed Zubair Ahmad Shah</td>
<td>*1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Tariq Ikram</td>
<td>*3</td>
<td>*5</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Wazir Ali Khoja</td>
<td>*1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Sirajuddin Aziz</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Meetings held</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

*Note: Leave of absence granted.

Mr. Sohail Hasan coopted as an Independent Director and Syed Zubair Ahmad Shah coopted as director in place of Mr. Wazir Ali Khoja on 25 March 2013 and 30 May 2013 respectively.

PATTERN OF SHAREHOLDING

The pattern of shareholdings as on 31 December 2013 is annexed to the report.

AUDITORS

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offers themselves for reappointment.
As required under the Code of Corporate Governance, the Board Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Bank for the year ending 31 December 2014.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There has been no departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. The key operating and financial data of last six years of the Bank is placed below:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders' Equity</td>
<td>27,364</td>
<td>26,002</td>
<td>24,190</td>
<td>20,954</td>
<td>18,889</td>
<td>16,238</td>
</tr>
<tr>
<td>Paid-up capital</td>
<td>10,478</td>
<td>10,478</td>
<td>10,478</td>
<td>8,732</td>
<td>7,528</td>
<td>6,022</td>
</tr>
<tr>
<td>Total assets</td>
<td>311,454</td>
<td>304,416</td>
<td>291,935</td>
<td>252,211</td>
<td>237,412</td>
<td>182,357</td>
</tr>
<tr>
<td>Deposits</td>
<td>247,644</td>
<td>217,798</td>
<td>185,400</td>
<td>160,458</td>
<td>142,457</td>
<td>128,370</td>
</tr>
<tr>
<td>Advances</td>
<td>129,834</td>
<td>110,444</td>
<td>113,347</td>
<td>119,828</td>
<td>102,293</td>
<td>108,261</td>
</tr>
<tr>
<td>Investments</td>
<td>142,444</td>
<td>160,850</td>
<td>147,525</td>
<td>100,993</td>
<td>111,679</td>
<td>53,632</td>
</tr>
<tr>
<td>Profit pre-tax</td>
<td>5,112</td>
<td>5,044</td>
<td>4,630</td>
<td>4,026</td>
<td>4,214</td>
<td>4,764</td>
</tr>
<tr>
<td>Profit post-tax</td>
<td>3,526</td>
<td>3,406</td>
<td>3,281</td>
<td>2,818</td>
<td>2,739</td>
<td>3,277</td>
</tr>
<tr>
<td>Earnings per share (Rs)</td>
<td>3.37</td>
<td>3.25</td>
<td>3.13</td>
<td>3.23</td>
<td>3.64</td>
<td>5.44</td>
</tr>
<tr>
<td>Dividend (%)</td>
<td>20 C</td>
<td>20 C</td>
<td>15 C</td>
<td>20 (B)</td>
<td>16 (B), 10 C</td>
<td>25 (B)</td>
</tr>
<tr>
<td>No. of staff</td>
<td>3,559</td>
<td>3,284</td>
<td>3,073</td>
<td>2,937</td>
<td>2,695</td>
<td>2,473</td>
</tr>
<tr>
<td>No. of branches / sub branches</td>
<td>214</td>
<td>183</td>
<td>163</td>
<td>143</td>
<td>120</td>
<td>110</td>
</tr>
</tbody>
</table>

Value of investments of Provident Fund and Gratuity Scheme are as under:
- Provident Fund Rs. 213 mill as at 30 June 2013
- Gratuity Fund Rs. 518 mill as at 31 December 2013

RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT FRAMEWORK

Risk Management aspects are embedded in HabibMetro’s strategy and organization structure. The Bank’s entire branch network is on-line and its state-of-the-art processing system is secure and has adequate capacity. Separation of duties is built into the Bank’s
system and organization. The Internal Audit Division conducts independent, risk-based review & verification of the Bank's branches and major functions throughout the year for evaluation of control system, further supplemented by a dedicated Internal Control Unit working with the Risk Management Division. Comprehensive internal reports and MIS are additional tools for management in risk control. The Risk Management Department is staffed with seasoned professionals, working on all aspects of risk and works independently. Your Bank has a cohesive risk management structure for credit, operations, liquidity & market risk.

The Bank's Risk Management Working Group & Central Management Committee / Board of Directors oversee the Bank's strategy, efforts and processes related to risk management.

**CREDIT RISK**

HabibMetro's strategy to control credit risk is through product, geography, industry and customer diversification. The Bank extends trade & working capital financing, keeping the major portion of its exposure on a short-term and self-liquidating basis. A major portion of the Bank's credit portfolio is priced on a floating rate basis using KIBOR as a reference, which minimizes interest rate risk. The risk inherent in extending credit is further mitigated by robust credit granting procedures, which have been structured to ensure proper evaluation, adequacy of security, and monitoring of exposures on an ongoing basis. This is further augmented by centralized trade processing and credit administration.

**MARKET / LIQUIDITY RISK**

The Asset & Liability Management Committee reviews, recommends and monitors limits for FX and Money market exposures. The strategy is to balance risk, liquidity & profitability. The Board approved investment policy focuses on, amongst other aspects, asset allocation and operating guidelines. Furthermore, the monitoring of market and liquidity risk is ensured in line with Board approved Market & Liquidity Risk Management Policy.

**STRESS TESTING**

Stress testing techniques are used to assess risk exposures across the institution and to estimate the changes in the value of the portfolio, when exposed to various risk factors. Risk factors used in stress testing models are Interest Rate, Credit, Equity Price, Exchange Rate and Liquidity. The Bank's stress testing methodology ensures adherence to SBP guidelines as well. The stress testing results depict a solid and resilient financial position of your Bank.

**OPERATIONAL RISK**

Operational Risk is prevalent in all banking activities and the policy addresses enterprise wide risk drivers i.e., Organizational, Technological, Policy/processes, Human and External. Internal Control Unit (ICU) working as a part of the risk management team of the Bank is responsible for implementation of controls within the business processes/ support functions as per the regulatory guidelines & good practices. The scope of ICU has been enhanced for ensuring effective controls monitoring and plan to further strengthen the same. The Bank has a comprehensive Business Continuity Plan (BCP) in place, which includes risk management strategies to prevent interruption of critical services caused by a disaster event.

**NEW CAPITAL ACCORD - BASEL III**

Recent financial crises have demonstrated numerous weaknesses in the global regulatory framework and in banks' risk management practices. In response, regulatory authorities focused on strengthening global capital and liquidity rules. Basel III aims to improve risk management and governance as well as strengthen banks' transparency and disclosure.

In line with global practice, the SBP has stipulated Basel III capital adequacy guidelines for Banks in Pakistan. These instructions are
effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

The Bank has carried out an assessment of its future capital requirements in accordance with Basel III regulations, which are being phased in over subsequent periods, and the existing capital structure comfortably supports future growth.

**COMPLIANCE**

Your Bank follows a robust Know Your Customer (KYC) and Anti Money Laundering (AML) program with zero tolerance level. The compliance policy, manual and detailed procedures are in place with rigorous training provided across the network. The account opening function remains fundamental to this initiative and the Bank fully addresses and adheres to local regulations. The customers are assessed for compliance risks at the time of opening the account and enhanced due diligence controls are applied where required.

Bank’s state-of-the-art monitoring system performs review of transactions through different compliance scenarios and predefined thresholds. The Bank enhanced its customer due diligence process as per local requirement and implemented a KYC module for review of each customer profile. The Bank reinforced KYC / AML Policy guidelines and SBP directives with regard to reporting of high risk classified accounts and new AML/Combating the Financing of Terrorism (CFT) regulations.

Compliance also manages regulatory risk, which includes regulatory review of policies & procedures, dissemination of SBP instructions including follow-ups and subsequent compliance status. Regulatory Compliance facilitates and liaises with SBP inspection team for smooth conduct of SBP Inspection and off-site coordination with other departments of SBP.

**CONTROLS**

The Bank’s operating system contains control aspects embedded into all processes and functions.

The Bank's organizational structure and lines of authority are well-defined and processes throughout the Bank are governed by policies and procedures approved by the Board. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors. An Internal Control Unit provides focused monitoring of exceptions to the management in a proactive manner.

SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of internal controls. The Bank has devised a well-defined and comprehensive Internal Control Program and a staged roadmap for implementation. In this connection, the Bank has adopted an internationally accepted COSO Internal Control - Integrated Framework, as envisaged under the SBP Internal Control Guidelines for Financial Reporting.

The Bank's operational model relies on a state-of-the-art, award winning, technology which has built-in risk mitigating features such as access controls, segregation of duties, necessary maker-checker concept and extensive monitoring/MIS tools keeping the overall operational risks to an acceptable level. Please refer to “The Statement of Internal Controls” annexed to this report.

**INTERNAL AUDIT**

While broadening risk awareness and assuring regulatory compliance, Internal Audit at HabibMetro is an important, independent pillar of the Bank’s controls infrastructure. The department performs continuous reviews to improve the quality of the Bank’s internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the Bank’s risk mitigation endeavors.

HabibMetro has active Board Audit Committee functioning under the Code of Corporate Governance as stipulated by SECP and as adopted by SBP. The members of Board Audit Committee are Non-Executive Directors and its Chairman is an Independent Director.
Reporting directly to the Board Audit Committee, Internal Audit employs a risk-based, proactive approach to all branches, operational areas and key activities of the Bank with a significant emphasis on corrective actions and elimination of control lapses. These reviews are focused on related key risk indicators, system weaknesses and to identify control, cost & revenue efficiencies. Views expressed by External and Regulatory Auditors are also given utmost importance and corrective actions on all audit observations are followed-up rigorously.

FUTURE OUTLOOK

In the challenging environment, maintaining asset quality and margins will require focused attention. Insha'Allah, your Bank will continue to enhance its market share in the country's trade / commercial activity by servicing & enhancing its customer base. In order to ensure long-term sustainability and maintain success, core competitiveness and efficiency remains the foremost agenda of HabibMetro.

With Allah's blessings and continued patronage of our loyal stakeholders, HabibMetro is geared to accelerated progress despite the competitive operating environment.

ACKNOWLEDGEMENTS

In the end, I would like to take this opportunity to place on record our sincere gratitude to the Board, Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion, diligence and commendable performance.

On behalf of the Board

Karachi: 25 February 2014

SIRAJUDDIN AZIZ
President & Chief Executive Officer
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

<table>
<thead>
<tr>
<th>Category</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Directors</td>
<td>Mr. Tariq Ikram</td>
</tr>
<tr>
<td></td>
<td>Mr. Sohail Hasan</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Mr. Mohamedali R. Habib</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>Mr. Kassim Parekh</td>
</tr>
<tr>
<td></td>
<td>Mr. Ali S. Habib</td>
</tr>
<tr>
<td></td>
<td>Mr. Bashir Ali Mohammad</td>
</tr>
<tr>
<td></td>
<td>Mr. Muhammad H. Habib</td>
</tr>
<tr>
<td></td>
<td>Syed Zubair Ahmad Shah</td>
</tr>
</tbody>
</table>

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this bank.

3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurring on the Board during the year and were filled up by the directors within stipulated time.

5. The Bank has developed a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedure.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the board / shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Bank is compliant with the requirement of directors training program as provided in code.

10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. During the year, there was no new appointment of the Chief Financial Officer, and his remuneration has been approved by the Board of Directors.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource & Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

SIRAJUDDIN AZIZ
President & Chief Executive Officer

Karachi: 25 February 2014
AUDITORS’ REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Metropolitan Bank Limited (“the Bank”) for the year ended 31 December 2013 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank’s corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2013.

Karachi: 25 February 2014

KPMG Taseer Hadi & Co
Chartered Accountants
STATEMENT OF INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No. 7 dated May 27, 2004.

MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

The management of Habib Metropolitan Bank (HabibMetro) remains responsible for implementing strategies and policies as approved by the Board of Directors; maintaining an effective organization structure; instituting appropriate control procedures and monitoring the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The Bank's fundamental policy is to embed controls in each process and make controls an important part of all business activities. Each member of the staff is also responsible for ensuring that the Bank always operates in a controlled manner and inordinate risks are not taken in any activity.

The Bank's organization structure and lines of authority are well-defined and processes throughout the Bank are largely governed by policies and procedures approved by the Board. However, their review and updating to meet regulatory requirements & changing practices remains a continued activity to achieve effective control objectives. The Bank's Best Practices Operation Manuals for key areas are set in place to improve the quality of service, training and product knowledge across the Bank. Further, the Bank did not incur any material losses arising from operational risk exposures. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors and there have been no material disputes thereon.

Effectiveness of Internal Controls is reviewed on a regular basis by Internal Audit which submits reports to the Board Audit Committee. The Internal Audit policy framework incorporates extensive risk-based auditing throughout the year. Views expressed by External Auditors and Regulatory Inspectors are also provided utmost importance and corrective actions on all audit / inspection observations are followed-up rigorously. An Internal Control Unit is operational at the Risk Management Function which provides focused monitoring of exceptions to the management in a proactive manner. Enhanced compliance function also complements the internal control effectiveness.

SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of overall set of internal controls including financial reporting controls which are required to be independently reviewed by the external auditors. The Bank has devised a well-defined and comprehensive Internal Control Programme and a staged roadmap for implementation. In this connection, the Bank has adopted an internationally accepted COSO Internal Control - Integrated Framework, as envisaged under the SBP Internal Control Guidelines for Financial Reporting. In accordance with this Programme, the Bank has completed detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. Further, the Bank has developed detailed remediation plans to address the gaps identified and ensure implementation of planned initiatives to adequately remediate the gaps in timely manner. In addition, comprehensive management testing plans and framework have been developed for ensuring ongoing operating effectiveness of key controls.

It is pertinent to note that although effective remediation of the gaps identified will further strengthen the Bank's existing control environment, management is confident that these gaps do not carry a significant bearing on the Bank's existing operations and related controls. Further, the Bank's operational model relies primarily on a state-of-the-art, award winning technology solution which has strong built-in risk mitigating features such as access controls, segregation of duties, necessary maker-checker concept and extensive monitoring/MIS tools keeping the overall operational risks to an acceptable level.

While concerted efforts were made to follow SBP Guidelines on Internal Controls, the identification, evaluation and management of risks within each of the Bank's activities; and evaluation and change of procedures remains an ongoing process.
On an overall basis, Internal Controls at HabibMetro were operating with reasonable adequacy throughout the year ended December 31, 2013 and reflect improvement from last year in organization structure; effective adherence with lines of authority; automation and effectiveness of processes.

Internal Controls always manage rather than eliminate possibility of process failures to achieve their objectives and hence, can only provide reasonable assurance against material misstatements or loss.

**BOARD OF DIRECTORS’ REMARKS ON THE MANAGEMENT’S EVALUATION OF INTERNAL CONTROLS**

Keeping in view the feedback received by Board of Directors from the Audit Committee; reports submitted as to the business policies and major risks related decision taken by the Management, the Board of Directors endorses Management’s evaluation of Internal Controls.

On behalf of the Board

Karachi: 25 February 2014

**SIRAJUDDIN AZIZ**
President & Chief Executive Officer
I joined Habib Metropolitan Bank as Sharia's Advisor in June 2013 with a responsibility to ensure that policies, processes and procedures employed by the Bank's Islamic Banking Division, are in accordance with Sharia'h Principles.

I examined on test check basis, each class of transaction, the relevant documentation and procedures adopted by Islamic Banking Branches / Division of Habib Metropolitan Bank (HabibMetro Islamic Banking).

Following were the major areas that were reviewed during the year:

Products

All the Asset products have strictly and actively been monitored by the Sharia'h Compliance Department (SCD). The SCD checks the transactions at both pre and post execution levels. It also scrutinizes various activities including but not limited to clients' business cycle and internal control by visiting their premises to develop/revise process flows in order to ensure Sharia'h Compliance in its true spirit. For the PLS based deposits, it was observed that up to 2011, the mechanism of weightages and profit calculation was on half yearly basis which was subsequently changed to quarterly basis.

Standardization of Declaration & Calculation

In order to align with industry to implement upcoming changes and to improve the existing mechanism, HabibMetro Islamic Banking has decided to declare weightages and profit on monthly basis effective from January 2014.

Other Islamic Banking Operations

The other Islamic Banking Operations like treasury functions, inter branch placements, placements rates for Islamic Banking Branches (IBBs) dealing and Compliance were also examined to ensure Sharia'h compliance in all these areas.

Significant Accomplishments

During the year under review, the SCD remained involve in developing / revising of various industry-specific process flows for Murabaha, Diminishing Musharakah, Ijarah & other trade based transactions.

In order to have strong controls and strengthen Sharia'h compliance, the Sharia'h Compliance & Product Development Departments compiled and implemented a comprehensive Sharia'h Compliance Manual. The system based Modules for Murabaha, Ijarah, Diminishing Musharakah were also reviewed and revised as per changes in the industry norms during the year 2013.

In addition, the Sharia'h Compliance Department in collaboration with Product Development remained strongly involve in preparation / revision / Sharia'h review of Procedural manuals and Agreements for the approved products. The Schedule of Charges and PLS distribution policy were also reviewed during the year, Alhamdulillah.

The HabibMetro Islamic Banking required an independent investment policy for efficient and better utilization of its resources in Islamic investment avenues. The preparation of the policy is in process and the implementation is expected during Q-1 of 2014 Insha Allah Taala.

Training Sessions for Branches Staff Members

In order to enhance the level of understanding Islamic Banking concepts & products, the IBD (Sharia'h Compliance & Product Development Departments) conducted training sessions for the branches' staff, including the Branch Managers & Islamic banking Deposit Mobilization Officers (DMOs). The sessions were designed to include FAQs based training, concepts, scope & application of
all products offered by HabibMetro Islamic Banking. Further, the Shariah Compliance Department, for the first time conducted on job training sessions in the branches for the staff members involved in execution of the transactions.

Recommendations

Based on the Shariah review, reports and feedback from several areas it is being recommended:

As per SBP instructions and in order to implement pool management including special pools, tagging of funds and movement within pools, the bank has to further strengthen its IT system. The required IT development has already been initiated.

While considering expansion in branch network, enhancement in product offering, and involvement in other areas like, Treasury, Finance, Trade, etc. additional human resources should remain in our focus to cater the requirements of the mentioned areas.

I hereby report that in my opinion;

1. the affairs of HabibMetro Islamic Banking have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific Fatawa and Rulings issued from time to time;

2. the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis in accordance with Shariah rules and principles; and

3. No earnings, realized from sources or by means prohibited by Shariah rules and principles, have been credited to charity account.

May Allah Ta’ala flourish Islamic Banking in HabibMetro Bank in special and in our country in general. May Allah also bless us with the best Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.

Karachi: 25 February 2014

ABDUL SATTAR LAGHARI
Shariah Advisor
We have audited the annexed unconsolidated statement of financial position of Habib Metropolitan Bank Limited (the Bank) as at 31 December 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (herein-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 15 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our opinion:
   i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as disclosed in note 5.21 to the accompanying financial statements, with which we concur;
   ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

C) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2013 and its true balance of profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co
Chartered Accountants
Amyn Pirani

Karachi: 25 February 2014
## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2013**

<table>
<thead>
<tr>
<th>Note</th>
<th>2013 Rupees in '000</th>
<th>2012 (Restated) Rupees in '000</th>
<th>2011 (Restated) Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balances with other banks</td>
<td>3,552,565</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lendings to financial institutions</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investments</td>
<td>129,833,937</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advances</td>
<td>142,443,682</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operating fixed assets</td>
<td>3,034,564</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred tax assets</td>
<td>2,947,151</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other assets</td>
<td>8,433,372</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>ASSETS</strong></td>
<td><strong>311,454,045</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bills payable</td>
<td>3,982,213</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Borrowings</td>
<td>23,057,002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deposits and other accounts</td>
<td>247,643,587</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sub-ordinated loans</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liabilities against assets subject to finance lease</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred tax liabilities</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other liabilities</td>
<td>8,787,067</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>LIABILITIES</strong></td>
<td><strong>283,469,869</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>NET ASSETS</strong></td>
<td><strong>27,984,176</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share capital</td>
<td>10,193,511</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reserves</td>
<td>10,478,315</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unappropriated profit</td>
<td>6,692,612</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>REPRESENTED BY</strong></td>
<td><strong>27,364,438</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Surplus on revaluation of assets - net of tax</td>
<td>619,738</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>CONTINGENCIES AND COMMITMENTS</strong></td>
<td><strong>27,984,176</strong></td>
</tr>
</tbody>
</table>

The annexed notes 1 to 44 and annexures I & II form an integral part of these unconsolidated financial statements.
### UNCONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td><strong>Mark-up / return / interest earned</strong></td>
<td>23</td>
<td>24,628,380</td>
</tr>
<tr>
<td><strong>Mark-up / return / interest expensed</strong></td>
<td>24</td>
<td>(15,576,679)</td>
</tr>
<tr>
<td><strong>Net mark-up / interest Income</strong></td>
<td></td>
<td>9,051,701</td>
</tr>
<tr>
<td><strong>Provision against non-performing loans and advances</strong></td>
<td>11.6</td>
<td>2,111,110</td>
</tr>
<tr>
<td><strong>Provision for diminution in the value of investments</strong></td>
<td>10.3</td>
<td>(1,880)</td>
</tr>
<tr>
<td><strong>Bad debts written off directly</strong></td>
<td>11.8.1</td>
<td>–</td>
</tr>
<tr>
<td><strong>(2,109,230)</strong></td>
<td>(2,693,747)</td>
<td></td>
</tr>
<tr>
<td><strong>Net mark-up / interest income after provisions</strong></td>
<td></td>
<td>6,942,471</td>
</tr>
<tr>
<td><strong>Non mark-up / interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fee, commission and brokerage income</strong></td>
<td></td>
<td>2,231,928</td>
</tr>
<tr>
<td><strong>Dividend income</strong></td>
<td></td>
<td>53,093</td>
</tr>
<tr>
<td><strong>Income from dealing in foreign currencies</strong></td>
<td></td>
<td>864,966</td>
</tr>
<tr>
<td><strong>Gain on sale / redemption of securities</strong></td>
<td>25</td>
<td>1,339,091</td>
</tr>
<tr>
<td><strong>Unrealized gain / (loss) on revaluation of investments classified as held-for-trading</strong></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>26</td>
<td>305,226</td>
</tr>
<tr>
<td><strong>Total non mark-up / interest income</strong></td>
<td></td>
<td>4,794,304</td>
</tr>
<tr>
<td><strong>Non mark-up / interest expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>27</td>
<td>6,479,462</td>
</tr>
<tr>
<td><strong>Other provisions / write offs</strong></td>
<td>18.1</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other charges</strong></td>
<td>28</td>
<td>145,497</td>
</tr>
<tr>
<td><strong>Total non mark-up / interest expenses</strong></td>
<td></td>
<td>(6,624,959)</td>
</tr>
<tr>
<td><strong>Extraordinary / unusual items</strong></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td></td>
<td>5,111,816</td>
</tr>
<tr>
<td><strong>Taxation – Current</strong></td>
<td>29</td>
<td>(1,975,046)</td>
</tr>
<tr>
<td><strong>– Prior years</strong></td>
<td></td>
<td>574,693</td>
</tr>
<tr>
<td><strong>– Deferred</strong></td>
<td>13.1</td>
<td>(185,291)</td>
</tr>
<tr>
<td><strong>(1,585,644)</strong></td>
<td>(1,638,121)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td></td>
<td>3,526,172</td>
</tr>
<tr>
<td><strong>Unappropriated profit brought forward</strong></td>
<td></td>
<td>6,035,228</td>
</tr>
<tr>
<td><strong>Profit available for appropriation</strong></td>
<td></td>
<td>9,561,400</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings per share (Rupees)</strong></td>
<td>30</td>
<td>3.37</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 44 and annexures I & II form an integral part of these unconsolidated financial statements.

**KASSIM PAREKH**
Chairman

**SIRAJUDDIN AZIZ**
President &
Chief Executive Officer

**TARIQ IKRAM**
Director

**BASHIR Ali MOHAMMAD**
Director
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

Profit after taxation for the year

3,526,172
3,406,122

Other comprehensive income

Items not to be reclassified to profit or loss in subsequent periods:

Actuarial loss on defined benefit plan

(104,448)
(34,505)

Deferred tax on defined benefit plan

36,557
12,076

(67,891)
(22,429)

Total comprehensive income

3,458,281
3,383,693

Surplus / deficit on revaluation of “available for sale” securities net of tax is presented under a separate head below equity as “Surplus / (deficit) on revaluation of assets” in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular no. 20 dated 4 August 2000 and BSD Circular no. 10 dated 13 July 2004.

The annexed notes 1 to 44 and annexures I & II form an integral part of these unconsolidated financial statements.
### UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

#### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>5,111,816</td>
<td>5,044,243</td>
</tr>
<tr>
<td>Less: Dividend income</td>
<td>(53,093)</td>
<td>(653,109)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,058,723</td>
<td>4,391,134</td>
</tr>
</tbody>
</table>

#### Adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>12.2</td>
<td>470,116</td>
</tr>
<tr>
<td>Provision against non-performing loans and advances - net</td>
<td>11.6</td>
<td>2,111,110</td>
</tr>
<tr>
<td>Provision against off-balance sheet obligations</td>
<td>18.1</td>
<td>-</td>
</tr>
<tr>
<td>Provision for diminution in the value of investments-net</td>
<td>26</td>
<td>(83,258)</td>
</tr>
<tr>
<td>Net gain on sale of fixed assets</td>
<td>(56,698)</td>
<td>(16,360)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,441,270</td>
<td>3,093,740</td>
</tr>
</tbody>
</table>

#### (Increase) / decrease in operating assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lendings to financial institutions</td>
<td>-</td>
<td>2,361,754</td>
</tr>
<tr>
<td>Advances</td>
<td>(21,500,849)</td>
<td>(3,448,732)</td>
</tr>
<tr>
<td>Other assets (excluding advance taxation)</td>
<td>(2,692,567)</td>
<td>(65,513)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(24,193,416)</td>
<td>(1,152,491)</td>
</tr>
</tbody>
</table>

#### Increase / (decrease) in operating liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>(110,055)</td>
<td>358,474</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(21,926,525)</td>
<td>(20,121,523)</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>29,845,833</td>
<td>32,397,952</td>
</tr>
<tr>
<td>Other liabilities (excluding current taxation)</td>
<td>95,974</td>
<td>1,088,825</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,905,227</td>
<td>13,723,728</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax paid</td>
<td>(8,788,196)</td>
<td>20,056,111</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>(2,051,529)</td>
<td>(2,491,085)</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investments in available-for-sale securities</td>
<td>25,763,684</td>
<td>6,218,352</td>
</tr>
<tr>
<td>Net investments in held-to-maturity securities</td>
<td>(9,624,973)</td>
<td>(4,487,329)</td>
</tr>
<tr>
<td>Dividend received</td>
<td>53,093</td>
<td>653,109</td>
</tr>
<tr>
<td>Investments in operating fixed assets</td>
<td>(558,780)</td>
<td>(360,445)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td>110,471</td>
<td>119,491</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>15,743,495</td>
<td>(10,293,526)</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend paid</td>
<td>(2,093,214)</td>
<td>(1,569,822)</td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td>(2,093,214)</td>
<td>(1,569,822)</td>
</tr>
</tbody>
</table>

#### Increase in cash and cash equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>2,810,556</td>
<td>5,701,678</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>846,265</td>
<td>682,045</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>24,242,041</td>
<td>21,431,485</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 44 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH  
Chairman

SIRAJUDDIN AZIZ  
President &  
Chief Executive Officer

TARIQ IKRAM  
Director

BASHIR ALI MOHAMMAD  
Director
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>Share Capital</th>
<th>Share Premium</th>
<th>Statutory Reserve</th>
<th>Special Reserve</th>
<th>Revenue Reserve</th>
<th>Un-appropriated Profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January 2012 - as previously reported</td>
<td>10,478,315</td>
<td>2,550,985</td>
<td>4,516,372</td>
<td>240,361</td>
<td>1,500,000</td>
<td>4,949,767</td>
<td>24,235,800</td>
</tr>
<tr>
<td>Effect of retrospective change in accounting policy with respect to the accounting for actuarial gains and losses - net of tax</td>
<td>5.21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(45,926)</td>
</tr>
<tr>
<td>Balance as at 1 January 2012 - restated</td>
<td>10,478,315</td>
<td>2,550,985</td>
<td>4,516,372</td>
<td>240,361</td>
<td>1,500,000</td>
<td>6,035,228</td>
<td>26,189,874</td>
</tr>
<tr>
<td>Changes in equity for the year ended 31 December 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year ended 31 December 2012 - profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,406,122</td>
<td>3,406,122</td>
</tr>
<tr>
<td>Other comprehensive income - net of tax (restated)</td>
<td>5.21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(22,429)</td>
</tr>
<tr>
<td>Transactions with owners, recorded directly in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividend (Rs. 1.50 per share) for year ended 31 December 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,571,747)</td>
<td>(1,571,747)</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
<td>680,559</td>
<td>-</td>
<td>-</td>
<td>(680,559)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December 2012</td>
<td>10,478,315</td>
<td>2,550,985</td>
<td>5,196,931</td>
<td>240,361</td>
<td>1,500,000</td>
<td>6,035,228</td>
<td>26,001,820</td>
</tr>
<tr>
<td>Changes in equity for the year ended 31 December 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year ended 31 December 2013 - profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,526,172</td>
<td>3,526,172</td>
</tr>
<tr>
<td>Other comprehensive income - net of tax</td>
<td>5.21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(67,891)</td>
<td>(67,891)</td>
</tr>
<tr>
<td>Transactions with owners, recorded directly in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividend (Rs. 2.00 per share) for year ended 31 December 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,095,663)</td>
<td>(2,095,663)</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
<td>705,234</td>
<td>-</td>
<td>-</td>
<td>(705,234)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December 2013</td>
<td>10,478,315</td>
<td>2,550,985</td>
<td>5,902,165</td>
<td>240,361</td>
<td>1,500,000</td>
<td>6,692,612</td>
<td>27,364,438</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 44 and annexures I & II form an integral part of these unconsolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President & Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

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 (2012: 143) branches, including 6 (2012: 4) Islamic banking branches and 40 (2012: 40) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

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

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary company are being separately issued.

2.2 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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.3 The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 42 to these unconsolidated financial statements.

2.4 Basis of measurement

Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value and derivative financial instruments are carried at fair values as disclosed in notes 5.3 and 5.6 respectively.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

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)
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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as “held-for-trading”, the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as “held-to-maturity”, the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

- The investments which are not classified as held for trading or held to maturity are classified as available for sale.

ii) Provision against non performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the forced sale value of the securities, etc. as per the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer and Small & Medium Enterprises (SMEs) advances, the Bank follows the general provision requirement set out in Prudential Regulations. In addition the Bank also maintain a general provision against its loan portfolio discussed in note 5.4.

iii) Valuation and impairment of available for sale equity investments

The Bank determines that available-for-sale equity investments and held to maturity are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.
iv) Impairment of non-financial assets (excluding deferred tax asset)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

v) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefit plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Acturial Cost Method, as more fully disclosed in note 33 to these unconsolidated financial statements.

viii) Compensated Absences

The bank uses actuarial valuation for the determination of its compensated absences liability. This method makes certain assumptions, which may change, thereby affecting the profit and loss account of future period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the bank are as follows:

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks less overdrawn nostro and local bank accounts.
5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is amortised as an expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued as income over the term of the agreement.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark up on such borrowing is charged to the profit and loss account on a time proportion basis.

5.3 Investments

5.3.1 Investment in a subsidiary is stated at cost less provision for impairment, if any.

5.3.2 Other investments are classified as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the positive intention and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

5.3.3 Investments (other than held-for-trading) include transaction costs associated with the investments. In case of held for trading investments transaction costs are charged to profit and loss account.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity and investment in a subsidiary, are carried at market value. Investments classified as held to maturity are carried at amortized cost whereas investment in a subsidiary is carried at cost less impairment losses, if any.
Unrealized surplus / deficit arising on the revaluation of the Bank’s held for trading investment portfolio is taken
to the profit and loss account. Surplus / deficit arising on revaluation of quoted securities classified as available for
sale is kept in a separate account shown in the statement of financial position below equity. Surplus / deficit arising
on these securities is taken to the profit and loss account when actually realised upon disposal or when the
investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent decreases in the carrying
value are charged to profit and loss account. Break-up value of equity securities is calculated with reference to the
net assets of the investee company as per the latest available audited financial statements. Investments in other
unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of term finance and Sukuk certificates are made as per the criteria prescribed
under prudential regulation issued by State Bank of Pakistan.

Provision for impairment in the value of available for sale and held to maturity securities (other than bonds and
term finance and Sukuk certificates) is made after considering objective evidence of impairment, if any, in their
value (as a result of one or more events that may have an impact on the estimated future cash flows of the
investments). A significant or prolonged decline in the fair value of an equity investment below its cost is also
considered an objective evidence of impairment. Impairment losses are taken to profit and loss account.

All “regular way” purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank
commits the purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that
require delivery of assets within the time frame generally established by regulation or convention in the market
place.

5.4 Advances (including net investment in finance lease and ijarah arrangements)

Loans and advances

Loans and advances and net investments in finance lease are stated net of provision for loan losses against non-performing
advances. Provision for loan losses is made in accordance with the Prudential Regulations issued by the SBP and is charged
to profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential
Regulations on the basis of management's assessment of credit risk characteristics and general banking risk such as nature
of credit, collateral type, industry sector and other relevant factors. Murabaha receivables are stated at gross amount
receivable less deferred income and provisions, if any.

Finance lease receivables

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee
are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease
payments including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.
Ijarah

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of “Ijarah”, ijarah arrangements by the Islamic Banking branches are accounted for as ‘Assets held under Ijarah’ and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly assets subject to ijarahs have been reflected in note 11 to these unconsolidated financial statements under “Advances”. Rental income on these ijarahs is recognised in the Bank's profit and loss account on a time proportion basis, while depreciation is calculated on ijarah assets on a straight line basis over the period of ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of ijarah agreement and is charged to the profit and loss account. The classification and provisioning of ijarah assets is done in line with the requirements laid down in the Prudential Regulations and are recognised in the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

5.5 Fixed assets

Tangible - owned (operating)

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which are stated at cost less accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 12.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets referred to in note 11.3 is calculated on a straight line basis over the period of ijarah from the date of delivery of respective assets to the mustajir (lessee) up to the date of maturity / termination of ijarah agreed.

Subsequent cost are included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each Statement of Financial Position date.

Intangible

These are stated at cost less accumulated amortization and impairment, if any. The cost of intangible assets are amortized from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each Statement of Financial Position date.
Capital work-in-progress

These are stated at cost less impairment losses, if any.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

5.7 Provisions

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each Statement of Financial Position date and are adjusted to reflect the current best estimate.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gain / losses recognised in 'Other Comprehensive Income', which is adjusted against the related deficit / surplus.
5.9 Employees’ benefits

5.9.1 Retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using “Projected Unit Credit Acturial Cost Method”.

Effective from 1 January 2013, all actuarial gains and losses are recognised in “Other Comprehensive Income” as they occur, as more fully explained in note 5.21.

Past service cost resulting from changes to defined benefit plan is recognized in the profit and loss account.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Bank and its employees, to the fund at the rate of 10% of basic salary.

5.9.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the ‘Projected Unit Credit Acturial Cost Method’ has been carried out by the Bank or the determination of the liability for compensated absences. Liability so determined is fully recognised by the Bank.

5.10 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognized as follows:

a) Advances and investments

Mark-up / return on regular loans / advances and debt securities investments is recognized on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

Dividend income is recognised when the Bank’s right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account on settlement date.
Income on bills discounted are recognised over the period of the bill.

b) **Lease financing / Ijarah contracts**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Rental income on ijarahs executed by the Islamic Banking branches and accounted for under IFAS 2 (refer note 5.4) is recognised in the profit and loss account on a time proportion basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

c) **Fees, brokerage and commission**

Fees, commission and brokerage except income from letters of guarantee is accounted for on receipt basis. Income from letter of guarantee is recognised on an accrual basis over the period of the guarantee.

5.11 **Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.12 **Foreign currencies**

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Exchange gains or losses are included in income currently.

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date.

5.13 **Segment reporting**

A segment is a distinguishable component of the Bank that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on the following business segments.
Business segments

a) Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

b) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Geographical segments

The Bank conducts all its operations in Pakistan.

5.14 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to statement of financial position date are considered as non-adjusting event and are not recorded in unconsolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

5.15 Earnings per share

The Bank present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.16 Impairment of assets (other than loans and advances and investments)

At each statement of financial position date, the Bank reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.
5.17 Financial instruments

All financial assets and liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.18 Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. Profit on sale of a commodity not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account and not against the receivable balance. Funds disbursed under Murabaha arrangements for purchase of goods are recorded as advance against Murabaha.

5.19 Diminishing Musharika

In Diminishing Musharakah based financing, the Bank enters into a Musharakah based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilization of the Bank's Mushariki share by the customer. Income from these transactions are recorded on an accrual basis.

5.20 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are recorded at the lower of carrying value of the related advances and the latest fair value of such assets.

5.21 Change in accounting policy

During the year the Bank has adopted IAS-19 (Revised) effective from 01 January 2013. The revised standard has removed the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) for defined benefit plans. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in net defined benefit obligations are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The adoption of the revised standard has resulted in a change in the Bank's accounting policy related to recognition of actuarial gains and losses. Consequently, the Bank now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.
6. FUNCTIONAL AND PRESENTATION CURRENCY

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning as specified below:

- **IFRIC 21 - Levies 'an Interpretation on the accounting for levies imposed by governments'** (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)** – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- **Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- **Amendments to IAS 19 “Employee Benefits” Employee contributions - a practical approach** (effective for annual periods

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the current and prior period financial statements have been summarized below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in other liabilities</td>
<td>206,280</td>
<td>101,832</td>
<td>70,656</td>
</tr>
<tr>
<td>Increase in deferred tax assets - (closing balance on this change)</td>
<td>72,198</td>
<td>35,641</td>
<td>24,730</td>
</tr>
<tr>
<td>Decrease in unappropriated profit</td>
<td>134,082</td>
<td>66,191</td>
<td>45,926</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact on Profit and Loss Account</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in administrative expenses</td>
<td>6,739</td>
<td>3,329</td>
<td></td>
</tr>
<tr>
<td>Increase in tax expense</td>
<td>(2,359)</td>
<td>(1,165)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact on Other Comprehensive Income</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of actuarial loss - net of deferred tax</td>
<td>(67,891)</td>
<td>(22,429)</td>
<td></td>
</tr>
</tbody>
</table>
beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans1 that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 27 "Consolidated and Separate Financial Statements" – consolidation relief for investments funds (effective for annual periods beginning on or after 1 January 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory - not optional.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
8. CASH AND BALANCES WITH TREASURY BANKS

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td><strong>In hand</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency</td>
<td>3,504,818</td>
<td>2,928,916</td>
</tr>
<tr>
<td>Foreign currencies</td>
<td>1,287,906</td>
<td>562,766</td>
</tr>
<tr>
<td></td>
<td>4,792,724</td>
<td>3,491,682</td>
</tr>
<tr>
<td><strong>With State Bank of Pakistan in</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency current accounts</td>
<td>9,127,690</td>
<td>9,055,127</td>
</tr>
<tr>
<td>Foreign currency current account</td>
<td>134,530</td>
<td>38,708</td>
</tr>
<tr>
<td>Foreign currency deposit accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cash reserve accounts</td>
<td>1,740,700</td>
<td>1,066,898</td>
</tr>
<tr>
<td>special cash reserve accounts</td>
<td>5,120,250</td>
<td>3,114,522</td>
</tr>
<tr>
<td></td>
<td>16,123,170</td>
<td>13,275,255</td>
</tr>
<tr>
<td><strong>With National Bank of Pakistan in</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency current accounts</td>
<td>276,875</td>
<td>135,383</td>
</tr>
<tr>
<td>National Prize Bonds</td>
<td>16,005</td>
<td>16,460</td>
</tr>
<tr>
<td></td>
<td>21,208,774</td>
<td>16,918,780</td>
</tr>
</tbody>
</table>

8.1 These accounts are maintained to comply with the statutory cash requirements and include Rs. 974,408 thousand (2012: Rs. 916,768 thousand) in respect of the Islamic Banking branches of the Bank.

8.2 Represents US Dollar collection / settlement account with SBP.

8.3 Represents cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 55,506 thousand (2012: Rs. 46,826 thousand) in respect of the Islamic Banking branches of the Bank.

8.4 Represents special cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 64,669 thousand (2012: Rs. 54,307 thousand) in respect of the Islamic Banking branches of the Bank.

9. BALANCES WITH OTHER BANKS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td><strong>In Pakistan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On current accounts</td>
<td>460,181</td>
<td>361,834</td>
</tr>
<tr>
<td>On deposit accounts</td>
<td>23,880</td>
<td>12,550</td>
</tr>
<tr>
<td></td>
<td>484,061</td>
<td>374,384</td>
</tr>
<tr>
<td><strong>Outside Pakistan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On current accounts</td>
<td>1,488,635</td>
<td>3,319,486</td>
</tr>
<tr>
<td>On deposit accounts</td>
<td>1,579,869</td>
<td>1,457,246</td>
</tr>
<tr>
<td></td>
<td>3,068,504</td>
<td>4,776,732</td>
</tr>
<tr>
<td></td>
<td>3,552,565</td>
<td>5,151,116</td>
</tr>
</tbody>
</table>

9.1 This carry mark-up rate of 7.00% (2012: 6.00%) per annum.

9.2 Include balances in current accounts of Rs. 99,480 thousand (2012: Rs. 77,497 thousand) with branches of the holding company.

9.3 This carry mark-up rate of 0.11% (2012: 0.10%) per annum.
## 10. INVESTMENTS

### 10.1 Investments by types

<table>
<thead>
<tr>
<th>Note</th>
<th>Available-for-sale securities</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held by Bank</td>
<td>Given as collateral</td>
<td>Total (Rupess in '000)</td>
</tr>
<tr>
<td></td>
<td>Market treasury bills</td>
<td>54,387,024</td>
<td>54,387,024</td>
</tr>
<tr>
<td>10.5</td>
<td>Pakistan investment bonds</td>
<td>45,828,229</td>
<td>45,828,229</td>
</tr>
<tr>
<td>10.6</td>
<td>Ordinary shares of listed</td>
<td>230,409</td>
<td>230,409</td>
</tr>
<tr>
<td></td>
<td>companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ordinary shares of unlisted</td>
<td>104,205</td>
<td>104,205</td>
</tr>
<tr>
<td></td>
<td>companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preference shares of listed</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>company</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listed term finance</td>
<td>866,305</td>
<td>866,305</td>
</tr>
<tr>
<td></td>
<td>certificates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unlisted term finance</td>
<td>582,963</td>
<td>582,963</td>
</tr>
<tr>
<td></td>
<td>certificates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sukuk certificates and bonds</td>
<td>14,096,788</td>
<td>14,096,788</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Open end mutual funds</td>
<td>11,415,046</td>
<td>11,415,046</td>
</tr>
<tr>
<td></td>
<td>Close end mutual funds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>127,550,969</td>
<td>127,550,969</td>
</tr>
</tbody>
</table>

### Held-to-maturity securities

<table>
<thead>
<tr>
<th>Pakistan investment bonds</th>
<th>10.7</th>
<th>Held by Bank</th>
<th>141,963,271</th>
<th>Given as collateral</th>
<th>141,963,271</th>
<th>Total (Rupess in '000)</th>
<th>141,963,271</th>
<th>Held by Bank</th>
<th>140,611,868</th>
<th>Given as collateral</th>
<th>140,611,868</th>
<th>Total (Rupess in '000)</th>
<th>140,611,868</th>
<th>15,095,547</th>
<th>160,849,741</th>
</tr>
</thead>
</table>

### Subsidiary

**Habib Metropolitan Financial Services Limited - 29,999,997**

(2012: 29,999,997) ordinary shares of Rs. 10/- each

<table>
<thead>
<tr>
<th>Investments at cost</th>
<th>Note</th>
<th>Held by Bank</th>
<th>300,000</th>
<th>Given as collateral</th>
<th>300,000</th>
<th>Total (Rupess in '000)</th>
<th>300,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.3</td>
<td>(190,984)</td>
<td>190,984</td>
<td>(190,984)</td>
<td>(274,242)</td>
<td>(274,242)</td>
<td>(274,242)</td>
</tr>
</tbody>
</table>

### Provision for diminution in the value of investments

<table>
<thead>
<tr>
<th>Investments - net of provisions</th>
<th>Note</th>
<th>Held by Bank</th>
<th>141,772,287</th>
<th>Given as collateral</th>
<th>141,772,287</th>
<th>Total (Rupess in '000)</th>
<th>141,772,287</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus / (deficit) on revaluation of available-for-sale securities - net</td>
<td>20</td>
<td>671,395</td>
<td>671,395</td>
<td>3,659,849</td>
<td>(637,848)</td>
<td>3,022,001</td>
<td>(637,848)</td>
</tr>
</tbody>
</table>

### Total Investments after revaluation of available-for-sale securities

<table>
<thead>
<tr>
<th>Total Investments after revaluation of available-for-sale securities</th>
<th>Held by Bank</th>
<th>142,443,682</th>
<th>Given as collateral</th>
<th>142,443,682</th>
<th>Total (Rupess in '000)</th>
<th>142,443,682</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

40
## 10.2 Investments by segments

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td><strong>Federal government securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Market treasury bills</td>
<td>54,387,024</td>
<td>96,722,263</td>
</tr>
<tr>
<td>- Pakistan investment bonds</td>
<td>59,940,531</td>
<td>28,102,399</td>
</tr>
<tr>
<td>- GOP ijarah sukuk</td>
<td>12,437,295</td>
<td>18,328,079</td>
</tr>
<tr>
<td></td>
<td>126,764,850</td>
<td>143,152,741</td>
</tr>
<tr>
<td><strong>Fully paid up ordinary shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Listed companies</td>
<td>230,409</td>
<td>849,818</td>
</tr>
<tr>
<td>- Unlisted companies</td>
<td>104,205</td>
<td>104,205</td>
</tr>
<tr>
<td></td>
<td>334,614</td>
<td>954,023</td>
</tr>
<tr>
<td><strong>Fully paid up preference shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Listed company</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Term finance certificates, sukuk certificates and bonds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Listed term finance certificates</td>
<td>866,305</td>
<td>1,082,970</td>
</tr>
<tr>
<td>- Unlisted term finance certificates</td>
<td>582,963</td>
<td>784,718</td>
</tr>
<tr>
<td>- Sukuk certificates / bonds</td>
<td>1,659,493</td>
<td>1,431,242</td>
</tr>
<tr>
<td></td>
<td>3,108,761</td>
<td>3,298,930</td>
</tr>
<tr>
<td><strong>Mutual funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Open end</td>
<td>11,415,046</td>
<td>10,298,235</td>
</tr>
<tr>
<td>- Close end</td>
<td>-</td>
<td>58,053</td>
</tr>
<tr>
<td></td>
<td>11,415,046</td>
<td>10,356,288</td>
</tr>
<tr>
<td><strong>Subsidiary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Habib Metropolitan Financial Services Limited - 29,999,997 ordinary shares of Rs.10/- each</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments at cost</strong></td>
<td>141,963,271</td>
<td>158,101,982</td>
</tr>
<tr>
<td>Provision for diminution in the value of investments</td>
<td>10.3 (190,984)</td>
<td>(274,242)</td>
</tr>
<tr>
<td><strong>Investments - net of provisions</strong></td>
<td>141,772,287</td>
<td>157,827,740</td>
</tr>
<tr>
<td>Surplus on revaluation of available-for-sale securities - net</td>
<td>20 671,395</td>
<td>3,022,001</td>
</tr>
<tr>
<td><strong>Investments after revaluation of available-for-sale securities</strong></td>
<td>142,443,682</td>
<td>160,849,741</td>
</tr>
</tbody>
</table>
10.3 Particulars of provision for diminution in the value of investments

2013 | 2012
--- | ---
Rupees in '000 | 
Opening balance | 274,242 | 338,722 |
Charge for the year | 4,323 | 42,252 |
Recovered during the year | (6,203) | (9,753) |
Net (reversal)/charge for the year | (1,880) | 32,499 |
Reversal of provision on disposal of investments | (81,378) | (67,786) |
Investments written off during the year | - | (29,193) |
Closing balance | 190,984 | 274,242 |

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities

Fully paid-up ordinary shares
- Listed companies: -
- Unlisted companies: 72,356 | 70,583 |

Fully paid-up preference shares
- Listed company: 38,360 | 38,360 |

Term finance certificates, sukuk certificates and bonds
- Unlisted term finance certificates: 28,290 | 26,037 |
- Sukuk certificates/bonds: 51,978 | 57,885 |

Mutual funds
- Close end: - | 33,917 |

10.4 Information relating to investments in federal government securities, ordinary and preference shares of listed and unlisted companies, open and close end mutual funds, listed and unlisted term finance certificates and sukuk certificates/bonds required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4, dated 17 February 2006, is given in Annexure "I" and is an integral part of these unconsolidated financial statements.

10.5 These carry mark-up rates ranging from 8.95% to 9.91% (2012: 9.14% to 10.34%) per annum and will mature up to 12 June 2014.

10.6 These carry mark-up rates ranging from 11.25% to 12.00% (2012: 9.00% to 12.00%) per annum and will mature up to 19 July 2022. These includes 158,500 thousand (2012: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

10.7 These carry mark-up rate ranging from 11.25% to 12.00% (2012: 12.00%) per annum and will mature up to 19 July 2022.
11. ADVANCES

Loans, cash credits, running finances, etc.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Pakistan</td>
<td>118,698,461</td>
<td>99,708,381</td>
</tr>
<tr>
<td>Net investment in finance lease / ijarah financing</td>
<td>490,079</td>
<td>488,868</td>
</tr>
<tr>
<td>In Pakistan</td>
<td>11.2</td>
<td></td>
</tr>
<tr>
<td>Assets held under Ijarah</td>
<td>174,511</td>
<td>350,465</td>
</tr>
<tr>
<td>Bills discounted and purchased</td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td>(excluding market treasury bills)</td>
<td>5,511,266</td>
<td>4,555,113</td>
</tr>
<tr>
<td>Payable in Pakistan</td>
<td>19,269,633</td>
<td>17,730,367</td>
</tr>
<tr>
<td>Payable outside Pakistan</td>
<td>24,780,899</td>
<td>22,285,480</td>
</tr>
<tr>
<td>Advances - gross</td>
<td>144,143,950</td>
<td>122,833,194</td>
</tr>
<tr>
<td>Provision against non-performing advances</td>
<td>(13,455,861)</td>
<td>(12,035,322)</td>
</tr>
<tr>
<td>- specific</td>
<td>(5,154,152)</td>
<td>(353,674)</td>
</tr>
<tr>
<td>- general</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.6</td>
<td>(14,310,013)</td>
<td>(12,388,996)</td>
</tr>
<tr>
<td>Advances - net of provisions</td>
<td>129,833,937</td>
<td>110,444,198</td>
</tr>
</tbody>
</table>

11.1 Particulars of advances – gross

11.1.1 In local currency

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>In foreign currencies</td>
<td>115,796,147</td>
<td>103,395,499</td>
</tr>
<tr>
<td></td>
<td>28,347,803</td>
<td>19,437,695</td>
</tr>
<tr>
<td></td>
<td>144,143,950</td>
<td>122,833,194</td>
</tr>
</tbody>
</table>

11.1.2 Short term (for upto one year)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>130,784,830</td>
<td>109,048,519</td>
</tr>
<tr>
<td></td>
<td>13,359,120</td>
<td>13,748,675</td>
</tr>
<tr>
<td></td>
<td>144,143,950</td>
<td>122,833,194</td>
</tr>
</tbody>
</table>

11.2 Net investment in finance lease / ijarah financing

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not later than one year</td>
<td>Later than one and less than five years</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Lease rentals receivable</td>
<td>134,122</td>
<td>317,799</td>
</tr>
<tr>
<td>Residual value</td>
<td>20,399</td>
<td>68,171</td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>154,521</td>
<td>385,970</td>
</tr>
<tr>
<td>Financial charges for future periods</td>
<td>(16,497)</td>
<td>(45,920)</td>
</tr>
<tr>
<td>Present value of minimum lease payments</td>
<td>138,024</td>
<td>340,050</td>
</tr>
</tbody>
</table>

11.2.1 These finance lease receivables include the Ijarah contracts executed before the promulgation of IFAS 2 (and written up to 31 December 2008).

11.4 Advances include Rs. 16,973,536 thousand (2012: Rs.17,729,487 thousand) which have been placed under non-performing status as detailed below:

<table>
<thead>
<tr>
<th>Category of classification</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classified advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision required</td>
<td>14,053</td>
<td>154,747</td>
</tr>
<tr>
<td>Provision held</td>
<td>386</td>
<td>34,369</td>
</tr>
<tr>
<td>Substandard</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doubtful</td>
<td>134,771</td>
<td>2,246,483</td>
</tr>
<tr>
<td>Loss</td>
<td>16,824,712</td>
<td>15,328,257</td>
</tr>
<tr>
<td>Total</td>
<td>16,973,536</td>
<td>17,729,487</td>
</tr>
</tbody>
</table>

11.5 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing advances

During the current year, the Bank decided to avail 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. 176,772 thousand. Further, as of 31 December 2013, 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. 3,448,343 thousand (2012: Rs. 4,267,737 thousand) and accumulated profit would have been lower by Rs. 2,241,423 thousand (2012: Rs. 2,774,029 thousand). This amount of Rs. 2,241,423 thousand is not available for distribution of cash and stock dividend to the shareholders.

11.6 Particulars of provision against non-performing advances

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Specific</td>
<td>General</td>
</tr>
<tr>
<td>Opening balance</td>
<td>12,035,322</td>
<td>353,674</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>2,182,078</td>
<td>500,478</td>
</tr>
<tr>
<td>Reversals</td>
<td>(571,446)</td>
<td>-</td>
</tr>
<tr>
<td>Net charge for the year</td>
<td>1,610,632</td>
<td>500,478</td>
</tr>
<tr>
<td>Amount written off</td>
<td>11.8</td>
<td>(190,093)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>11.7</td>
<td>13,455,861</td>
</tr>
</tbody>
</table>

11.6.1 General provision includes provision of Rs. 2,894 thousand (2012: Rs. 5,385 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. 37,450 thousand made against Small and Medium Enterprises (SMEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.
11.7 Particulars of provision against non-performing advances

<table>
<thead>
<tr>
<th></th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Against local currency exposure</td>
<td>13,245,598</td>
<td>854,152</td>
<td>14,099,750</td>
<td>11,830,082</td>
<td>353,674</td>
<td>12,183,756</td>
</tr>
<tr>
<td>Against foreign currencies exposure</td>
<td>210,263</td>
<td>-</td>
<td>210,263</td>
<td>205,240</td>
<td>-</td>
<td>205,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,455,861</td>
<td>854,152</td>
<td>14,310,013</td>
<td>12,035,322</td>
<td>353,674</td>
<td>12,388,996</td>
</tr>
</tbody>
</table>

Note 2013 Rupees in '000

11.8 Particulars of write-offs

11.8.1 Against provisions

<table>
<thead>
<tr>
<th></th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly charged to profit and loss account</td>
<td>-</td>
<td>-</td>
<td>190,093</td>
</tr>
</tbody>
</table>

11.8.2 Write-offs of Rs. 500,000/- and above

<table>
<thead>
<tr>
<th></th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write-offs of below Rs. 500,000/-</td>
<td>538</td>
<td>11,067</td>
<td>190,093</td>
</tr>
</tbody>
</table>

11.9 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2013 is enclosed as Annexure II.

11.10 Particulars of loans and advances to directors, associated companies, subsidiary etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

<table>
<thead>
<tr>
<th></th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>947,197</td>
<td>809,889</td>
<td></td>
</tr>
<tr>
<td>Loans granted during the year</td>
<td>626,888</td>
<td>465,351</td>
<td></td>
</tr>
<tr>
<td>Repayments</td>
<td>(357,664)</td>
<td>(328,043)</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>1,216,421</td>
<td>947,197</td>
<td></td>
</tr>
</tbody>
</table>

Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members

<table>
<thead>
<tr>
<th></th>
<th>Specific</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>1,602,820</td>
<td>1,776,952</td>
<td></td>
</tr>
<tr>
<td>Loans granted during the year</td>
<td>37,133,684</td>
<td>28,892,000</td>
<td></td>
</tr>
<tr>
<td>Repayments</td>
<td>(36,716,491)</td>
<td>(29,066,132)</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>39</td>
<td>2,020,013</td>
<td>1,602,820</td>
</tr>
</tbody>
</table>
### 12. OPERATING FIXED ASSETS

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>12.1</td>
<td>40,100</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>12.2</td>
<td>2,994,464</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12.3</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3,034,564</strong></td>
</tr>
</tbody>
</table>

### 12.1 Capital work-in-progress

<table>
<thead>
<tr>
<th>Civil works</th>
<th>Equipments</th>
<th>Cost</th>
<th>Depreciation</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.1.1</td>
<td></td>
<td>23,465</td>
<td>7,142</td>
<td>16,113</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16,635</td>
<td></td>
<td>16,635</td>
</tr>
</tbody>
</table>

12.1.1 This represents renovation being carried out at various locations.

### 12.2 PROPERTY AND EQUIPMENT

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold land</td>
<td>7,488</td>
<td>7,488</td>
</tr>
<tr>
<td>Buildings / office premises on freehold land</td>
<td>634,313</td>
<td>634,313</td>
</tr>
<tr>
<td>Buildings / office premises on leasehold land</td>
<td>1,981,032</td>
<td>(58,235)</td>
</tr>
<tr>
<td>Furniture and fixtures, office and computer equipment</td>
<td>984,050</td>
<td>280,657</td>
</tr>
<tr>
<td>Vehicles</td>
<td>15,945</td>
<td>1,057</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,243,751</td>
<td>260,221</td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td>4,866,579</td>
<td>541,935</td>
</tr>
</tbody>
</table>
12.2.1 The cost of fully depreciated assets still in use is Rs. 894,427 thousands (2012: Rs. 593,491 thousands).

12.2.2 Carrying amount of idle property held as at 31 December 2013 is Rs. 291,560 thousands (2012: Rs. 516,761 thousands). These properties have been temporarily kept idle.

12.2.3 Details of fixed assets deleted with original cost or book value in excess of Rs. 1,000 thousand or Rs. 250 thousand respectively, whichever is lower are as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cost</th>
<th>Book Value</th>
<th>Sale Proceed</th>
<th>Mode of disposal</th>
<th>Particulars of purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building / Office Premises on leasehold land</td>
<td>28,528</td>
<td>25,868</td>
<td>50,000</td>
<td>Best available quotation</td>
<td>M/s. Dalda Foods (Private) Ltd.</td>
</tr>
<tr>
<td>Building / Office Premises on leasehold land</td>
<td>29,707</td>
<td>26,039</td>
<td>50,000</td>
<td>Best available quotation</td>
<td>M/s. Dalda Foods (Private) Ltd.</td>
</tr>
</tbody>
</table>

12.3 Intangible assets

The cost of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousands (2012: Rs. 27,875 thousands).
13. DEFERRED TAX ASSETS

Deferred tax debits arising in respect of:

- Provision against diminution in the value of investments 57,255
- Provisions against non-performing advances (including off-balance sheet obligations) 29.3 3,131,045
- Provision against other assets 96,250
- Defined benefit plan 105,333

Deferred tax credits arising due to:

- Surplus on revaluation of investment securities (51,657)
- Accelerated depreciation (391,075)

Net deferred tax asset 13.1 2,947,151

### 13.1 Reconciliation of deferred tax

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 01 January 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit &amp; loss account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit &amp; loss account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deferred tax debits arising in respect of:

- Provision against diminution in the value of investments
- Provisions against non-performing advances (including off-balance sheet obligations) - note 29.3
- Provision against other assets
- Defined benefit plan

Deferred tax credits arising due to:

- Surplus on revaluation of investment securities
- Accelerated depreciation

Net deferred tax asset

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 01 January 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit &amp; loss account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit &amp; loss account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 2013 2012 Rupees in '000
### 14. OTHER ASSETS

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,870,280</td>
<td>3,264,972</td>
</tr>
<tr>
<td>Income / mark-up / profit accrued in local currency</td>
<td>57,706</td>
<td>38,941</td>
</tr>
<tr>
<td>Income / mark-up / profit accrued in foreign currencies</td>
<td>404,544</td>
<td>410,530</td>
</tr>
<tr>
<td>Advances, deposits, advance rent and other prepayments</td>
<td>341,172</td>
<td>-</td>
</tr>
<tr>
<td>Advance Tax (payments less provisions)</td>
<td>4,468</td>
<td>533</td>
</tr>
<tr>
<td>Branch adjustment account</td>
<td>1,224,538</td>
<td>645,145</td>
</tr>
<tr>
<td>Unrealized gain on forward foreign exchange contracts</td>
<td>282,342</td>
<td>357,819</td>
</tr>
<tr>
<td>Receivable from the SBP against encashment of government securities</td>
<td>36,821</td>
<td>32,821</td>
</tr>
<tr>
<td>Stationery and stamps on hand</td>
<td>4,686</td>
<td>4,511</td>
</tr>
<tr>
<td>Advance payments against ijarah</td>
<td>197,486</td>
<td>-</td>
</tr>
<tr>
<td>Advance payments against diminishing musharika</td>
<td>70,980</td>
<td>100,657</td>
</tr>
<tr>
<td>Dividend receivable</td>
<td>-</td>
<td>21,000</td>
</tr>
<tr>
<td>Non-banking assets acquired in satisfaction of claims</td>
<td>1,110,031</td>
<td>921,813</td>
</tr>
<tr>
<td>Others</td>
<td>8,708,372</td>
<td>6,015,805</td>
</tr>
<tr>
<td>Less: Provision against other assets</td>
<td>8,433,372</td>
<td>5,740,805</td>
</tr>
</tbody>
</table>

#### 14.1 Market value of non-banking assets acquired in satisfaction of claims

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,308,975</td>
<td>1,261,515</td>
</tr>
</tbody>
</table>

#### 14.2 Provision held against other assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>275,000</td>
<td>275,000</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td>275,000</td>
<td>275,000</td>
</tr>
</tbody>
</table>

### 15. BILLS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,982,213</td>
<td>4,092,268</td>
</tr>
</tbody>
</table>

### 16. BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,732,048</td>
<td>41,054,628</td>
</tr>
<tr>
<td>In Pakistan</td>
<td>2,324,954</td>
<td>4,048,012</td>
</tr>
<tr>
<td>Outside Pakistan</td>
<td>23,057,002</td>
<td>45,102,640</td>
</tr>
</tbody>
</table>

#### 16.1 Particulars of borrowings in respect of currencies

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>In local currency</td>
<td>20,732,048</td>
<td>41,054,628</td>
</tr>
<tr>
<td>In foreign currencies</td>
<td>2,324,954</td>
<td>4,048,012</td>
</tr>
<tr>
<td>Total</td>
<td>23,057,002</td>
<td>45,102,640</td>
</tr>
</tbody>
</table>
### 16.2 Details of borrowings

#### Secured

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings from the State Bank of Pakistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- under export refinance scheme</td>
<td>18,679,476</td>
<td>18,810,750</td>
</tr>
<tr>
<td>- under long term financing - export oriented projects</td>
<td>136,751</td>
<td>331,383</td>
</tr>
<tr>
<td>- under long term financing facility - locally manufactured plant and machinery</td>
<td>1,796,348</td>
<td>1,567,889</td>
</tr>
<tr>
<td>Total</td>
<td>20,612,575</td>
<td>20,710,022</td>
</tr>
</tbody>
</table>

#### Repurchase agreement borrowings (Repo)

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2.1</td>
<td>20,612,575</td>
<td>20,710,022</td>
</tr>
</tbody>
</table>

#### Against bills re-discounting

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2.3</td>
<td>1,925,129</td>
<td>3,533,471</td>
</tr>
</tbody>
</table>

### Unsecured

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdrawn nostro accounts</td>
<td>399,825</td>
<td>514,541</td>
</tr>
<tr>
<td>Overdrawn local bank accounts</td>
<td>119,473</td>
<td>123,870</td>
</tr>
<tr>
<td>Total</td>
<td>519,298</td>
<td>638,411</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2.1</td>
<td>23,057,002</td>
<td>45,102,640</td>
</tr>
</tbody>
</table>

16.2.1 These carrying mark-up rates ranging between 5.00% to 8.40% (2012: 5.00% to 10.00%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

16.2.2 This represents balance of repurchase agreement borrowings transactions (repo borrowings) with SBP / other financial institutions and are secured against Federal Government Securities and carry mark-up rate Nil (2012: 8.85%) per annum.

16.2.3 This represents due against re-discounting of foreign documentary bills purchased. The balance carries discount rates ranging from 0.75% to 1.25%.
### 17. DEPOSITS AND OTHER ACCOUNTS

<table>
<thead>
<tr>
<th>Customers</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits</td>
<td>100,894,176</td>
<td>93,541,355</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>73,259,593</td>
<td>54,785,453</td>
</tr>
<tr>
<td>Current accounts (non-remunerative)</td>
<td>66,060,951</td>
<td>53,335,479</td>
</tr>
<tr>
<td>Others</td>
<td>3,085,411</td>
<td>2,369,674</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>243,300,131</td>
<td>204,031,961</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remunerative deposits</td>
<td>3,758,777</td>
<td>13,292,039</td>
</tr>
<tr>
<td>Non-remunerative deposits</td>
<td>584,679</td>
<td>473,754</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,343,456</td>
<td>13,765,793</td>
</tr>
</tbody>
</table>

| **17.1 Particulars of deposits**              |               |               |
| In local currency                             | 212,562,402   | 196,252,771   |
| In foreign currencies                         | 35,081,185    | 21,544,983    |
| **Total**                                     | 247,643,587   | 217,797,754   |

<table>
<thead>
<tr>
<th>18. OTHER LIABILITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark-up / return / interest payable in local currency</td>
<td>4,786,468</td>
<td>5,235,845</td>
</tr>
<tr>
<td>Mark-up / return / interest payable in foreign currencies</td>
<td>108,035</td>
<td>47,952</td>
</tr>
<tr>
<td>Unearned commission and income on bills discounted</td>
<td>127,402</td>
<td>123,563</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>328,379</td>
<td>352,398</td>
</tr>
<tr>
<td>Current taxation (provisions less payments)</td>
<td>-</td>
<td>651,176</td>
</tr>
<tr>
<td>Provision against off-balance sheet obligations</td>
<td>18.1</td>
<td>98,727</td>
</tr>
<tr>
<td>Unclaimed dividend</td>
<td>6,462</td>
<td>4,013</td>
</tr>
<tr>
<td>Unrealized loss on forward foreign exchange contracts</td>
<td>1,180,240</td>
<td>653,777</td>
</tr>
<tr>
<td>Workers' welfare fund</td>
<td>325,676</td>
<td>425,884</td>
</tr>
<tr>
<td>Excise duty payable</td>
<td>1,446</td>
<td>1,940</td>
</tr>
<tr>
<td>Locker deposits</td>
<td>492,477</td>
<td>431,258</td>
</tr>
<tr>
<td>Advance against diminishing musharika</td>
<td>55,040</td>
<td>64,481</td>
</tr>
<tr>
<td>Advance rental for ijarah</td>
<td>8,725</td>
<td>11,577</td>
</tr>
<tr>
<td>Security deposits against leases / ijarah</td>
<td>172,750</td>
<td>245,835</td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>150,295</td>
<td>149,716</td>
</tr>
<tr>
<td>Withholding tax / duties</td>
<td>72,650</td>
<td>47,985</td>
</tr>
<tr>
<td>Provision for compensated absences</td>
<td>185,985</td>
<td>149,405</td>
</tr>
<tr>
<td>Deferred liability on defined benefit plan</td>
<td>33.3</td>
<td>101,832</td>
</tr>
<tr>
<td>Others</td>
<td>388,686</td>
<td>438,008</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,787,067</td>
<td>9,235,372</td>
</tr>
</tbody>
</table>
19. **SHARE CAPITAL**

19.1 **Authorised capital**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,200,000,000</td>
<td>1,200,000,000</td>
</tr>
</tbody>
</table>

19.2 **Issued, subscribed and paid-up capital**

<table>
<thead>
<tr>
<th>Ordinary shares of Rs. 10/- each</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued for cash</td>
<td>300,000,000</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Issued upon amalgamation</td>
<td>925,000,000</td>
<td>925,000,000</td>
</tr>
<tr>
<td>Issued as bonus shares</td>
<td>9,253,315</td>
<td>9,253,315</td>
</tr>
<tr>
<td>Total</td>
<td>1,047,831,480</td>
<td>1,047,831,480</td>
</tr>
</tbody>
</table>

19.3 As of the date of statement of financial position, the holding company held 534,394 thousand (2012: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

20. **SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX**

**Available-for-sale securities**

<table>
<thead>
<tr>
<th>Security</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal government securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market treasury bills</td>
<td>(91,675)</td>
<td>371,488</td>
</tr>
<tr>
<td>Pakistan investment bonds</td>
<td>(92,551)</td>
<td>1,588,221</td>
</tr>
<tr>
<td>GOP ijarah sukuk</td>
<td>128,978</td>
<td>159,938</td>
</tr>
<tr>
<td>Fully paid-up ordinary shares and mutual funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed shares and mutual funds</td>
<td>726,604</td>
<td>885,053</td>
</tr>
<tr>
<td>Fully paid-up preference shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed company</td>
<td>6,720</td>
<td>2,561</td>
</tr>
<tr>
<td>Term finance certificates, sukuk certificates and bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed term finance certificates</td>
<td>(17,751)</td>
<td>10,814</td>
</tr>
<tr>
<td>Unlisted term finance certificates</td>
<td>16,512</td>
<td>7,745</td>
</tr>
<tr>
<td>Sukuk certificates / bonds</td>
<td>(5,442)</td>
<td>(3,819)</td>
</tr>
<tr>
<td>Related deferred tax liability - net</td>
<td>671,395</td>
<td>3,022,001</td>
</tr>
<tr>
<td></td>
<td>(51,657)</td>
<td>(835,796)</td>
</tr>
<tr>
<td></td>
<td>619,738</td>
<td>2,186,205</td>
</tr>
</tbody>
</table>
21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of:
- Banking companies and other financial institutions

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in ‘000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Banking companies and other financial institutions</td>
<td>31,670</td>
<td>47,341</td>
</tr>
</tbody>
</table>

21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Government</td>
<td>16,417,161</td>
<td>12,770,916</td>
</tr>
<tr>
<td>ii) Banking companies and other financial institutions</td>
<td>170,040</td>
<td>121,472</td>
</tr>
<tr>
<td>iii) Others</td>
<td>3,566,742</td>
<td>2,896,002</td>
</tr>
<tr>
<td></td>
<td>20,153,943</td>
<td>15,788,390</td>
</tr>
</tbody>
</table>

21.3 Trade-related contingent liabilities

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of credit</td>
<td>60,413,234</td>
<td>51,509,313</td>
</tr>
<tr>
<td>Acceptances</td>
<td>10,821,099</td>
<td>7,993,332</td>
</tr>
</tbody>
</table>

21.4 Commitments in respect of forward exchange contracts

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>58,594,354</td>
<td>45,136,165</td>
</tr>
<tr>
<td>Sale</td>
<td>60,959,246</td>
<td>51,020,826</td>
</tr>
</tbody>
</table>

21.5 Commitments in respect of operating leases

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than one year</td>
<td>18,492</td>
<td>6,542</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>22,912</td>
<td>6,417</td>
</tr>
<tr>
<td></td>
<td>41,404</td>
<td>13,959</td>
</tr>
</tbody>
</table>

The Bank has entered into non-cancellable lease agreements with a Modaraba which has been duly approved by their Religious Board as ijara transactions. The monthly rental instalments are spread over a period of 36 months. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

21.6 Commitments for the acquisition of operating fixed assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19,791</td>
<td>35,018</td>
</tr>
</tbody>
</table>

21.7 Claims against bank not acknowledged as debt

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,154,916</td>
<td>2,332,580</td>
</tr>
</tbody>
</table>

21.8 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.
22. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank’s policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under “income from dealing in foreign currencies”. Unrealized gains and losses on these contracts are recorded in the statement of financial position under other assets / other liabilities.

These products are offered to the Bank’s customers to protect from unfavorable movements in foreign currencies. The Bank’s hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Bank’s Asset and Liability Management Committee (ALCO).

23. MARK-UP / RETURN / INTEREST EARNED

<table>
<thead>
<tr>
<th>On loans and advances to:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>10,817,085</td>
<td>12,697,624</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>82,577</td>
<td>12,283</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,899,662</strong></td>
<td><strong>12,709,907</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>On investments in:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale securities</td>
<td>11,612,868</td>
<td>14,814,203</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>1,238,628</td>
<td>357,838</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,851,496</strong></td>
<td><strong>15,172,041</strong></td>
</tr>
</tbody>
</table>

| On deposits with financial institutions   | 353,333         | 187,573         |
| On securities purchased under resale agreements (Reverse repo) | 523,889 | 481,628 |
| **Total**                                 | **24,628,380**  | **28,551,149**  |

24. MARK-UP / RETURN / INTEREST EXPENSED

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>11,662,212</td>
<td>13,505,106</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements (Repo)</td>
<td>1,163,232</td>
<td>3,343,931</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>2,592,238</td>
<td>2,602,476</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td>158,997</td>
<td>213,564</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,576,679</strong></td>
<td><strong>19,665,077</strong></td>
</tr>
</tbody>
</table>
### 25. GAIN ON SALE / REDEMPTION OF SECURITIES – NET

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal government securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market treasury bills</td>
<td>196,186</td>
<td>460,913</td>
</tr>
<tr>
<td>Pakistan investment bonds</td>
<td>13,662</td>
<td>16,815</td>
</tr>
<tr>
<td><strong>Fully paid-up ordinary shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed companies</td>
<td>209,971</td>
<td>59,611</td>
</tr>
<tr>
<td>Unlisted companies</td>
<td>-</td>
<td>26,123</td>
</tr>
<tr>
<td><strong>Term finance certificate, sukuk certificates and bonds</strong></td>
<td>45,079</td>
<td>99,634</td>
</tr>
<tr>
<td><strong>Mutual funds</strong></td>
<td>874,193</td>
<td>409,529</td>
</tr>
<tr>
<td></td>
<td><strong>1,339,091</strong></td>
<td><strong>1,072,625</strong></td>
</tr>
</tbody>
</table>

### 26. OTHER INCOME

<table>
<thead>
<tr>
<th>Income Type</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent on properties</td>
<td>31,153</td>
<td>28,823</td>
</tr>
<tr>
<td>Net gain on sale of fixed assets</td>
<td>56,698</td>
<td>16,360</td>
</tr>
<tr>
<td>Recovery of charges from customers</td>
<td>151,200</td>
<td>135,538</td>
</tr>
<tr>
<td>Incidental charges or service charges</td>
<td>63,212</td>
<td>49,918</td>
</tr>
<tr>
<td>Gain on sale of ijarah assets</td>
<td>1,271</td>
<td>16,604</td>
</tr>
<tr>
<td>Staff notice period and other recoveries</td>
<td>1,692</td>
<td>2,520</td>
</tr>
<tr>
<td></td>
<td><strong>305,226</strong></td>
<td><strong>249,763</strong></td>
</tr>
</tbody>
</table>

**Note:**

- **26.1** Includes courier, telephone and swift charges etc. recovered from customers.
## 27. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 (in '000)</th>
<th>2012 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, allowances etc.</td>
<td>3,010,617</td>
<td>2,589,501</td>
</tr>
<tr>
<td>Contract staff</td>
<td>131,096</td>
<td>119,193</td>
</tr>
<tr>
<td>Charge for defined benefit plan</td>
<td>335</td>
<td>91,344</td>
</tr>
<tr>
<td>Contribution to defined contribution plan</td>
<td>113,960</td>
<td>101,308</td>
</tr>
<tr>
<td>Charge for compensated absences</td>
<td>45,245</td>
<td>63,807</td>
</tr>
<tr>
<td>Non-executive directors’ fees, allowances and other expenses</td>
<td>8,110</td>
<td>4,410</td>
</tr>
<tr>
<td>Brokerage and commission</td>
<td>60,087</td>
<td>107,256</td>
</tr>
<tr>
<td>Rent, taxes, insurance, electricity etc.</td>
<td>929,322</td>
<td>818,232</td>
</tr>
<tr>
<td>Legal and professional charges</td>
<td>111,060</td>
<td>115,733</td>
</tr>
<tr>
<td>Communication</td>
<td>227,354</td>
<td>159,227</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>202,940</td>
<td>195,397</td>
</tr>
<tr>
<td>Rentals of operating leases</td>
<td>12,219</td>
<td>26,640</td>
</tr>
<tr>
<td>Stationery and printing</td>
<td>96,507</td>
<td>88,871</td>
</tr>
<tr>
<td>Management fee</td>
<td>169,687</td>
<td>166,688</td>
</tr>
<tr>
<td>Advertisement and publicity</td>
<td>75,202</td>
<td>68,931</td>
</tr>
<tr>
<td>Donations</td>
<td>27,1</td>
<td>35,462</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>27,2</td>
<td>4,021</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,2</td>
<td>470,116</td>
</tr>
<tr>
<td>Security charges</td>
<td>170,585</td>
<td>116,842</td>
</tr>
<tr>
<td>Travelling and conveyance</td>
<td>62,502</td>
<td>64,457</td>
</tr>
<tr>
<td>Computer software maintenance</td>
<td>46,620</td>
<td>46,015</td>
</tr>
<tr>
<td>Motor car running</td>
<td>74,478</td>
<td>61,007</td>
</tr>
<tr>
<td>Cartage, handling and freight charges</td>
<td>51,803</td>
<td>45,018</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>127,889</td>
<td>78,319</td>
</tr>
<tr>
<td>Others</td>
<td>151,236</td>
<td>141,743</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td><strong>6,479,462</strong></td>
<td><strong>5,743,792</strong></td>
</tr>
</tbody>
</table>

### 27.1 Donations

Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

**DONEE**

- The Citizens Foundation: 9,900
- Habib University Foundation: 6,000
- Sindh Institute of Urology and Transplantation (SIUT): 2,000
- Fatimiyah Education Network (KPSIAJ): 1,000
- Habib Medical Trust: 960
- Habib Poor Fund: 960
- Al-Sayyeda Benevolent Trust: 960
- RahmatBai Habib Food & Clothing Trust: 960
- RahmatBai Habib Widows & Orphan Trust: 960
- Zehra Homes: 750
- Patients’ Aid Foundation: 700
- Pakistan Memon Educational & Welfare Society: 600

*Note: The table and text are taken from an annual report of HabibMetro.*
<table>
<thead>
<tr>
<th>DONEE</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bait-ul-Sukoon</td>
<td>500</td>
<td>1,200</td>
</tr>
<tr>
<td>Memon Health and Education Foundation</td>
<td>500</td>
<td>1,200</td>
</tr>
<tr>
<td>Abdul Sattar Edhi Foundation</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Caravan of Life (Pak) Trust</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Memon Educational Board</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Pakistan Memon Women Educational Society</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>The Kidney Centre</td>
<td>500</td>
<td>350</td>
</tr>
<tr>
<td>Afzaal Memorial Thalassemia Foundation</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Aziz Tabba Foundation (Tabba Heart Institute)</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Developments in Literacy</td>
<td>350</td>
<td>-</td>
</tr>
<tr>
<td>Abbas-e-Alamdar Hostel</td>
<td>300</td>
<td>660</td>
</tr>
<tr>
<td>Dhoraji Association</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>Al-Umeed Rehabilitation Association</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Anjuman Behbood-e-Samat-e-Atfal</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Bantva Memon Jamat</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Bantva Memon Rahat Committee</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Dar-ul-Sukun</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Pak Medical and Welfare Trust</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Shaukat Khanum Memorial Trust</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>The Indus Hospital</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Saylani Welfare International Trust</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>The Aman Foundation</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Ahmed Abdullah Foundation (MA Ayesha Memorial Centre)</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Kashmir Education Foundation</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>IDA Rieu Poor Welfare Association</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Sanjan Nagar Public Education Trust</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>Milestone Charitable Trust</td>
<td>162</td>
<td>54</td>
</tr>
<tr>
<td>Bantva Anjuman Himayat-e-Islam</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Academy of Quaranic Studies</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Marie Adelaide Leprosy Centre</td>
<td>100</td>
<td>288</td>
</tr>
<tr>
<td>Mohamedali Habib Welfare Trust</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td>M.B.J. Health Association</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Patients Welfare Association</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Poor Patients Aid Society Civil Hospital Karachi</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Rotary Club of Karachi Continental</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Chhipa Welfare Association</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Muhammad Blood Bank Transfusion Service Welfare Association</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>True Worth Foundation</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Child Aid Association</td>
<td>-</td>
<td>150</td>
</tr>
<tr>
<td>The Captain Foundation</td>
<td>-</td>
<td>150</td>
</tr>
</tbody>
</table>
None of the directors, executives and their spouses had interest in the donations disbursed during the years 2013 and 2012 except for donations paid to:

<table>
<thead>
<tr>
<th>Name of Donee</th>
<th>Directors</th>
<th>Interest in Donee as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habib Medical Trust, Karachi</td>
<td>Mr. Mohamedali R. Habib</td>
<td>Member of the Board of Trustees</td>
</tr>
<tr>
<td>Habib Poor Fund, Karachi</td>
<td>Mr. Mohamedali R. Habib</td>
<td>Member of the Board of Trustees</td>
</tr>
<tr>
<td>Habib University Foundation, Karachi</td>
<td>Mr. Ali S. Habib</td>
<td>Member of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>Mr. Bashir Ali Mohammad</td>
<td>Member of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>Mr. Mohamedali R. Habib</td>
<td>Member of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>Mr. Muhammad H. Habib</td>
<td>Member of the Board of Directors</td>
</tr>
<tr>
<td>Mohamedali Habib Welfare Trust, Karachi</td>
<td>Mr. Ali S. Habib</td>
<td>Member of the Board of Trustees</td>
</tr>
<tr>
<td>Shaukat Khanum Memorial Trust, Lahore</td>
<td>Mr. Ali S. Habib</td>
<td>Member of the Board of Governors</td>
</tr>
</tbody>
</table>

**27.2 Auditors’ remuneration**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fee</td>
<td>1,750</td>
<td>1,600</td>
</tr>
<tr>
<td>Review of half-yearly financial statements</td>
<td>572</td>
<td>550</td>
</tr>
<tr>
<td>Certifications and agreed upon procedures engagements</td>
<td>875</td>
<td>4,713</td>
</tr>
<tr>
<td>Out-of-pocket expenses</td>
<td>824</td>
<td>810</td>
</tr>
<tr>
<td></td>
<td>4,021</td>
<td>7,673</td>
</tr>
</tbody>
</table>

**28. OTHER CHARGES**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalties imposed by the SBP</td>
<td>17,254</td>
<td>67,272</td>
</tr>
<tr>
<td>Workers' welfare fund</td>
<td>128,243</td>
<td>156,215</td>
</tr>
<tr>
<td></td>
<td>145,497</td>
<td>223,487</td>
</tr>
</tbody>
</table>

**28.1** Under the Workers’ Welfare Ordinance (WWF) 1971, the Bank is liable to pay workers’ welfare fund @ 2% of accounting profit before tax or taxable income, whichever is higher.

**29. TAXATION**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,975,046</td>
<td>2,527,478</td>
</tr>
<tr>
<td>Deferred</td>
<td>(466,639)</td>
<td>(961,592)</td>
</tr>
<tr>
<td></td>
<td>1,508,407</td>
<td>1,565,886</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>(574,693)</td>
<td>72,235</td>
</tr>
<tr>
<td>Deferred</td>
<td>651,930</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>77,237</td>
<td>72,235</td>
</tr>
<tr>
<td></td>
<td>1,585,644</td>
<td>1,638,121</td>
</tr>
</tbody>
</table>
29.1 Income tax assessments of the Bank have been finalised up to 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.

29.2 Relationship between tax expense and accounting profit

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>5,111,816</td>
<td>5,044,243</td>
</tr>
<tr>
<td>Tax at the applicable tax rate of 35% (2012: 35%)</td>
<td>1,789,136</td>
<td>1,765,485</td>
</tr>
<tr>
<td>Tax effect of income taxed at reduced rates</td>
<td>(229,806)</td>
<td>(151,601)</td>
</tr>
<tr>
<td>Prior years taxation</td>
<td>77,237</td>
<td>72,235</td>
</tr>
<tr>
<td>Others</td>
<td>(50,923)</td>
<td>(47,998)</td>
</tr>
<tr>
<td>Tax charge for the year</td>
<td>1,585,644</td>
<td>1,638,121</td>
</tr>
</tbody>
</table>

29.3 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 at period end 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.3,131,045 thousand (2012: Rs. 3,424,087 thousand).
30. BASIC AND DILUTED EARNINGS PER SHARE

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in ‘000</td>
<td>(Restated)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>3,526,172</td>
<td>3,406,122</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares</td>
<td>1,047,831</td>
<td>1,047,831</td>
</tr>
<tr>
<td>Basic and diluted earnings per share</td>
<td>3.37</td>
<td>3.25</td>
</tr>
</tbody>
</table>

31. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in ‘000</td>
<td>(Restated)</td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
<td>16,918,780</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>3,552,565</td>
<td>5,151,116</td>
</tr>
<tr>
<td>Overdrawn nostro accounts</td>
<td>(399,825)</td>
<td>(514,541)</td>
</tr>
<tr>
<td>Overdrawn local bank accounts</td>
<td>(119,473)</td>
<td>(123,870)</td>
</tr>
</tbody>
</table>

   | 2013   | 2012   |
|-------|--------|--------|
|       | 24,242,041 | 21,431,485 |

32. STAFF STRENGTH

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Number)</td>
<td>(Number)</td>
</tr>
<tr>
<td>Permanent</td>
<td>2,656</td>
<td>2,399</td>
</tr>
<tr>
<td>Temporary / on contractual basis</td>
<td>310</td>
<td>311</td>
</tr>
<tr>
<td>Bank's own staff strength at end of the year</td>
<td>2,966</td>
<td>2,710</td>
</tr>
<tr>
<td>Outsourced</td>
<td>593</td>
<td>574</td>
</tr>
</tbody>
</table>

   | 2013   | 2012   |
|-------|--------|--------|
|       | 3,559 | 3,284 |

33. DEFINED BENEFIT PLAN

33.1 General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 years last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

33.2 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2013 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate - percent (per annum)</td>
<td>13.00</td>
<td>11.50</td>
</tr>
<tr>
<td>Expected rate of return on plan assets - percent (per annum)</td>
<td>13.00</td>
<td>11.50</td>
</tr>
<tr>
<td>Long term rate of salary increase - percent (per annum)</td>
<td>12.00</td>
<td>11.50</td>
</tr>
</tbody>
</table>
### 33.3 Reconciliation of payable to defined benefit plan

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>33.6</td>
<td>518,394</td>
</tr>
<tr>
<td>Present value of defined benefit obligations</td>
<td>33.7</td>
<td>(816,018)</td>
</tr>
<tr>
<td>Amount payable to the plan (deficit)</td>
<td></td>
<td>(297,624)</td>
</tr>
</tbody>
</table>

The above balance includes actuarial losses of Rs. 206,280 thousand (2012: Rs. 101,832 thousand).

### 33.4 Movement in payable to defined benefit plan

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Opening balance (actuarial losses)</td>
<td>33.5</td>
<td>101,832</td>
</tr>
<tr>
<td>Defined benefit charge to profit and loss</td>
<td>33.5</td>
<td>91,344</td>
</tr>
<tr>
<td>Defined benefit charged to other comprehensive income - actuarial loss for the year</td>
<td>33.8</td>
<td>104,448</td>
</tr>
<tr>
<td>Contribution to the fund</td>
<td>33.6</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
<td>297,624</td>
</tr>
</tbody>
</table>

### 33.5 Charge for defined benefit plan

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Current service cost</td>
<td>33.7</td>
<td>79,634</td>
</tr>
<tr>
<td>Net interest</td>
<td>33.7</td>
<td>69,056</td>
</tr>
<tr>
<td>Expected return on plan asset</td>
<td>33.6</td>
<td>(57,346)</td>
</tr>
<tr>
<td>Total charge recognised in the profit and loss account</td>
<td></td>
<td>91,344</td>
</tr>
</tbody>
</table>

### 33.6 Movement in fair value of plan assets

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Opening balance</td>
<td>512,140</td>
<td>436,189</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>33.5</td>
<td>57,346</td>
</tr>
<tr>
<td>Actuarial loss recognised in ‘Other Comprehensive Income’</td>
<td>33.8</td>
<td>(24,126)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>33.7</td>
<td>(26,966)</td>
</tr>
<tr>
<td>Contribution to the fund</td>
<td>33.4</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
<td>518,394</td>
</tr>
</tbody>
</table>

### 33.7 Movement in present value of defined benefit obligation

<table>
<thead>
<tr>
<th>Note</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Opening balance</td>
<td>613,972</td>
<td>506,845</td>
</tr>
<tr>
<td>Current service cost</td>
<td>33.5</td>
<td>79,634</td>
</tr>
<tr>
<td>Interest cost</td>
<td>33.5</td>
<td>69,056</td>
</tr>
<tr>
<td>Actuarial loss recognised in ‘Other Comprehensive Income’</td>
<td>33.8</td>
<td>80,322</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>33.6</td>
<td>(26,966)</td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
<td>816,018</td>
</tr>
</tbody>
</table>
Note | 2013 | 2012
--- | --- | ---
Rupees in ‘000

### 33.8 Annual actuarial loss recognised in ‘Other Comprehensive Income’

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience loss on obligation</td>
<td>33.7</td>
<td>80,322</td>
</tr>
<tr>
<td>Experience loss on plan assets</td>
<td>33.6</td>
<td>24,126</td>
</tr>
<tr>
<td>Total loss recognised during the year</td>
<td>33.4</td>
<td>104,448</td>
</tr>
</tbody>
</table>

### 33.9 Actual return on plan assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33,220</td>
<td>42,808</td>
</tr>
</tbody>
</table>

### 33.10 Plan assets comprise the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in ‘000</td>
<td>%</td>
<td>Rupees in ‘000</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>33.10.1</td>
<td>250,923</td>
</tr>
<tr>
<td>Government securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Pakistan Investment Bonds)</td>
<td>267,471</td>
<td>52%</td>
</tr>
<tr>
<td></td>
<td>518,394</td>
<td>100%</td>
</tr>
</tbody>
</table>

**33.10.1** The amount represents balance deposited with the branches of the Bank.

### 33.11 Re-measurements recognised in ‘Other Comprehensive Income’ during the year

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in ‘000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gain / loss on obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Demographic assumption</td>
<td>(9,313)</td>
<td>-</td>
</tr>
<tr>
<td>- Financial assumptions</td>
<td>(91,931)</td>
<td>(2,579)</td>
</tr>
<tr>
<td>- Experience adjustment</td>
<td>181,566</td>
<td>29,995</td>
</tr>
<tr>
<td>Return on plan assets over interest income</td>
<td>(33,220)</td>
<td>(42,808)</td>
</tr>
<tr>
<td>Adjustment for mark-up</td>
<td>57,346</td>
<td>49,897</td>
</tr>
<tr>
<td>Total re-measurements recognised in other comprehensive income</td>
<td>33.8</td>
<td>104,448</td>
</tr>
</tbody>
</table>
33.12 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2013 Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Discount Rate by 1 %</td>
<td>(95,255)</td>
</tr>
<tr>
<td>Decrease in Discount Rate by 1 %</td>
<td>114,186</td>
</tr>
<tr>
<td>Increase in expected future increment in salary by 1%</td>
<td>113,090</td>
</tr>
<tr>
<td>Decrease in expected future increment in salary by 1%</td>
<td>(96,031)</td>
</tr>
<tr>
<td>Increase in expected withdrawal rate by 1%</td>
<td>(516)</td>
</tr>
<tr>
<td>Decrease in expected withdrawal rate by 1%</td>
<td>524</td>
</tr>
<tr>
<td>Increase in expected mortality rate by 1%</td>
<td>(140)</td>
</tr>
<tr>
<td>Decrease in expected mortality rate by 1%</td>
<td>147</td>
</tr>
</tbody>
</table>

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

33.13 Historical information

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>816,018</td>
<td>613,972</td>
<td>506,845</td>
<td>420,087</td>
<td>355,096</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(518,394)</td>
<td>(512,140)</td>
<td>(436,189)</td>
<td>(337,025)</td>
<td>(250,760)</td>
</tr>
<tr>
<td>Deficit</td>
<td>297,624</td>
<td>101,832</td>
<td>70,656</td>
<td>83,062</td>
<td>104,336</td>
</tr>
<tr>
<td>Actuarial loss / (gain) on obligation</td>
<td>80,322</td>
<td>27,416</td>
<td>(2,470)</td>
<td>1,390</td>
<td>45,067</td>
</tr>
<tr>
<td>Actuarial loss / (gain) on assets</td>
<td>24,126</td>
<td>7,089</td>
<td>(4,071)</td>
<td>(14,060)</td>
<td>4,529</td>
</tr>
</tbody>
</table>

34. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee each contributes 10% of the basic salary to the funded scheme every month.
35. COMPENSATION OF DIRECTORS AND EXECUTIVES

<table>
<thead>
<tr>
<th></th>
<th>President &amp; Chief Executive</th>
<th>Directors</th>
<th>Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>-</td>
<td>-</td>
<td>8,110</td>
</tr>
<tr>
<td>Managerial remuneration</td>
<td>48,300</td>
<td>59,550</td>
<td>-</td>
</tr>
<tr>
<td>Charge for defined benefit plan</td>
<td>192</td>
<td>254</td>
<td>-</td>
</tr>
<tr>
<td>Contribution to defined contribution plan</td>
<td>2,760</td>
<td>3,660</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>*1,756</td>
</tr>
<tr>
<td>Bonus</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>900</td>
<td>*5,775</td>
</tr>
<tr>
<td></td>
<td>51,252</td>
<td>64,364</td>
<td>15,641</td>
</tr>
<tr>
<td>Number of persons</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
</tbody>
</table>

* These amounts pertain to the Executive Director

35.1 The Chief Executive, Executive Director and certain executives are provided with free use of car and household equipment in accordance with their terms of employment. The Chief Executive is also provided with leave fare assistance.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices except for tradable securities classified by the Bank as "held to maturity". These securities are being carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004, and have been disclosed in "Annexure I".

Fair values of unlisted equity investments is determined on the basis of breakup value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 41.5 and 41.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.
### 36.1 Off-balance sheet financial instruments

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contracted Value</td>
<td>Fair Value</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td>Forward purchase of foreign exchange contracts</td>
<td>58,594,354</td>
<td>57,878,184</td>
</tr>
<tr>
<td>Forward sale of foreign exchange contracts</td>
<td>60,959,246</td>
<td>61,719,714</td>
</tr>
</tbody>
</table>

### 37 Trust activities

The Bank acts as a trustee of the following funds:

- Pakistan Cash Management Fund
- Pakistan Pension Fund
- Pakistan Islamic Pension Fund

The assets of the funds are not the assets of the Bank and therefore are not included in the statement of financial position.
38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
The segment analysis with respect to business activities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Trade &amp; Sales</th>
<th>Retail banking</th>
<th>Commercial banking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>14,129,553</td>
<td>7,728,160</td>
<td>14,022,959</td>
<td>35,880,672</td>
</tr>
<tr>
<td>Total expenses</td>
<td>(11,376,393)</td>
<td>(6,458,995)</td>
<td>(12,933,468)</td>
<td>(30,768,856)</td>
</tr>
<tr>
<td>Net income</td>
<td>2,753,160</td>
<td>1,269,165</td>
<td>1,089,491</td>
<td>5,111,816</td>
</tr>
<tr>
<td>Segment assets</td>
<td>156,958,143</td>
<td>1,391,052</td>
<td>153,104,850</td>
<td>311,454,045</td>
</tr>
<tr>
<td>Segment non performing loans</td>
<td>237,046</td>
<td>4,106</td>
<td>16,732,384</td>
<td>16,973,536</td>
</tr>
<tr>
<td>Segment provision required</td>
<td>98,224</td>
<td>4,106</td>
<td>13,353,531</td>
<td>13,455,861</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>2,444,427</td>
<td>121,372,644</td>
<td>159,652,798</td>
<td>283,469,869</td>
</tr>
<tr>
<td>Segment return on net assets %</td>
<td>9.00%</td>
<td>6.37%</td>
<td>8.78%</td>
<td></td>
</tr>
<tr>
<td>Segment cost of funds %</td>
<td>7.25%</td>
<td>5.32%</td>
<td>8.10%</td>
<td></td>
</tr>
</tbody>
</table>

* Includes Rs. 6,457,988 thousands (2012: Rs. 4,551,075 thousands) of inter-segment revenues and expenses.

39. 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.
<table>
<thead>
<tr>
<th>Deposits</th>
<th>Holding company</th>
<th>Subsidiary</th>
<th>Associates</th>
<th>Key management personnel</th>
<th>Directors</th>
<th>Retirement benefit plans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of the year</td>
<td>91,390</td>
<td>126,923</td>
<td>6,010,887</td>
<td>24,338</td>
<td>151,459</td>
<td>1,830,080</td>
<td>8,235,077</td>
</tr>
<tr>
<td>Received during the year</td>
<td>17,604,101</td>
<td>58,554,957</td>
<td>752,573,987</td>
<td>261,968</td>
<td>1,036,460</td>
<td>6,186,611</td>
<td>836,218,084</td>
</tr>
<tr>
<td>Repaid during the year</td>
<td>(17,516,166)</td>
<td>(58,545,857)</td>
<td>(753,364,718)</td>
<td>(260,517)</td>
<td>(881,144)</td>
<td>(6,939,636)</td>
<td>(837,508,038)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>179,325</td>
<td>136,023</td>
<td>5,220,156</td>
<td>25,789</td>
<td>306,775</td>
<td>1,077,055</td>
<td>6,945,123</td>
</tr>
<tr>
<td>Advances</td>
<td>Holding company</td>
<td>Subsidiary</td>
<td>Associates</td>
<td>Key management personnel</td>
<td>Directors</td>
<td>Retirement benefit plans</td>
<td>Total</td>
</tr>
<tr>
<td>At beginning of the year</td>
<td>-</td>
<td>-</td>
<td>1,602,820</td>
<td>25,668</td>
<td>-</td>
<td>-</td>
<td>1,628,488</td>
</tr>
<tr>
<td>Disbursed during the year</td>
<td>-</td>
<td>-</td>
<td>37,133,684</td>
<td>70,660</td>
<td>-</td>
<td>-</td>
<td>37,204,344</td>
</tr>
<tr>
<td>Recovered during the year</td>
<td>-</td>
<td>-</td>
<td>(36,716,491)</td>
<td>(20,317)</td>
<td>-</td>
<td>-</td>
<td>(36,736,808)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>-</td>
<td>-</td>
<td>2,020,013</td>
<td>76,011</td>
<td>-</td>
<td>-</td>
<td>2,096,024</td>
</tr>
<tr>
<td>Bank balances held by the Bank</td>
<td>99,480</td>
<td>-</td>
<td>208,512</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>307,992</td>
</tr>
<tr>
<td>Overdrawn bank balances held by the Bank</td>
<td>-</td>
<td>-</td>
<td>72,336</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>72,336</td>
</tr>
<tr>
<td>Mark-up / return / interest receivable</td>
<td>6</td>
<td>-</td>
<td>13,088</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,094</td>
</tr>
<tr>
<td>Mark-up / return / interest payable</td>
<td>-</td>
<td>697</td>
<td>131,556</td>
<td>950</td>
<td>2,097</td>
<td>96,065</td>
<td>231,365</td>
</tr>
<tr>
<td>Management fee payable for technical and consultancy services *</td>
<td>164,350</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>164,350</td>
</tr>
<tr>
<td>Prepayments / advance deposits</td>
<td>-</td>
<td>-</td>
<td>4,561</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,561</td>
</tr>
<tr>
<td>Insurance premium and other payable</td>
<td>-</td>
<td>-</td>
<td>27,689</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,689</td>
</tr>
<tr>
<td>Transaction-related contingent liabilities</td>
<td>-</td>
<td>-</td>
<td>2,123,093</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,123,093</td>
</tr>
<tr>
<td>Trade-related contingent liabilities</td>
<td>-</td>
<td>-</td>
<td>5,195,352</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,195,352</td>
</tr>
<tr>
<td>Advance received against prepaid card</td>
<td>-</td>
<td>-</td>
<td>152</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>152</td>
</tr>
</tbody>
</table>

* Management fee is as per the agreement with the holding company.
<table>
<thead>
<tr>
<th></th>
<th>Rupees in '000</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Holding company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsidiary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key management personnel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retirement benefit plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received during the year</td>
<td>15,500,722</td>
<td>817,672,321</td>
</tr>
<tr>
<td>Repaid during the year</td>
<td>(1,587,596)</td>
<td>(443,478)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>13,913,126</td>
<td>774,193</td>
</tr>
<tr>
<td><strong>Advances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursed during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovered during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At end of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balances held by the Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdrawn bank balances held by the Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-up / return / interest receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-up / return / interest payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fee payable for technical and consultancy services *</td>
<td>159,288</td>
<td></td>
</tr>
<tr>
<td>Prepayments / advance deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction-related contingent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade-related contingent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance received against prepaid card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance received against insurance premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend receivable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>For the year ended 31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Holding company</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>Mark-up / return / interest earned</td>
<td>6</td>
</tr>
<tr>
<td>Mark-up / return / interest expenses</td>
<td>-</td>
</tr>
<tr>
<td>Commission / brokerage / bank charges recovered</td>
<td>5,183</td>
</tr>
<tr>
<td>Commission / brokerage / bank charges paid</td>
<td>361</td>
</tr>
<tr>
<td>Rent income</td>
<td>-</td>
</tr>
<tr>
<td>Dividend income</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale / redemption of securities</td>
<td>-</td>
</tr>
<tr>
<td>Salaries and allowances</td>
<td>-</td>
</tr>
<tr>
<td>Directors' fees</td>
<td>-</td>
</tr>
<tr>
<td>Contribution to defined benefit plan</td>
<td>-</td>
</tr>
<tr>
<td>Contribution to defined contribution plan</td>
<td>-</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>-</td>
</tr>
<tr>
<td>Insurance premium expenses</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance, electricity, stationery &amp; entertainment expenses</td>
<td>-</td>
</tr>
<tr>
<td>Management fee expense for technical and consultancy services*</td>
<td>169,687</td>
</tr>
<tr>
<td>Donation paid</td>
<td>-</td>
</tr>
<tr>
<td>Professional / other charges paid</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Holding company</th>
<th>Subsidiary</th>
<th>Associates</th>
<th>Key management personnel</th>
<th>Directors</th>
<th>Retirement benefit plans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark-up / return / interest earned</td>
<td>-</td>
<td>-</td>
<td>122,211</td>
<td>2,157</td>
<td>-</td>
<td>-</td>
<td>124,368</td>
</tr>
<tr>
<td>Mark-up / return / interest expensed</td>
<td>-</td>
<td>11,035</td>
<td>658,431</td>
<td>864</td>
<td>8,166</td>
<td>183,347</td>
<td>861,843</td>
</tr>
<tr>
<td>Commission / brokerage / bank charges recovered</td>
<td>1,857</td>
<td>225</td>
<td>356,178</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>358,260</td>
</tr>
<tr>
<td>Commission / brokerage / bank charges paid</td>
<td>1,502</td>
<td>250</td>
<td>15,599</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,351</td>
</tr>
<tr>
<td>Rent income</td>
<td>-</td>
<td>1,200</td>
<td>1,134</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,334</td>
</tr>
<tr>
<td>Dividend income</td>
<td>-</td>
<td>21,000</td>
<td>384</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,384</td>
</tr>
<tr>
<td>Gain on sale / redemption of securities</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Salaries and allowances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>151,987</td>
<td>-</td>
<td>-</td>
<td>151,987</td>
</tr>
<tr>
<td>Directors’ fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,410</td>
<td>4,410</td>
</tr>
<tr>
<td>Contribution to defined benefit plan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,583</td>
<td>70,583</td>
</tr>
<tr>
<td>Contribution to defined contribution plan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>101,308</td>
<td>101,308</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>-</td>
<td>-</td>
<td>18,130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,130</td>
</tr>
<tr>
<td>Insurance premium expenses</td>
<td>-</td>
<td>-</td>
<td>55,149</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>55,149</td>
</tr>
<tr>
<td>Maintenance, electricity, stationery &amp; entertainment expenses</td>
<td>-</td>
<td>-</td>
<td>38,309</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,309</td>
</tr>
<tr>
<td>Management fee expense for technical and consultancy services*</td>
<td>166,688</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>166,688</td>
</tr>
<tr>
<td>Donation paid</td>
<td>-</td>
<td>-</td>
<td>7,170</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,170</td>
</tr>
<tr>
<td>Professional / other charges paid</td>
<td>-</td>
<td>-</td>
<td>10,140</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,140</td>
</tr>
</tbody>
</table>

* Management fee is as per the agreement with the holding company.
40. CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope

The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019. This framework is applicable to the Bank.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirement of the framework that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral.

40.2 Capital management

The objective of capital management is to safeguard the Bank's ability to continue as a going concern. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Bank aims to maintain an optimum level of capital along with maximizing shareholders' return.

Statutory minimum capital requirement and capital adequacy ratio

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2013 stood at Rs. 10,478 million (2012: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5% and 6.5%, respectively, as at December 31, 2013. As at December 31, 2013 the Bank was fully compliant with prescribed ratios as the Bank's CAR was 16.13% whereas CET 1 and Tier 1 ratios both stood at 15.56%. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net un-appropriated profits meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.
The deductions from Tier 1 capital include mainly:

i) Book value of goodwill / intangibles;
ii) Deficit on revaluation of available for sale investments;
iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
iv) Investment in mutual funds above a prescribed ceiling;
v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
vi) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of assets - net of tax, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.
### 40.3 Capital Structure

#### Common Equity Tier 1 capital (CET1): Instruments and reserves

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Paid-up Capital/ Capital deposited with SBP</td>
<td>10,478,315</td>
<td>10,478,315</td>
</tr>
<tr>
<td>Balance in Share Premium Account</td>
<td>2,550,985</td>
<td>2,550,985</td>
</tr>
<tr>
<td>Reserve for issue of Bonus Shares</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>General/ Statutory Reserves</td>
<td>7,642,526</td>
<td>6,937,292</td>
</tr>
<tr>
<td>Gain/(Losses) on derivatives held as Cash Flow Hedge</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unappropriated/unremitted profits/ (losses)</td>
<td>6,692,612</td>
<td>6,035,228</td>
</tr>
<tr>
<td>Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>CET1 before Regulatory Adjustments</td>
<td>27,364,438</td>
<td>26,001,820</td>
</tr>
</tbody>
</table>

#### Common Equity Tier 1 capital: Regulatory adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill (net of related deferred tax liability)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>All other intangibles (net of any associated deferred tax liability)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shortfall of provisions against classified assets</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Defined-benefit pension fund net assets</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reciprocal cross holdings in CET1 capital instruments</td>
<td>337,414</td>
<td>231,863</td>
</tr>
<tr>
<td>Cash flow hedge reserve</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investment in own shares/ CET1 instruments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Securitization gain on sale</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Capital shortfall of regulated subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deficit on account of revaluation from bank’s holdings of property/ AFS</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amount exceeding 15% threshold</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>of which: significant investments in the common stocks of financial entities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>of which: deferred tax assets arising from temporary differences</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>National specific regulatory adjustments applied to CET1 capital</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investment in TFCs of other banks exceeding the prescribed limit</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Any other deduction specified by SBP (mention details)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Total regulatory adjustments applied to CET1 (sum of 9 to 25)</td>
<td>487,414</td>
<td>381,863</td>
</tr>
</tbody>
</table>

#### Common Equity Tier 1 (a)

<table>
<thead>
<tr>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>26,877,024</td>
<td>25,619,957</td>
</tr>
</tbody>
</table>
### Additional Tier 1 (AT 1) Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Subject to Pre-Basel III Treatment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Qualifying Additional Tier-1 instruments plus any related share premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: Classified as equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: Classified as liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: instrument issued by subsidiaries subject to phase out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 AT1 before regulatory adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38 Investment in own AT1 capital instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 Reciprocal cross holdings in Additional Tier 1 capital instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42 Portion of deduction applied 50% to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions</td>
<td>150,000</td>
<td></td>
<td>150,000</td>
</tr>
<tr>
<td>44 Total of Regulatory Adjustment applied to AT1 capital</td>
<td>150,000</td>
<td></td>
<td>150,000</td>
</tr>
<tr>
<td>45 Additional Tier 1 capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46 Additional Tier 1 capital recognized for capital adequacy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[ \text{Tier 1 Capital (CET1 + admissible AT1)} = (c=a+b) \]

- 26,877,024
- 25,619,957

**Note:** Rupees in ‘000
## Tier 2 Capital

| 47 | Qualifying Tier 2 capital instruments under Basel III | – | – |
| 48 | Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) | – | – |
| 49 | Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | – | – |
| 50 | of which: instruments issued by subsidiaries subject to phase out | – | – |
| 51 | General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 854,152 | 353,674 |
| 52 | Revaluation Reserves | – | – |
| 53 | of which: Revaluation reserves on Property | – | – |
| 54 | of which: Unrealized Gains/Losses on AFS | 278,882 | 1,359,900 |
| 55 | Foreign Exchange Translation Reserves | – | – |
| 56 | Undisclosed/Other Reserves (if any) | – | – |
| 57 | T2 before regulatory adjustments | 1,133,034 | 1,713,574 |

### Tier 2 Capital: regulatory adjustments

| 58 | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | 150,000 | 150,000 |
| 59 | Reciprocal cross holdings in Tier 2 instruments | – | – |
| 60 | Investment in own Tier 2 capital instrument | – | – |
| 61 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | – | – |
| 62 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | – | – |
| 63 | Amount of Regulatory Adjustment applied to T2 capital | 150,000 | 150,000 |
| 64 | Tier 2 capital (T2) | 983,034 | 1,563,574 |
| 65 | Tier 2 capital recognized for capital adequacy | 983,034 | 1,563,574 |
| 66 | Excess Additional Tier 1 capital recognized in Tier 2 capital | – | – |
| 67 | Total Tier 2 capital admissible for capital adequacy | 983,034 | 1,563,574 |

### TOTAL CAPITAL (T1 + admissible T2)

| (e=c+d) | 27,860,058 | 27,183,531 |

### Total Risk Weighted Assets

<p>| (i=f+g+h) | 172,704,792 | 162,482,638 |</p>
<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>Total Credit Risk Weighted Assets</td>
<td>(f)</td>
</tr>
<tr>
<td>69</td>
<td>Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment</td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity</td>
<td></td>
</tr>
<tr>
<td>71</td>
<td>of which: deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>72</td>
<td>of which: Defined-benefit pension fund net assets</td>
<td></td>
</tr>
<tr>
<td>73</td>
<td>of which: Others</td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>Total Market Risk Weighted Assets</td>
<td>(g)</td>
</tr>
<tr>
<td>75</td>
<td>Total Operational Risk Weighted Assets</td>
<td>(h)</td>
</tr>
</tbody>
</table>

**Capital Ratios and buffers (in percentage of risk weighted assets)**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>CET1 to total RWA</td>
<td>(a/i)</td>
</tr>
<tr>
<td>77</td>
<td>Tier-1 capital to total RWA</td>
<td>(c/i)</td>
</tr>
<tr>
<td>78</td>
<td>Total capital to RWA</td>
<td>(e/i)</td>
</tr>
<tr>
<td>79</td>
<td>Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)</td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>of which: capital conservation buffer requirement</td>
<td></td>
</tr>
<tr>
<td>81</td>
<td>of which: countercyclical buffer requirement</td>
<td></td>
</tr>
<tr>
<td>82</td>
<td>of which: D-SIB or G-SIB buffer requirement</td>
<td></td>
</tr>
<tr>
<td>83</td>
<td>CET1 available to meet buffers (as a percentage of risk weighted assets)</td>
<td></td>
</tr>
</tbody>
</table>

**National minimum capital requirements prescribed by SBP**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>84</td>
<td>CET1 minimum ratio</td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>Tier 1 minimum ratio</td>
<td></td>
</tr>
<tr>
<td>86</td>
<td>Total capital minimum ratio</td>
<td></td>
</tr>
</tbody>
</table>

**Amounts below the thresholds for deduction (before risk weighting)**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>87</td>
<td>Non-significant investments in the capital of other financial entities</td>
<td></td>
</tr>
<tr>
<td>88</td>
<td>Significant investments in the common stock of financial entities</td>
<td></td>
</tr>
<tr>
<td>89</td>
<td>Deferred tax assets arising from temporary differences (net of related tax liability)</td>
<td></td>
</tr>
</tbody>
</table>

**Applicable caps on the inclusion of provisions in Tier 2**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)</td>
<td></td>
</tr>
<tr>
<td>91</td>
<td>Cap on inclusion of provisions in Tier 2 under standardized approach</td>
<td></td>
</tr>
<tr>
<td>92</td>
<td>Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)</td>
<td></td>
</tr>
<tr>
<td>93</td>
<td>Cap for inclusion of provisions in Tier 2 under internal ratings-based approach</td>
<td></td>
</tr>
</tbody>
</table>
## 40.4 Capital Structure Reconciliation

### STEP 1

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>As per published financial statements</th>
<th>Under regulatory scope of consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
<td>21,208,774</td>
</tr>
<tr>
<td>Balanced with other banks</td>
<td>3,552,565</td>
<td>3,552,565</td>
</tr>
<tr>
<td>Lending to financial institutions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>142,443,682</td>
<td>142,443,682</td>
</tr>
<tr>
<td>Advances</td>
<td>129,833,937</td>
<td>129,833,937</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>3,034,564</td>
<td>3,034,564</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,947,151</td>
<td>2,947,151</td>
</tr>
<tr>
<td>Other assets</td>
<td>8,433,372</td>
<td>8,433,372</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>311,454,045</td>
<td>311,454,045</td>
</tr>
</tbody>
</table>

**LIABILITIES AND EQUITY**

<table>
<thead>
<tr>
<th>Description</th>
<th>As per published financial statements</th>
<th>Under regulatory scope of consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>3,982,213</td>
<td>3,982,213</td>
</tr>
<tr>
<td>Borrowings</td>
<td>23,057,002</td>
<td>23,057,002</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>247,643,587</td>
<td>247,643,587</td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,787,067</td>
<td>8,787,067</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>283,469,869</td>
<td>283,469,869</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>As per published financial statements</th>
<th>Under regulatory scope of consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital/ Head office capital account</td>
<td>10,478,315</td>
<td>10,478,315</td>
</tr>
<tr>
<td>Reserves</td>
<td>10,193,511</td>
<td>10,193,511</td>
</tr>
<tr>
<td>Unappropriated/ Unremitted profit/ (losses)</td>
<td>6,692,612</td>
<td>6,692,612</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Surplus on revaluation of assets</td>
<td>619,738</td>
<td>619,738</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>27,984,176</td>
<td>27,984,176</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND EQUITY**

<table>
<thead>
<tr>
<th>Description</th>
<th>As per published financial statements</th>
<th>Under regulatory scope of consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>311,454,045</td>
<td>311,454,045</td>
</tr>
</tbody>
</table>
### STEP 2

#### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>As per published financial statements</th>
<th>Under regulatory scope of consolidation</th>
<th>Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
<td>21,208,774</td>
<td></td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>3,552,565</td>
<td>3,552,565</td>
<td></td>
</tr>
<tr>
<td>Lending to financial institutions</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>142,443,682</td>
<td>142,443,682</td>
<td>a</td>
</tr>
<tr>
<td>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>of which: significant capital investments in financial sector entities exceeding regulatory threshold</td>
<td>-</td>
<td>-</td>
<td>b</td>
</tr>
<tr>
<td>of which: Mutual Funds exceeding regulatory threshold</td>
<td>-</td>
<td>-</td>
<td>c</td>
</tr>
<tr>
<td>of which: reciprocal crossholding of capital instrument</td>
<td>-</td>
<td>337,414</td>
<td>d</td>
</tr>
<tr>
<td>of which: others</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>129,833,937</td>
<td>129,833,937</td>
<td>f</td>
</tr>
<tr>
<td>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>general provisions reflected in Tier 2 capital</td>
<td>854,152</td>
<td>854,152</td>
<td>g</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>3,034,564</td>
<td>3,034,564</td>
<td></td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>2,947,151</td>
<td>2,947,151</td>
<td>h</td>
</tr>
<tr>
<td>of which: DTAs excluding those arising from temporary differences exceeding regulatory threshold</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>8,433,372</td>
<td>8,433,372</td>
<td></td>
</tr>
<tr>
<td>of which: Goodwill</td>
<td>-</td>
<td>-</td>
<td>j</td>
</tr>
<tr>
<td>of which: Intangibles</td>
<td>-</td>
<td>-</td>
<td>k</td>
</tr>
<tr>
<td>of which: Defined-benefit pension fund net assets</td>
<td>-</td>
<td>-</td>
<td>l</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>311,454,045</strong></td>
<td><strong>311,454,045</strong></td>
<td></td>
</tr>
<tr>
<td>LIABILITIES &amp; EQUITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>3,982,213</td>
<td>3,982,213</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>23,057,002</td>
<td>23,057,002</td>
<td></td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>247,643,587</td>
<td>247,643,587</td>
<td></td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td></td>
<td>m n o p q r</td>
<td></td>
</tr>
<tr>
<td>of which: eligible for inclusion in AT1</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: eligible for inclusion in Tier 2</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: DTLs related to goodwill</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: DTLs related to intangible assets</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: DTLs related to defined pension fund net assets</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: other deferred tax liabilities</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,787,067</td>
<td>8,787,067</td>
<td></td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>283,469,869</td>
<td>283,469,869</td>
<td></td>
</tr>
</tbody>
</table>

| Share capital        | 13,029,300 | 13,029,300 |
| of which: amount eligible for CET1 | 13,029,300 | 13,029,300 |
| of which: amount eligible for AT1 | - - |
| Reserves             | 7,642,526 | 7,642,526 |
| of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve) | 7,642,526 | 7,642,526 |
| of which: portion eligible for inclusion in Tier 2 | - - |
| Unappropriated profit/ (losses) | 6,692,612 | 6,692,612 |
| Minority Interest    | - - |
| of which: portion eligible for inclusion in CET1 | - - |
| of which: portion eligible for inclusion in AT1 | - - |
| of which: portion eligible for inclusion in Tier 2 | - - |
| Surplus on revaluation of assets | 619,738 | 619,738 |
| of which: Revaluation reserves on Property | 278,882 | 278,882 |
| of which: Unrealized Gains / Losses on AFS - Recognised | 340,856 | 340,856 |
| In case of Deficit on revaluation (deduction from CET1) | - - |
| TOTAL EQUITY         | 27,984,176 | 27,984,176 |

TOTAL LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th>Rupees in ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>311,454,045</td>
</tr>
</tbody>
</table>
Common Equity Tier 1 capital (CET1): Instruments and reserves

<table>
<thead>
<tr>
<th>Component of regulatory capital reported by Bank</th>
<th>Source based on reference number from step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>1 Fully Paid-up Capital/ Capital deposited with SBP</td>
<td>10,478,315 (s)</td>
</tr>
<tr>
<td>2 Balance in Share Premium Account</td>
<td>2,550,985</td>
</tr>
<tr>
<td>3 Reserve for issue of Bonus Shares</td>
<td>-</td>
</tr>
<tr>
<td>4 General/ Statutory Reserves</td>
<td>7,642,526 (u)</td>
</tr>
<tr>
<td>5 Gain/(Losses) on derivatives held as Cash Flow Hedge</td>
<td>-</td>
</tr>
<tr>
<td>6 Unappropriated/unremitted profits/(losses)</td>
<td>6,692,612 (w)</td>
</tr>
<tr>
<td>7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)</td>
<td>- (x)</td>
</tr>
<tr>
<td>8 CET1 before Regulatory Adjustments</td>
<td>27,364,438</td>
</tr>
<tr>
<td>Common Equity Tier 1 capital: Regulatory adjustments</td>
<td></td>
</tr>
<tr>
<td>9 Goodwill (net of related deferred tax liability)</td>
<td>- (j) - (o)</td>
</tr>
<tr>
<td>10 All other intangibles (net of any associated deferred tax liability)</td>
<td>- (k) - (p)</td>
</tr>
<tr>
<td>11 Shortfall of provisions against classified assets</td>
<td>- (f)</td>
</tr>
<tr>
<td>12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)</td>
<td>- (h) - (r) * x%</td>
</tr>
<tr>
<td>13 Defined-benefit pension fund net assets</td>
<td>- (i) - (q) * x%</td>
</tr>
<tr>
<td>14 Reciprocal cross holdings in CET1 capital instruments</td>
<td>337,414 (d)</td>
</tr>
<tr>
<td>15 Cash flow hedge reserve</td>
<td>-</td>
</tr>
<tr>
<td>16 Investment in own shares/ CET1 instruments</td>
<td>-</td>
</tr>
<tr>
<td>17 Securitization gain on sale</td>
<td>-</td>
</tr>
<tr>
<td>18 Capital shortfall of regulated subsidiaries</td>
<td>-</td>
</tr>
<tr>
<td>19 Deficit on account of revaluation from bank's holdings of property/ AFS</td>
<td>- (ab)</td>
</tr>
<tr>
<td>20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)</td>
<td>- (a) - (ac) - (ae)</td>
</tr>
<tr>
<td>21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td>
<td>- (b) - (ad) - (af)</td>
</tr>
<tr>
<td>22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)</td>
<td>- (i)</td>
</tr>
<tr>
<td>23 Amount exceeding 15% threshold</td>
<td>-</td>
</tr>
<tr>
<td>24 of which: significant investments in the common stocks of financial entities</td>
<td>-</td>
</tr>
<tr>
<td>25 of which: deferred tax assets arising from temporary differences</td>
<td>-</td>
</tr>
<tr>
<td>26 National specific regulatory adjustments applied to CET1 capital</td>
<td>-</td>
</tr>
<tr>
<td>27 Investment in TFCs of other banks exceeding the prescribed limit</td>
<td>-</td>
</tr>
<tr>
<td>28 Any other deduction specified by SBP (mention details)</td>
<td>-</td>
</tr>
<tr>
<td>29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions</td>
<td>150,000</td>
</tr>
<tr>
<td>30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)</td>
<td>487,414</td>
</tr>
<tr>
<td>Common Equity Tier 1</td>
<td>26,877,024</td>
</tr>
</tbody>
</table>
### Additional Tier 1 (AT 1) Capital

<table>
<thead>
<tr>
<th>Component of regulatory capital reported by Bank Rupees in '000</th>
<th>Source based on reference number from step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Qualifying Additional Tier-1 instruments plus any related share premium</td>
<td>- (t)</td>
</tr>
<tr>
<td>32 of which: Classified as equity</td>
<td>- (m)</td>
</tr>
<tr>
<td>33 of which: Classified as liabilities</td>
<td>- (y)</td>
</tr>
<tr>
<td>34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)</td>
<td>-</td>
</tr>
<tr>
<td>35 of which: instrument issued by subsidiaries subject to phase out</td>
<td>-</td>
</tr>
<tr>
<td>36 AT1 before regulatory adjustments</td>
<td>-</td>
</tr>
<tr>
<td>37 Additional Tier 1 Capital: regulatory adjustments</td>
<td>-</td>
</tr>
<tr>
<td>38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)</td>
<td>-</td>
</tr>
<tr>
<td>39 Investment in own AT1 capital instruments</td>
<td>-</td>
</tr>
<tr>
<td>40 Reciprocal cross holdings in Additional Tier 1 capital instruments</td>
<td>-</td>
</tr>
<tr>
<td>41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)</td>
<td>- (ac)</td>
</tr>
<tr>
<td>42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital</td>
<td>150,000 (ad)</td>
</tr>
<tr>
<td>43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions</td>
<td>-</td>
</tr>
<tr>
<td>44 Total of Regulatory Adjustment applied to AT1 capital</td>
<td>150,000</td>
</tr>
<tr>
<td>45 Additional Tier 1 capital</td>
<td>-</td>
</tr>
<tr>
<td>46 Additional Tier 1 capital recognized for capital adequacy</td>
<td>-</td>
</tr>
</tbody>
</table>

**Tier 1 Capital (CET1 + admissible AT1)** 26,877,024
### Tier 2 Capital

- Qualifying Tier 2 capital instruments under Basel III
- Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)
- Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)
- of which: instruments issued by subsidiaries subject to phase out
- General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets
- Revaluation Reserves eligible for Tier 2
  - of which: portion pertaining to Property
  - of which: portion pertaining to AFS securities - unrecognised
  - of which: portion pertaining to AFS securities - recognised
- Foreign Exchange Translation Reserves
- Undisclosed / Other Reserves (if any)

### Tier 2 before regulatory adjustments

<table>
<thead>
<tr>
<th>Component of regulatory capital reported by Bank</th>
<th>Source based on reference number from step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in '000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2 Capital: regulatory adjustments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>T2 before regulatory adjustments</td>
<td>1,133,034</td>
</tr>
<tr>
<td>Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital</td>
<td>150,000</td>
</tr>
<tr>
<td>Reciprocal cross holdings in Tier 2 instruments</td>
<td>-</td>
</tr>
<tr>
<td>Investment in own Tier 2 capital instrument</td>
<td>-</td>
</tr>
<tr>
<td>Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)</td>
<td>- (ae)</td>
</tr>
<tr>
<td>Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
<td>- (af)</td>
</tr>
<tr>
<td>Amount of Regulatory Adjustment applied to T2 capital</td>
<td>150,000</td>
</tr>
<tr>
<td>Tier 2 capital (T2)</td>
<td>983,034</td>
</tr>
<tr>
<td>Tier 2 capital recognized for capital adequacy</td>
<td>983,034</td>
</tr>
<tr>
<td>Excess Additional Tier 1 capital recognized in Tier 2 capital</td>
<td></td>
</tr>
<tr>
<td>Total Tier 2 capital admissible for capital adequacy</td>
<td>983,034</td>
</tr>
</tbody>
</table>

**TOTAL CAPITAL (T1 + admissible T2)**: 27,860,058
40.5 Main features template of regulatory capital instruments

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Habib Metropolitan Bank Ltd.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>HMB</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Capital Market Law</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Common Equity Tier 1</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Common Equity Tier 1</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Group &amp; standalone</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Common Shares</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>27,860,058</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>PKR 10</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Shareholders' equity</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>1992</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Perpetual</td>
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<tr>
<td>13</td>
<td></td>
<td>No maturity</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>16</td>
<td></td>
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<tr>
<td>17</td>
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<td>Not Applicable</td>
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<tr>
<td>18</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Fully discretionary</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>Non-convertible</td>
</tr>
<tr>
<td>24</td>
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<td>Not Applicable</td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>27</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>28</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>29</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>30</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>31</td>
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<td>Not Applicable</td>
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<td>32</td>
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<tr>
<td>33</td>
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<td>Not Applicable</td>
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<tr>
<td>34</td>
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<td>Not Applicable</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>36</td>
<td></td>
<td>Not Applicable</td>
</tr>
<tr>
<td>37</td>
<td></td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>
40.6 Capital adequacy ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP’s guidelines on capital adequacy is as follows:

<table>
<thead>
<tr>
<th>Credit risk</th>
<th>Capital Requirements</th>
<th>Risk Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolios subject to standardised approach (Simple)</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Rupees in '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Government of Pakistan and SBP</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>62,867</td>
<td>45,076</td>
</tr>
<tr>
<td>Banks</td>
<td>480,516</td>
<td>589,590</td>
</tr>
<tr>
<td>Corporate</td>
<td>9,384,717</td>
<td>7,837,789</td>
</tr>
<tr>
<td>Retail</td>
<td>24,343</td>
<td>301,963</td>
</tr>
<tr>
<td>Residential mortgage finance</td>
<td>32,662</td>
<td>24,473</td>
</tr>
<tr>
<td>Past due loans</td>
<td>294,733</td>
<td>596,483</td>
</tr>
<tr>
<td>Listed, unlisted equity investments and regulatory capital instruments issued by other banks</td>
<td>87,199</td>
<td>236,014</td>
</tr>
<tr>
<td>Claims on fixed assets</td>
<td>303,456</td>
<td>299,967</td>
</tr>
<tr>
<td>All other assets</td>
<td>483,693</td>
<td>1,474,102</td>
</tr>
<tr>
<td></td>
<td>11,154,186</td>
<td>11,405,457</td>
</tr>
<tr>
<td>Off balance sheet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non market related</td>
<td>2,926,039</td>
<td>2,491,664</td>
</tr>
<tr>
<td>Market related</td>
<td>97,942</td>
<td>64,429</td>
</tr>
<tr>
<td></td>
<td>3,023,981</td>
<td>2,556,093</td>
</tr>
<tr>
<td>Total Credit Risk</td>
<td>14,178,167</td>
<td>13,961,550</td>
</tr>
</tbody>
</table>

Market risk

Capital requirement for portfolios subject to Standardised Approach

| Interest rate risk | 522,036 | – | 6,525,446 | – |
| Foreign exchange risk | 21,049 | 29,978 | 263,117 | 374,731 |
| Equity position risk | 43,999 | – | 549,988 | – |
| Total Market risk | 587,084 | 29,978 | 7,338,551 | 374,731 |

Operational risk

Capital requirement for operational risks subject to Basic Indicator Approach

| Total Risk Weighted Assets | 1,886,765 | 1,817,942 | 23,584,563 | 22,724,275 |
| | | | | |

Capital adequacy ratio

Total eligible regulatory capital held (note 40.3) (e) 27,860,058 27,183,531

Total risk weighted assets (note 40.3) (i) 172,704,792 162,482,638

Capital adequacy ratio (e)/(i) 16.13% 16.73%
40.7 Credit risk: General disclosures – Basel II specific

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numerical scale of each agency used with risk bucket’s as per SBP Basel II guidelines is given below:

<table>
<thead>
<tr>
<th>Types of exposures and ECAI's used</th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposures</td>
<td>JCR-VIS</td>
<td>PACRA</td>
</tr>
<tr>
<td>Corporate Banks</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Sovereigns</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SME's</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Securitisation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

40.8 Credit Exposures subject to Standardised Approach

<table>
<thead>
<tr>
<th>Exposures</th>
<th>Rating category</th>
<th>Amount outstanding</th>
<th>Deduction CRM</th>
<th>Net amount</th>
<th>Amount outstanding</th>
<th>Deduction CRM</th>
<th>Net amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td></td>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>1</td>
<td>1,365,493</td>
<td>11,404</td>
<td>1,354,089</td>
<td>4,454,666</td>
<td>11,404</td>
<td>3,238,102</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>6,465,864</td>
<td>2,412</td>
<td>6,463,452</td>
<td>6,959,679</td>
<td>127,595</td>
<td>6,832,084</td>
</tr>
<tr>
<td></td>
<td>5, 6</td>
<td>89,793</td>
<td>-</td>
<td>89,793</td>
<td>160,702</td>
<td>-</td>
<td>160,702</td>
</tr>
<tr>
<td>Claims on banks with original maturity of 3 months or less</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
<td>4,454,666</td>
<td>-</td>
<td>4,454,666</td>
<td>4,125,614</td>
<td>-</td>
<td>4,125,614</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2,199,834</td>
<td>1,449,551</td>
<td>750,283</td>
<td>7,771,227</td>
<td>1,513,009</td>
<td>6,258,218</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>1</td>
<td>14,162,359</td>
<td>6,337,272</td>
<td>7,825,087</td>
<td>4,378,011</td>
<td>-</td>
<td>4,378,011</td>
</tr>
<tr>
<td></td>
<td>2, 3</td>
<td>7,273</td>
<td>-</td>
<td>7,273</td>
<td>36,941</td>
<td>-</td>
<td>36,941</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>178,276,327</td>
<td>-</td>
<td>178,276,327</td>
<td>199,260,915</td>
<td>1,459,865</td>
<td>197,801,050</td>
</tr>
<tr>
<td>Unrated</td>
<td>1</td>
<td>130,068,727</td>
<td>7,792,235</td>
<td>122,276,492</td>
<td>109,233,189</td>
<td>6,227,599</td>
<td>103,005,590</td>
</tr>
</tbody>
</table>

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

41. RISK MANAGEMENT

Risk management aspects are embedded in the Bank's strategy, organization structure and processes. The Bank has adopted a cohesive risk management structure for credit, operations, liquidity and market risk to strengthen the process and system from the foundation as controls are more effective and valuable when built into the process. Effective risk management is
considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Bank’s system and organization.

41.1 Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the Bank.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 141,781,679 thousand (2012: Rs. 139,383,632 thousand) as depicted in note 40.6.

The Bank’s strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Bank, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the Bank’s credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

The Bank’s credit policy / instructions defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The Bank continually assesses and monitors credit exposures. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management’s judgement with respect to the borrower’s character, activity, cash flow, capital structure, security, quality of management and delinquency.

41.1.1 Segmental information

<table>
<thead>
<tr>
<th>Segment by class of business</th>
<th>2013</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>advances (Gross)</td>
<td>deposits (Rs. in ’000)</td>
<td>%</td>
<td>Contingencies and commitments</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Agriculture, forestry, hunting and fishing</td>
<td>42,526</td>
<td>2,582,633</td>
<td>0.03</td>
<td>1,033,128</td>
<td>0.42</td>
<td>65,317</td>
</tr>
<tr>
<td>Automobile and transportation equipment</td>
<td>74,728</td>
<td>6,491,029</td>
<td>0.05</td>
<td>5,385,919</td>
<td>2.17</td>
<td>3,759,551</td>
</tr>
<tr>
<td>Chemicals and pharmaceuticals</td>
<td>86,648</td>
<td>6,850,038</td>
<td>0.45</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Construction</td>
<td>981,064</td>
<td>6,580,038</td>
<td>0.68</td>
<td>3,759,551</td>
<td>1.76</td>
<td>945,183</td>
</tr>
<tr>
<td>Electronic and electrical appliances</td>
<td>4,556,949</td>
<td>6,850,038</td>
<td>3.16</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Exports / imports</td>
<td>4,535,513</td>
<td>3,549,280</td>
<td>4.48</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Financial</td>
<td>2,174,595</td>
<td>4,133,846</td>
<td>1.51</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Footwear and leather garments</td>
<td>732,576</td>
<td>5,291,141</td>
<td>0.51</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Individuals</td>
<td>1,391,964</td>
<td>90,961,378</td>
<td>0.97</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Insurance</td>
<td>405,370</td>
<td>1,486,685</td>
<td>0.28</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>7,977,099</td>
<td>2,184,862</td>
<td>5.53</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Power (electricity), gas, water, sanitary services</td>
<td>2,197,318</td>
<td>694,083</td>
<td>0.01</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Sugar</td>
<td>1,713,491</td>
<td>16,164,778</td>
<td>1.19</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Textile</td>
<td>6,397,000</td>
<td>20,024</td>
<td>4.33</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>3,440,426</td>
<td>620,795</td>
<td>2.39</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>28,962,134</td>
<td>104,143,724</td>
<td>20.09</td>
<td>7,193,798</td>
<td>3.37</td>
<td>945,183</td>
</tr>
<tr>
<td>Others</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Total</td>
<td>144,143,950</td>
<td>247,643,587</td>
<td>100.00</td>
<td>213,189,657</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

86
## Details of non-performing advances and specific provisions by class of business segment

<table>
<thead>
<tr>
<th>Segment by sector</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs. in '000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances (Gross)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public / Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19,218,718</td>
<td>13.33</td>
<td>28,620,310</td>
</tr>
<tr>
<td>124,925,232</td>
<td>86.67</td>
<td>219,023,277</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td></td>
</tr>
<tr>
<td>144,143,950</td>
<td>100.00</td>
<td>247,643,587</td>
</tr>
</tbody>
</table>

## Details of non-performing advances and specific provisions by sector

<table>
<thead>
<tr>
<th>Segment by sector</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs. in '000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classified advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific provision held</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile and transportation equipment</td>
<td>85,688</td>
<td>98,186</td>
</tr>
<tr>
<td>Cement</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Chemical and pharmaceuticals</td>
<td>33,789</td>
<td>34,003</td>
</tr>
<tr>
<td>Construction</td>
<td>24,006</td>
<td>136,506</td>
</tr>
<tr>
<td>Electronics and electrical appliances</td>
<td>837,821</td>
<td>854,508</td>
</tr>
<tr>
<td>Exports / imports</td>
<td>1,120,010</td>
<td>1,079,319</td>
</tr>
<tr>
<td>Footwear and leather garments</td>
<td>17,365</td>
<td>64,612</td>
</tr>
<tr>
<td>Individuals</td>
<td>22,442</td>
<td>57,835</td>
</tr>
<tr>
<td>Power (electricity), gas, water, sanitary</td>
<td>72,920</td>
<td>73,075</td>
</tr>
<tr>
<td>Services</td>
<td>240,250</td>
<td>247,381</td>
</tr>
<tr>
<td>Textile</td>
<td>12,796,622</td>
<td>13,101,012</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>12,335</td>
<td>116,961</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>455,954</td>
<td>573,088</td>
</tr>
<tr>
<td>Others</td>
<td>1,229,334</td>
<td>1,268,001</td>
</tr>
<tr>
<td>Total assets employed</td>
<td>16,973,536</td>
<td>17,729,487</td>
</tr>
</tbody>
</table>

## Geographical segment analysis

<table>
<thead>
<tr>
<th>Segment by sector</th>
<th>2013</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs. in '000)</td>
<td>Profit before taxation</td>
<td>Total assets employed</td>
<td>Net assets employed</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5,111,816</td>
<td>311,454,045</td>
<td>27,984,176</td>
</tr>
</tbody>
</table>

Total assets employed include intra group items of Rs. 99,480 thousand.
41.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

The Board of Directors oversees the Bank’s strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the Bank and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy amongst other aspects covers the Bank asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the Bank has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system and a middle office function oversees limit adherence. Market risk can be further categorised into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

41.3 Foreign exchange risk

Foreign exchange risk is the probability of loss resulting from adverse movement is exchange rates.

The Bank’s business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Bank is not in the business of actively trading and market making activities. A conservative risk approach and the Bank’s business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs generally and frequently provide foreign exchange to the inter-bank market.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Off-balance sheet items</th>
<th>Net foreign currency exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan Rupee</td>
<td>271,650,554</td>
<td>245,951,804</td>
<td>2,261,317</td>
<td>27,960,067</td>
</tr>
<tr>
<td>United States Dollar</td>
<td>35,712,134</td>
<td>33,233,542</td>
<td>(2,674,220)</td>
<td>(195,628)</td>
</tr>
<tr>
<td>Euro</td>
<td>2,666,198</td>
<td>1,349,864</td>
<td>(1,294,347)</td>
<td>21,987</td>
</tr>
<tr>
<td>Great Britain Pound</td>
<td>651,484</td>
<td>2,558,940</td>
<td>1,920,008</td>
<td>12,552</td>
</tr>
<tr>
<td>Asian Currency Unit</td>
<td>568,463</td>
<td>372,900</td>
<td></td>
<td>195,563</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>126,302</td>
<td>1,006</td>
<td>(168,678)</td>
<td>(43,382)</td>
</tr>
<tr>
<td>Arab Emirates Dirham</td>
<td>3,239</td>
<td>128</td>
<td></td>
<td>3,111</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>3,016</td>
<td></td>
<td></td>
<td>3,016</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>3,308</td>
<td></td>
<td></td>
<td>3,308</td>
</tr>
<tr>
<td>Saudi Riyal</td>
<td>10,383</td>
<td></td>
<td>(7,045)</td>
<td>3,338</td>
</tr>
<tr>
<td>Other currencies</td>
<td>58,964</td>
<td>1,685</td>
<td>(37,035)</td>
<td>20,244</td>
</tr>
<tr>
<td></td>
<td>39,803,491</td>
<td>37,518,065</td>
<td>(2,261,317)</td>
<td>24,109</td>
</tr>
<tr>
<td></td>
<td>311,454,045</td>
<td>283,469,869</td>
<td></td>
<td>- 27,984,176</td>
</tr>
</tbody>
</table>
2012

<table>
<thead>
<tr>
<th></th>
<th>Assets Rupees in '000</th>
<th>Liabilities Rupees in '000</th>
<th>Off-balance sheet items Rupees in '000</th>
<th>Net foreign currency exposure Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan Rupee</td>
<td>275,418,772</td>
<td>250,523,585</td>
<td>3,607,429</td>
<td>28,502,616</td>
</tr>
<tr>
<td>United States Dollar</td>
<td>26,385,620</td>
<td>21,803,853</td>
<td>(5,328,145)</td>
<td>(746,378)</td>
</tr>
<tr>
<td>Euro</td>
<td>1,259,653</td>
<td>1,201,279</td>
<td>(20,233)</td>
<td>38,141</td>
</tr>
<tr>
<td>Great Britain Pound</td>
<td>535,202</td>
<td>2,363,251</td>
<td>1,815,373</td>
<td>(12,676)</td>
</tr>
<tr>
<td>Asian Currency Unit</td>
<td>715,061</td>
<td>329,836</td>
<td>-</td>
<td>385,225</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>14,385</td>
<td>4,637</td>
<td>(10,286)</td>
<td>(538)</td>
</tr>
<tr>
<td>Arab Emirates Dirham</td>
<td>23,688</td>
<td>114</td>
<td>(20,778)</td>
<td>2,796</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>11,726</td>
<td>-</td>
<td>(10,238)</td>
<td>1,488</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>-</td>
<td>364</td>
<td>-</td>
<td>(364)</td>
</tr>
<tr>
<td>Saudi Riyal</td>
<td>5,652</td>
<td>-</td>
<td>-</td>
<td>5,652</td>
</tr>
<tr>
<td>Other currencies</td>
<td>46,300</td>
<td>1,115</td>
<td>(33,122)</td>
<td>12,063</td>
</tr>
<tr>
<td></td>
<td><strong>304,416,059</strong></td>
<td><strong>276,228,034</strong></td>
<td><strong>-</strong></td>
<td><strong>-28,188,025</strong></td>
</tr>
</tbody>
</table>
### 41.4 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Bank are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Bank based on the earlier of contractual repricing or maturity date is as follows:

#### On-balance sheet financial instruments

<table>
<thead>
<tr>
<th>Effective yield/interest rate %</th>
<th>Exposed to yield/interest risk</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Upto 1 month</td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
<td>21,208,774</td>
</tr>
<tr>
<td>Balance with other banks</td>
<td>3,552,565</td>
<td>3,552,565</td>
</tr>
<tr>
<td>Advances</td>
<td>129,833,937</td>
<td>129,833,937</td>
</tr>
<tr>
<td>Investments</td>
<td>1,948,816</td>
<td>1,948,816</td>
</tr>
<tr>
<td>Other assets</td>
<td>6,326,818</td>
<td>6,326,818</td>
</tr>
<tr>
<td>Total</td>
<td>181,555,804</td>
<td>181,555,804</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Effective yield/interest rate %</th>
<th>Exposed to yield/interest risk</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>3,982,213</td>
<td>3,982,213</td>
</tr>
<tr>
<td>Borrowings</td>
<td>519,298</td>
<td>519,298</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>69,731,040</td>
<td>69,731,040</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,787,786</td>
<td>2,787,786</td>
</tr>
<tr>
<td>Total</td>
<td>73,591,247</td>
<td>73,591,247</td>
</tr>
</tbody>
</table>

#### On-balance sheet gap

<table>
<thead>
<tr>
<th>Non-interest bearing financial instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total yield / interest risk sensitivity gap</td>
</tr>
<tr>
<td>Cumulative yield / interest risk sensitivity gap</td>
</tr>
</tbody>
</table>
### Effective yield/interest rate %

<table>
<thead>
<tr>
<th>Exposed to yield/interest risk</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upto 1 month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 1 month to 3 months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 3 months to 6 months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 6 months to 1 year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 1 year to 2 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 2 years to 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 3 years to 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 5 years to 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest bearing financial instruments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### On-balance sheet financial instruments

**Assets**
- Cash and balances with treasury banks
- Balances with other banks
- Investments
- Advances
- Other assets

**Liabilities**
- Bills payable
- Borrowings
- Deposits and other accounts
- Other liabilities

#### Off-balance sheet financial instruments

- Forward purchase
- Forward sale

#### Total yield / interest risk sensitivity gap

#### Cumulative yield / interest risk sensitivity gap

### 41.4.1 Reconciliation of assets and liabilities exposed to yield/interest rate risk with total assets and liabilities

<table>
<thead>
<tr>
<th>2013 (Rupees in '000)</th>
<th>2012 (Rupees in '000)</th>
<th>2013 (Rupees in '000)</th>
<th>2012 (Rupees in '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total financial assets</td>
<td>303,365,776</td>
<td>297,616,162</td>
<td>Total financial liabilities</td>
</tr>
<tr>
<td>Add: non financial assets</td>
<td></td>
<td></td>
<td>Add: non financial liabilities</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>3,034,564</td>
<td>2,999,673</td>
<td>Other liabilities</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,947,151</td>
<td>2,311,746</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>2,106,554</td>
<td>1,430,288</td>
<td></td>
</tr>
<tr>
<td>Balance as per Statement of Financial Position</td>
<td>311,454,045</td>
<td>304,416,059</td>
<td>Balance as per Statement of Financial Position</td>
</tr>
</tbody>
</table>
41.5 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. ALCO manages the liquidity position on a continuous basis.

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. The Bank's liquidity profile generally comprises of short-term, secured assets, in line with the Bank's credit strategy.

The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date. Assets and liabilities that do not have contractual time/payable on demand have been classified in the first bucket, except that investments in equity securities, certain other liabilities and other assets are assumed to mature on the expected date on which the assets/liabilities will be realised/settled.

41.5.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Bank

The maturity profile set out below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the manner as explained above.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>Rupees '000</td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>35,526,565</td>
</tr>
<tr>
<td>Lending to financial institutions</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>14,414,168</td>
</tr>
<tr>
<td>Advances</td>
<td>212,008,347</td>
</tr>
<tr>
<td>Other assets</td>
<td>8,433,732</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>39,822,213</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,057,002</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>24,641,567</td>
</tr>
<tr>
<td>Share capital</td>
<td>27,984,176</td>
</tr>
</tbody>
</table>

(All figures in Rupees '000)
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Up to 1 month</td>
<td>Over 1 month to</td>
<td>Over 3 months to</td>
<td>Over 6 months to</td>
<td>Over 1 year to</td>
<td>Over 2 years to</td>
<td>Over 3 years to</td>
<td>Over 5 years to</td>
<td>Over 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 months</td>
<td>6 months</td>
<td>1 year</td>
<td>2 years</td>
<td>3 years</td>
<td>5 years</td>
<td>10 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances</td>
<td>16,918,780</td>
<td>16,918,780</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with treasury banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with banks</td>
<td>5,151,116</td>
<td>5,151,116</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lendings to financial</td>
<td>160,849,741</td>
<td>12,156,839</td>
<td>22,934,817</td>
<td>8,909,216</td>
<td>7,156,782</td>
<td>14,567,647</td>
<td>3,367,871</td>
<td>3,654,825</td>
<td>23,302,954</td>
<td>300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>110,444,198</td>
<td>37,225,559</td>
<td>31,951,615</td>
<td>16,465,362</td>
<td>11,017,087</td>
<td>3,489,565</td>
<td>2,337,378</td>
<td>6,077,253</td>
<td>217,846</td>
<td>60,434</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>2,999,673</td>
<td>40,927</td>
<td>98,254</td>
<td>147,381</td>
<td>294,762</td>
<td>453,444</td>
<td>243,114</td>
<td>232,404</td>
<td>937,620</td>
<td>957,677</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,311,746</td>
<td>(73,919)</td>
<td>(130,130)</td>
<td>(89,402)</td>
<td>16,530</td>
<td>56,307</td>
<td>740,432</td>
<td>716,406</td>
<td>20,404</td>
<td>151,087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>2,940,859</td>
<td>4,961,564</td>
<td>32,010</td>
<td>145,442</td>
<td>120,356</td>
<td>35,493</td>
<td>16,504</td>
<td>16,504</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>304,840,050</td>
<td>76,450,670</td>
<td>55,100,066</td>
<td>25,597,499</td>
<td>83,040,017</td>
<td>18,644,190</td>
<td>6,729,286</td>
<td>10,297,372</td>
<td>26,794,435</td>
<td>1,166,164</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill payable</td>
<td>4,082,268</td>
<td>4,082,268</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>45,102,640</td>
<td>238,948</td>
<td>9,406,016</td>
<td>9,257,899</td>
<td>1,085,362</td>
<td>437,354</td>
<td>330,907</td>
<td>59,903</td>
<td>168,217</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and accounts</td>
<td>213,791,754</td>
<td>149,400,709</td>
<td>26,954,012</td>
<td>14,440,059</td>
<td>17,080,771</td>
<td>2,619,670</td>
<td>1,931,111</td>
<td>511,654</td>
<td>263,418</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9,235,372</td>
<td>4,600,049</td>
<td>1,186,006</td>
<td>560,099</td>
<td>1,781,032</td>
<td>84,972</td>
<td>62,387</td>
<td>512,395</td>
<td>495,018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets/ liability</strong></td>
<td>276,282,034</td>
<td>381,946,666</td>
<td>37,596,003</td>
<td>26,263,367</td>
<td>19,995,399</td>
<td>314,636</td>
<td>2,327,185</td>
<td>6,477,302</td>
<td>830,746</td>
<td>1,166,164</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>10,470,315</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>2,481,277</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unappropriated profit</td>
<td>6,035,238</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus on revaluation of assets - net of tax</td>
<td>2,386,265</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,188,025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 41.5.2 Maturities of assets and liabilities - based on historical pattern of assets and liabilities of the Bank

The maturity profile set out below has been prepared as determined by the Assets and Liabilities Committee (ALCO), keeping in view the historical pattern of those current and saving deposit accounts which do not have contractual maturity.

<table>
<thead>
<tr>
<th>2013 Total</th>
<th>Upto 1 month</th>
<th>Over 1 month to 3 months</th>
<th>Over 3 months to 6 months</th>
<th>Over 6 months to 1 year</th>
<th>Over 1 year to 2 years</th>
<th>Over 2 years to 3 years</th>
<th>Over 3 years to 5 years</th>
<th>Over 5 years to 10 years</th>
<th>Over 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>21,208,774</td>
<td>21,208,774</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>3,552,565</td>
<td>3,552,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lendings to financial institutions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
<td>1,391,456</td>
</tr>
<tr>
<td>Advances</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
<td>25,051,846</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
<td>46,862</td>
</tr>
<tr>
<td>Other assets</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
<td>5,530,065</td>
</tr>
</tbody>
</table>

| Liabilities |              |                          |                           |                         |                       |                        |                        |                          |                  |
|-------------|--------------|--------------------------|---------------------------|-------------------------|-----------------------|------------------------|------------------------|                          |                  |
| Bills payable | 3,982,133 | 3,982,133 | - | - | - | - | - | - | - |
| Borrowings | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 | 23,051,002 |
| Other Liabilities | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 | 8,787,067 |

<p>| Net assets / (liabilities) |              |                          |                           |                         |                       |                        |                        |                          |                  |
|---------------------------|--------------|--------------------------|---------------------------|-------------------------|-----------------------|------------------------|------------------------|                          |                  |
| Share capital | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 | 10,478,315 |
| Reserves | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 | 10,193,511 |
| Unappropriated profit | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 | 6,692,612 |
| Surplus on revaluation of assets - net of tax | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 | 6,197,38 |</p>
<table>
<thead>
<tr>
<th>Assets</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with treasury banks</td>
<td>16,918,780</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>5,151,116</td>
</tr>
<tr>
<td>Lendings to financial institutions</td>
<td>–</td>
</tr>
<tr>
<td>Investments</td>
<td>160,849,741</td>
</tr>
<tr>
<td>Advances</td>
<td>110,444,398</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>2,999,673</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,311,746</td>
</tr>
<tr>
<td>Other assets</td>
<td>5,740,005</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,188,025</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>4,092,268</td>
</tr>
<tr>
<td>Borrowings</td>
<td>45,102,640</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>217,797,754</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>9,235,372</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>276,228,034</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets / liabilities</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>10,478,315</td>
</tr>
<tr>
<td>Reserves</td>
<td>9,488,277</td>
</tr>
<tr>
<td>Unappropriated profit</td>
<td>6,035,228</td>
</tr>
<tr>
<td>Surplus on revaluation of assets - net of tax</td>
<td>2,186,205</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,186,205</strong></td>
</tr>
</tbody>
</table>
41.6 Operational risk

The Bank operates in a controlled manner and operational risk is generally managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Bank's strategy is to further strengthen risk management system along new industry standards.

The Bank's operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Tread way Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software, hardware and IT security.

While broadening risk awareness and assuring regulatory compliance, Internal Audit department of the Bank is an important pillar of the Bank's risk management and controls infrastructure, performing continuous reviews to improve the quality of the Bank's internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the Bank's risk mitigation endeavours.

The Bank's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Bank's operational risk management infrastructure has been further strengthened through the establishment of a separate operational and risk control unit.

41.7 Operational risk - Disclosures Basel II specific

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 1,886,765 thousand (2012: Rs. 1,817,942 thousand).
42. **KEY ISLAMIC BANKING OPERATIONS**

42.1 The Bank is operating 6 (2012: 4) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2013 and for the year are as follows:

**STATEMENT OF FINANCIAL POSITION**

<table>
<thead>
<tr>
<th>Note</th>
<th>AS AT 31 DECEMBER 2013</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ASSETS**

- Cash and balances with treasury banks: 1,150,981
- Balances with other banks: -
- Due from financial institutions: -
- Investments: 14,042,730
- Islamic financing and related assets: 7,429,012
- Operating fixed assets: 18,940
- Deferred tax assets: -
- Other assets: 2,738,851

**LIABILITIES**

- Bills payable: 148,884
- Due to financial institutions: 165,900
- Deposits and other accounts:
  - Current accounts: 2,975,339
  - Saving deposits: 6,872,578
  - Term deposits: 11,231,401
  - Others: 154,578
  - Deposits from financial institutions - remunerative: 1,541,006
  - Deposits from financial institutions - non - remunerative: 9,957
- Due to head office: -
- Other liabilities: 649,396

**NET ASSETS**

- 22,784,859
- Due to head office: -
- Other liabilities: 649,396

**REPRESENTED BY**

- Islamic banking fund: 1,002,633
- Reserves: -
- Unappropriated / unremitted profit: 505,306
- Surplus on revaluation of assets: 123,536

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
</tbody>
</table>
**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / return on financing, investments and placements earned</td>
<td>1,918,823</td>
<td>2,219,090</td>
</tr>
<tr>
<td>Profit / return on deposit and other dues expensed</td>
<td>(1,338,506)</td>
<td>(1,621,499)</td>
</tr>
<tr>
<td>Net spread earned</td>
<td>580,317</td>
<td>597,591</td>
</tr>
<tr>
<td>Provision against non performing financing</td>
<td>15,405</td>
<td>25,553</td>
</tr>
<tr>
<td>Provision for diminution in the value of investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for consumer financing Ijarah</td>
<td>(64)</td>
<td>(17)</td>
</tr>
<tr>
<td>Bad debts written off directly</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net spread after provisions</td>
<td>(15,341)</td>
<td>(25,536)</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee, commission and brokerage income</td>
<td>22,808</td>
<td>21,933</td>
</tr>
<tr>
<td>Dividend income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income from dealing in foreign currencies</td>
<td>12,413</td>
<td>10,898</td>
</tr>
<tr>
<td>Gain on sale / redemption of securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gain / (loss) on revaluation of investments classified as held-for-trading</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>37,085</td>
<td>47,008</td>
</tr>
<tr>
<td>Total other income</td>
<td>72,306</td>
<td>79,839</td>
</tr>
<tr>
<td>OTHER EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>131,976</td>
<td>105,043</td>
</tr>
<tr>
<td>Other provisions / write offs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other charges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total other expenses</td>
<td>(131,976)</td>
<td>(105,043)</td>
</tr>
<tr>
<td>Extra-ordinary / unusual items</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PROFIT BEFORE TAXATION</td>
<td>505,306</td>
<td>546,851</td>
</tr>
</tbody>
</table>

**42.2 Remuneration to Shariah Advisor / Board**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,749</td>
<td>1,836</td>
</tr>
</tbody>
</table>

**42.3 Charity Fund**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>-</td>
<td>211</td>
</tr>
<tr>
<td>Payments / utilization during the year</td>
<td>-</td>
<td>(221)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
### A-2 Islamic financing and related assets

#### Financings / investments / receivables

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murabaha</td>
<td>5,669,333</td>
<td>3,811,939</td>
</tr>
<tr>
<td>Ijarah</td>
<td>198,293</td>
<td>422,920</td>
</tr>
<tr>
<td>Diminishing musharaka</td>
<td>1,122,334</td>
<td>614,446</td>
</tr>
<tr>
<td>Export refinance murabaha</td>
<td>165,900</td>
<td>343,176</td>
</tr>
<tr>
<td>Receivable from customer against murabaha</td>
<td>-</td>
<td>14,784</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,155,860</strong></td>
<td><strong>5,207,265</strong></td>
</tr>
</tbody>
</table>

#### Advances

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance against murabaha</td>
<td>70,980</td>
<td>100,657</td>
</tr>
<tr>
<td>Advance against ijarah</td>
<td>4,686</td>
<td>4,511</td>
</tr>
<tr>
<td>Advance against diminishing musharaka</td>
<td>197,486</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>273,152</strong></td>
<td><strong>105,168</strong></td>
</tr>
</tbody>
</table>

#### A-2.1 Islamic mode of financing

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financings / investments / receivables</td>
<td>7,155,860</td>
<td>5,207,265</td>
</tr>
<tr>
<td>Advances</td>
<td>273,152</td>
<td>105,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,429,012</strong></td>
<td><strong>5,312,433</strong></td>
</tr>
</tbody>
</table>

#### A-2.2 Murabaha financing

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murabaha receivable - gross</td>
<td>6,009,883</td>
<td>4,062,448</td>
</tr>
<tr>
<td>Less: Deferred murabaha income</td>
<td>(309,189)</td>
<td>(208,586)</td>
</tr>
<tr>
<td>Provision against Murabaha Financing</td>
<td>(31,361)</td>
<td>(41,923)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,669,333</strong></td>
<td><strong>3,811,939</strong></td>
</tr>
</tbody>
</table>

### 42.4 Following pools are maintained by the Bank’s Islamic Banking Division (IBD)

- General pool - local currency
- General pool - foreign currencies and
- Islamic Export Refinance Scheme musharaka pool
42.4.1 Nature of general pools local and foreign currencies

a) Consideration attached with risk and reward

- Period, return, safety, security and liquidity of investment
- All financing proposals under process at various stages and likely to be extended in near future
- Expected withdrawal of deposits according to the maturities affecting the deposit base
- Maturities of funds obtained under modaraba arrangement from Head Office, Islamic Banking financial institutions
- Element of risk associated with different kind of investments
- Regulatory requirement
- Shariah compliance

b) Priority of utilization of funds

- Equity funds
- Depositor funds
- Placement / Investments of other IBI
- Mudaraba placement of HabibMetro (Head Office)

c) Weightages for distribution of profits

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors.

- Contracted period, nature and type of deposit / fund
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next quarter.

d) Identification and allocation of pool related income and expenditure:

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by HabibMetro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; HabibMetro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.
42.4.2 Islamic Export Refinance Scheme musharaka pool

All the features and other details of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

42.5 Avenues / sectors of economy / business where mudaraba based deposits have been deployed.

- Agriculture, foretting, hunting and fishing
- Automobile and transportation equipment
- Chemical and pharmaceuticals
- Electronic and electrical appliances
- Financials
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Others

42.6 Parameters used for allocation of profit, charging expenses and provisions etc.

a) Basis of profit allocation

<table>
<thead>
<tr>
<th></th>
<th>From July 01, 2013 to December 31, 2013</th>
<th>From April 01, 2013 to June 30, 2013</th>
<th>From January 01, 2013 to March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local Currency</td>
<td>Foreign Currency</td>
<td>Local Currency</td>
</tr>
<tr>
<td>- Rabbul Maal</td>
<td>50%</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>- Mudarib</td>
<td>50%</td>
<td>90%</td>
<td>50%</td>
</tr>
</tbody>
</table>

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment cost shall be borne by IBD as Mudarib.

c) Provisions

Specific provision amounting to Rs. 15,341 thousand has been made during the year 2013.

42.7 Mudarib share (in amount and percentage of distributable income)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>%</td>
</tr>
<tr>
<td>Rabbul Maal</td>
<td>984,201</td>
<td>49.81%</td>
</tr>
<tr>
<td>Mudarib</td>
<td>991,549</td>
<td>50.19%</td>
</tr>
<tr>
<td>Distributable Income</td>
<td>1,975,750</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
42.8 Amount and percentage of mudarib share transferred to depositors through Hiba (if any)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mudarib share</td>
<td>991,549</td>
<td>1,668,005</td>
</tr>
<tr>
<td>Hiba</td>
<td>615,239</td>
<td>840,702</td>
</tr>
<tr>
<td>Hiba percentage of mudarib share</td>
<td>62%</td>
<td>50%</td>
</tr>
</tbody>
</table>

42.9 Profit rate earned vs. profit rate distributed to depositors during the year

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit rate earned (per annum)</td>
<td>9.81%</td>
<td>11.78%</td>
</tr>
<tr>
<td>Profit rate distributed to depositors (per annum)</td>
<td>6.86%</td>
<td>9.11%</td>
</tr>
</tbody>
</table>

43. GENERAL

43.1 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 25 February 2014 has proposed a cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2013: cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand) for approval by the shareholders of the company in forthcoming Annual General Meeting.

43.2 These financial statements have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated 17 February 2006.

43.3 Due against re-discounting of foreign documentary bills purchased by the Bank amounting to Rs. 3,533,471 thousand have been re-classified from advances.

Income from dealing in foreign currencies have been re-classified in Markup /return / interest earned by Rs. 1,411,700 thousand and Markup / return / interest expensed by Rs. 832,280 thousand.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 25, 2014 by the Board of Directors of the Bank.

KASSIM PAREKH  SIRAJUDDIN AZIZ  TARIQ IKRAM  BASHIR ALI MOHAMMAD
Chairman  President & Chief Executive Officer  Director  Director
ANNEXURE "I" AS REFERRED TO IN NOTE 11.4 OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. MARKET TREASURY BILLS
These securities have a maturity period of 1 year, with yield ranging between 8.95% to 9.01% (2012: 9.14% to 10.34%) per annum.

2. PAKISTAN INVESTMENT BONDS
These securities have a maturity period of 3 to 10 years with interest rates ranging between 11.25% to 12.00% (2012: 9.00% to 12.00%) per annum.

3. FULLY PAID-UP ORDINARY SHARES - LISTED

<table>
<thead>
<tr>
<th>Company</th>
<th>No. of shares of Rs. 10/- each</th>
<th>Paid up value</th>
<th>Market Value</th>
<th>Cost</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allied Bank Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adamjee Insurance Company Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA+</td>
</tr>
<tr>
<td>Arif Habib Corporation Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA</td>
</tr>
<tr>
<td>Attock Cement Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA</td>
</tr>
<tr>
<td>Bank Al Habib Limited</td>
<td>137,034</td>
<td>1,116,534</td>
<td>5,694</td>
<td>30,073</td>
<td>AA+</td>
</tr>
<tr>
<td>Bank Alfalah Limited</td>
<td>1,743,000</td>
<td>950,777</td>
<td>47,131</td>
<td>15,992</td>
<td>AA</td>
</tr>
<tr>
<td>DCC Cement Limited</td>
<td>639,000</td>
<td>500,681</td>
<td>86,001</td>
<td>50,352</td>
<td>**</td>
</tr>
<tr>
<td>EFU General Insurance Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EFULife Insurance Limited</td>
<td>89,760</td>
<td>518,296</td>
<td>44,888</td>
<td>6,943</td>
<td>AA-</td>
</tr>
<tr>
<td>Fatima Fertilizers Company Limited</td>
<td>400,000</td>
<td>40,050,000</td>
<td>106,920</td>
<td>6,205</td>
<td>A+</td>
</tr>
<tr>
<td>Fauji Fertilizers Company Limited</td>
<td>245,000</td>
<td>50,000</td>
<td>27,430</td>
<td>26,867</td>
<td>**</td>
</tr>
<tr>
<td>Habib Bank Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>HUB Power Company Limited</td>
<td>1,240,625</td>
<td>733,125</td>
<td>33,167</td>
<td>26,862</td>
<td>AA+</td>
</tr>
<tr>
<td>ICI Pakistan Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>Kot Addu Power Company Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA+</td>
</tr>
<tr>
<td>Lucky Cement Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>MCB Bank Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>National Bank of Pakistan Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>National Refinery Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>Nishat Mills Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>Oil and Gas Development Corporation Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>**</td>
</tr>
<tr>
<td>Pakistan Petroleum Limited</td>
<td>85,000</td>
<td>470,332</td>
<td>72,009</td>
<td>65,285</td>
<td>**</td>
</tr>
<tr>
<td>Soneri Bank Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA</td>
</tr>
<tr>
<td>United Bank Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>AA+</td>
</tr>
</tbody>
</table>

**Ratings are not available

<table>
<thead>
<tr>
<th>Rupees in '000</th>
<th>2013</th>
<th>2013</th>
<th>2012</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>247,312</td>
<td>973,447</td>
<td>230,409</td>
<td>849,818</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. **FULLY PAID-UP ORDINARY SHARES - UNLISTED**

<table>
<thead>
<tr>
<th>Percentage of holding</th>
<th>Number of shares held</th>
<th>Cost</th>
<th>Breakup value of investment</th>
<th>Based on audited financial statements</th>
<th>Name of Chief Executive</th>
<th>Credit rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan Export Finance Guarantee Limited</td>
<td>5.26%</td>
<td>1,136,088</td>
<td>11,361</td>
<td>-</td>
<td>-</td>
<td>Under liquidation</td>
</tr>
<tr>
<td>DHA Cogen Limited</td>
<td>1.77%</td>
<td>5,000,000</td>
<td>50,000</td>
<td>78,800</td>
<td>31 December 2010</td>
<td>Mr. Michael Yap</td>
</tr>
<tr>
<td>Dawood Family Takaful Limited</td>
<td>4.67%</td>
<td>3,500,000</td>
<td>35,000</td>
<td>24,005</td>
<td>31 December 2012</td>
<td>Mr. Rizwan Ahmed Faridi</td>
</tr>
<tr>
<td>Society for World Wide Inter Bank Fund Transfer (SWIFT)</td>
<td>-</td>
<td>36</td>
<td>7,844</td>
<td>11,881</td>
<td>31 December 2012</td>
<td>Mr. Lazaro Campos</td>
</tr>
</tbody>
</table>

**Ratings are not available**

---

5. **FULLY PAID-UP PREFERENCE SHARES - LISTED**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares of Rs. 10/- each</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>40,000</td>
<td>40,000</td>
</tr>
</tbody>
</table>

These are non-voting, cumulative preference shares and carry preferred dividend of 9.25% (2012: 9.25%) per annum on cumulative basis and have a market value of Rs. 8,360 thousand (2012: 1,640 thousand) as at 31 December 2013.
### 6. TERM FINANCE CERTIFICATES - LISTED

<table>
<thead>
<tr>
<th>No. of certificates of Rs. 5,000/- each</th>
<th>Market Value Rupees in '000</th>
<th>Cost Rupees in '000</th>
<th>Rating</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allied Bank Limited I</strong></td>
<td>10,000</td>
<td>25,065</td>
<td>24,490</td>
<td>49,880</td>
<td>AA</td>
</tr>
<tr>
<td><strong>Allied Bank Limited II</strong></td>
<td>59,839</td>
<td>286,290</td>
<td>291,365</td>
<td>298,716</td>
<td>AA</td>
</tr>
<tr>
<td><strong>Askari Bank Limited I</strong></td>
<td>5,000</td>
<td>-</td>
<td>24,915</td>
<td>-</td>
<td>24,925</td>
</tr>
<tr>
<td><strong>Askari Bank Limited II</strong></td>
<td>-</td>
<td>-</td>
<td>10,064</td>
<td>-</td>
<td>9,972</td>
</tr>
<tr>
<td><strong>Askari Bank Limited III</strong></td>
<td>15,000</td>
<td>76,003</td>
<td>82,731</td>
<td>74,880</td>
<td>74,910</td>
</tr>
<tr>
<td><strong>Bank AL Habib Limited II</strong></td>
<td>10,000</td>
<td>50,129</td>
<td>51,427</td>
<td>49,870</td>
<td>49,890</td>
</tr>
<tr>
<td><strong>Bank Alfalah Limited V</strong></td>
<td>7,350</td>
<td>37,544</td>
<td>-</td>
<td>36,473</td>
<td>-</td>
</tr>
<tr>
<td><strong>Engro Chemical Pakistan Limited - IPO</strong></td>
<td>20,000</td>
<td>99,760</td>
<td>97,345</td>
<td>99,760</td>
<td>99,800</td>
</tr>
<tr>
<td><strong>Engro Chemical Pakistan Limited - Perpetual</strong></td>
<td>24,000</td>
<td>111,864</td>
<td>-</td>
<td>119,630</td>
<td>-</td>
</tr>
<tr>
<td><strong>Faysal Bank Limited I</strong></td>
<td>1,974</td>
<td>-</td>
<td>2,466</td>
<td>-</td>
<td>2,462</td>
</tr>
<tr>
<td><strong>Faysal Bank Limited II</strong></td>
<td>7,994</td>
<td>20,048</td>
<td>40,543</td>
<td>19,906</td>
<td>39,638</td>
</tr>
<tr>
<td><strong>Financial Receivables Securitization Limited</strong></td>
<td>5,000</td>
<td>2,083</td>
<td>6,295</td>
<td>2,083</td>
<td>6,248</td>
</tr>
<tr>
<td><strong>NIB Bank Limited</strong></td>
<td>-</td>
<td>167,133</td>
<td>-</td>
<td>162,414</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pak Arab Fertilizer Limited</strong></td>
<td>-</td>
<td>45,030</td>
<td>-</td>
<td>45,288</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pakistan Mobile Communication (Private) Limited</strong></td>
<td>8,333</td>
<td>41,067</td>
<td>6,684</td>
<td>41,667</td>
<td>66,56</td>
</tr>
<tr>
<td><strong>Sonar Bank Limited</strong></td>
<td>-</td>
<td>21,706</td>
<td>-</td>
<td>21,199</td>
<td>-</td>
</tr>
<tr>
<td><strong>Standard Chartered Bank Limited I</strong></td>
<td>-</td>
<td>5,945</td>
<td>-</td>
<td>5,932</td>
<td>-</td>
</tr>
<tr>
<td><strong>United Bank Limited II</strong></td>
<td>-</td>
<td>32,378</td>
<td>-</td>
<td>31,880</td>
<td>-</td>
</tr>
<tr>
<td><strong>United Bank Limited III</strong></td>
<td>5,000</td>
<td>8,318</td>
<td>16,913</td>
<td>8,317</td>
<td>16,633</td>
</tr>
<tr>
<td><strong>United Bank Limited IV</strong></td>
<td>-</td>
<td>50,040</td>
<td>-</td>
<td>46,747</td>
<td>-</td>
</tr>
<tr>
<td><strong>World Call Telecom Limited III</strong></td>
<td>41,996</td>
<td>89,793</td>
<td>90,712</td>
<td>89,793</td>
<td>89,660</td>
</tr>
</tbody>
</table>

**Ratings are not available**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>848,554</td>
<td>1,093,869</td>
</tr>
<tr>
<td>866,305</td>
<td>1,082,970</td>
</tr>
</tbody>
</table>
6.1 Other particulars of listed term finance certificates are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Coupon Rate</th>
<th>Payment</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allied Bank Limited I</td>
<td>6 months KIBOR plus 190 bps</td>
<td>Semi annually</td>
<td>6-Dec-14</td>
</tr>
<tr>
<td>Allied Bank Limited II</td>
<td>6 months KIBOR plus 85 bps</td>
<td>Semi annually</td>
<td>28-Aug-19</td>
</tr>
<tr>
<td>Askari Bank Limited III</td>
<td>6 months KIBOR plus 150 bps</td>
<td>Semi annually</td>
<td>18-Nov-19</td>
</tr>
<tr>
<td>Bank Al Habib Limited II</td>
<td>6 months KIBOR plus 195 bps</td>
<td>Semi annually</td>
<td>7-Feb-15</td>
</tr>
<tr>
<td>Bank Alfalah Limited V</td>
<td>6 months KIBOR plus 125 bps</td>
<td>Semi annually</td>
<td>20-Feb-21</td>
</tr>
<tr>
<td>Engro Chemical Pakistan Limited - IPO</td>
<td>6 months KIBOR plus 155 bps</td>
<td>Semi annually</td>
<td>30-Nov-15</td>
</tr>
<tr>
<td>Engro Chemical Pakistan Limited - Perpetual</td>
<td>6 months KIBOR plus 170 bps</td>
<td>Semi annually</td>
<td>18-Nov-18</td>
</tr>
<tr>
<td>Faysal Bank Limited II</td>
<td>6 months KIBOR plus 225 bps</td>
<td>Semi annually</td>
<td>27-Dec-17</td>
</tr>
<tr>
<td>Financial Receivables Securitization Limited</td>
<td>6 months KIBOR plus 200 bps</td>
<td>Semi annually</td>
<td>14-Jan-14</td>
</tr>
<tr>
<td>Pakistan Mobile Communication (Private) Limited</td>
<td>6 months KIBOR plus 285 bps</td>
<td>Semi annually</td>
<td>17-Sep-18</td>
</tr>
<tr>
<td>United Bank Limited III</td>
<td>6 months KIBOR plus 170 bps</td>
<td>Semi annually</td>
<td>8-Sep-14</td>
</tr>
<tr>
<td>World Call Telecom Limited III</td>
<td>6 months KIBOR plus 160 bps</td>
<td>Semi annually</td>
<td>7-Oct-15</td>
</tr>
</tbody>
</table>
7. TERM FINANCE CERTIFICATES - UNLISTED

<table>
<thead>
<tr>
<th>No. of certificates of Rs. 5,000/- each</th>
<th>Cost Rupees in '000</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avari Hotels Limited (Chief Executive: Mr. Brayn Dinshawji Avari)</td>
<td>20,000</td>
<td>37,230</td>
</tr>
<tr>
<td>Bunny's Limited (Chief Executive: Mr. Rafaqat)</td>
<td>1,020</td>
<td>5,100</td>
</tr>
<tr>
<td>Bank Al Falah Limited IV (Chief Executive: Mr. Atif Bajwa)</td>
<td>20,000</td>
<td>99,640</td>
</tr>
<tr>
<td>Bank Al Habib Limited III (Chief Executive: Mr. Abbas D. Habib)</td>
<td>20,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Engro Chemical Pakistan Limited - Perpetual (Chief Executive: Mr. Khalid Sraj Subhani)</td>
<td>–</td>
<td>119,551</td>
</tr>
<tr>
<td>Faysal Bank Limited III (Chief Executive: Mr. Naved A. Khan)</td>
<td>30,000</td>
<td>149,820</td>
</tr>
<tr>
<td>New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)</td>
<td>10,000</td>
<td>21,138</td>
</tr>
<tr>
<td>Orix Leasing Pakistan Limited III (Chief Executive: Mr. Tazteon Kassi)</td>
<td>–</td>
<td>33,333</td>
</tr>
<tr>
<td>Pakistan International Airlines Corporation Limited (Managing Director: Mr. Muhammad) unaid Yunus)</td>
<td>27,411</td>
<td>136,945</td>
</tr>
<tr>
<td>Security Leasing Corporation Limited (Chief Executive: Mr. M. Khalid Ali)</td>
<td>10,000</td>
<td>8,210</td>
</tr>
<tr>
<td>Standard Chartered Bank Limited II (Chief Executive: Mr. Mohsin Ali Nathani)</td>
<td>10,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**Ratings are not available**

<table>
<thead>
<tr>
<th>Coupon rate</th>
<th>Payment</th>
<th>Maturity date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avari Hotels Limited</td>
<td>1 Year KIBOR plus 250 bps</td>
<td>Semi annually</td>
</tr>
<tr>
<td>Bunny's Limited</td>
<td>6 months KIBOR plus 250 bps</td>
<td>Semi annually</td>
</tr>
<tr>
<td>Bank Al Falah Limited IV</td>
<td>6 months KIBOR plus 250 bps</td>
<td>Semi annually</td>
</tr>
<tr>
<td>Bank Al Habib Limited III</td>
<td>Fixed @15.50% per annum</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Faysal Bank Limited III</td>
<td>6 months KIBOR plus 190 bps</td>
<td>Semi annually</td>
</tr>
<tr>
<td>New Allied Electronics Industries (Private) Limited</td>
<td>3 months KIBOR plus 275 bps</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Pakistan International Airlines Corporation Limited</td>
<td>6 months KIBOR plus 85 bps</td>
<td>Semi annually</td>
</tr>
<tr>
<td>Security Leasing Corporation Limited</td>
<td>Fixed @6% per annum</td>
<td>Monthly</td>
</tr>
<tr>
<td>Standard Chartered Bank Limited II</td>
<td>6 months KIBOR plus 75 bps</td>
<td>Semi annually</td>
</tr>
</tbody>
</table>
8. SUKUK CERTIFICATES AND BONDS

<table>
<thead>
<tr>
<th>No. of certificates of Rs. 5,000/- each</th>
<th>Cost Rupees in '000</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amreli Steel (Private) Limited</td>
<td>16,000</td>
<td>67,200</td>
</tr>
<tr>
<td>Engro Chemical Pakistan Limited I</td>
<td>20,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Engro Chemical Pakistan Limited II</td>
<td>10,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Engro Foods Limited</td>
<td>20,000</td>
<td>100,000</td>
</tr>
<tr>
<td>GOP Ijarah Sukuk-5th Issue</td>
<td>904,000</td>
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</tr>
<tr>
<td>GOP Ijarah Sukuk-8th Issue</td>
<td>180,000</td>
<td>900,000</td>
</tr>
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<td>GOP Ijarah Sukuk-9th Issue</td>
<td>62,295</td>
<td>301,295</td>
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<td>GOP Ijarah Sukuk-10th Issue</td>
<td>45,000</td>
<td>225,000</td>
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<td>GOP Ijarah Sukuk-11th Issue</td>
<td>200,000</td>
<td>1,000,000</td>
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<td>2,250,000</td>
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<td>GOP Ijarah Sukuk-14th Issue</td>
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<td>K.S.Sulemanji Esmailji &amp; Sons (Private) Limited</td>
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<td>Liberty Power Technology Limited</td>
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<td>Maple Leaf Cement Limited I</td>
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<td>89,832</td>
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<tr>
<td>Maple Leaf Cement Limited II</td>
<td>11,273</td>
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<td>Sitara Energy Limited</td>
<td>20,000</td>
<td>78,262</td>
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<td>Sitara Per Oxide Limited</td>
<td>1,900</td>
<td>9,500</td>
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<tr>
<td>Three Star Hosiery Mills Limited</td>
<td>70,000</td>
<td>233,333</td>
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<tr>
<td>WAPDA Sukuk Bonds 2nd Issue</td>
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<table>
<thead>
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<th>2013</th>
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<tbody>
<tr>
<td>14,096,788</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>19,759,321</td>
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</table>

**Ratings are not available

8.1 Other particulars of Sukuk certificates / bonds are as follows:

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<tr>
<th>Coupon rate</th>
<th>Payment</th>
<th>Maturity date</th>
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<tbody>
<tr>
<td>3 months KIBOR plus 250 bps</td>
<td>Quarterly</td>
<td>9-Dec-16</td>
</tr>
<tr>
<td>6 months KIBOR plus 150 bps</td>
<td>Semi annually</td>
<td>6-Sep-15</td>
</tr>
<tr>
<td>6 months KIBOR plus 211 bps</td>
<td>Semi annually</td>
<td>30-Jun-17</td>
</tr>
<tr>
<td>6 months KIBOR plus 69 bps</td>
<td>Semi annually</td>
<td>13-Jan-17</td>
</tr>
<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>16-May-14</td>
</tr>
<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>26-Dec-14</td>
</tr>
<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>2-Mar-15</td>
</tr>
<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>30-Apr-15</td>
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<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>18-Sep-15</td>
</tr>
<tr>
<td>6 months T Bills cut off</td>
<td>Semi annually</td>
<td>28-Mar-16</td>
</tr>
<tr>
<td>3 months KIBOR plus 140 bps</td>
<td>Quarterly</td>
<td>30-Jun-14</td>
</tr>
<tr>
<td>3 months KIBOR plus 300 bps</td>
<td>Quarterly</td>
<td>18-Mar-21</td>
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<tr>
<td>3 months KIBOR plus 100 bps</td>
<td>Quarterly</td>
<td>3-Dec-18</td>
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<tr>
<td>6 months KIBOR plus 115 bps</td>
<td>Semi annually</td>
<td>16-May-15</td>
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<tr>
<td>3 months KIBOR plus 110 bps</td>
<td>Quarterly</td>
<td>19-Feb-20</td>
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<tr>
<td>6 months KIBOR plus 325 bps</td>
<td>Semi annually</td>
<td>4-Aug-14</td>
</tr>
<tr>
<td>6 months KIBOR plus 35 bps</td>
<td>Semi annually</td>
<td>13-Jul-17</td>
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<tr>
<td>6 months KIBOR plus 100 bps</td>
<td>Semi annually</td>
<td>14-Oct-21</td>
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*These rates are based on reuters sheet applicable for next six months.
## 9. OPEN END MUTUAL FUNDS

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>No. of Units 2013</th>
<th>Net Asset Value 2013</th>
<th>Cost 2013</th>
<th>Rating 2013</th>
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<tr>
<td>ABL Cash Fund</td>
<td>73,752,002</td>
<td>737,881</td>
<td>699,228</td>
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<tr>
<td>ABL Income Fund</td>
<td>16,671,242</td>
<td>168,844</td>
<td>159,087</td>
<td>A (f)</td>
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<tr>
<td>ABL Islamic Principal Preservation Fund</td>
<td>250,000</td>
<td>25,048</td>
<td>25,000</td>
<td>**</td>
</tr>
<tr>
<td>ABL Stock Fund</td>
<td>3,929,242</td>
<td>49,805</td>
<td>50,000</td>
<td>5 Star</td>
</tr>
<tr>
<td>ABL Government Securities Fund</td>
<td>14,323,302</td>
<td>143,332</td>
<td>137,813</td>
<td>A (f)</td>
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<tr>
<td>ABL AMCCAPITAL Protected Fund</td>
<td>2,862,273</td>
<td>29,050</td>
<td>25,000</td>
<td>A (f)</td>
</tr>
<tr>
<td>AKD Cash Fund</td>
<td>501,798</td>
<td>25,108</td>
<td>25,000</td>
<td>**</td>
</tr>
<tr>
<td>Alifah GHP Cash Fund</td>
<td>499,945</td>
<td>250,233</td>
<td>244,227</td>
<td>**</td>
</tr>
<tr>
<td>Alifah GHP Income Multiplier Fund</td>
<td>51,117</td>
<td>25,380</td>
<td>25,000</td>
<td>**</td>
</tr>
<tr>
<td>Askari Sovereign Cash Fund</td>
<td>5,336,093</td>
<td>537,875</td>
<td>503,715</td>
<td>AAA (f)</td>
</tr>
<tr>
<td>Askari Asset Allocation Fund</td>
<td>471,154</td>
<td>21,177</td>
<td>20,227</td>
<td>4 Star</td>
</tr>
<tr>
<td>Askari High Yield Scheme</td>
<td>20,022</td>
<td>20,764</td>
<td>20,000</td>
<td>**</td>
</tr>
<tr>
<td>Atlas Money Market Fund</td>
<td>754,203</td>
<td>379,176</td>
<td>357,161</td>
<td>AA (f)</td>
</tr>
<tr>
<td>Atlas Stock Fund</td>
<td>179,967</td>
<td>75,751</td>
<td>70,000</td>
<td>4 Star</td>
</tr>
<tr>
<td>BMA Bmprise Cash Fund</td>
<td>3,183,113</td>
<td>32,193</td>
<td>31,444</td>
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<tr>
<td>BMA Chundrigar Road Saving Fund</td>
<td>3,563,553</td>
<td>28,665</td>
<td>24,596</td>
<td>A (f)</td>
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<tr>
<td>Faysal Saving &amp; Growth Fund</td>
<td>613,968</td>
<td>84,094</td>
<td>78,494</td>
<td>A (f)</td>
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<tr>
<td>First Habib Cash Fund</td>
<td>70,262</td>
<td>7,034</td>
<td>6,030</td>
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</tr>
<tr>
<td>First Habib Income Fund</td>
<td>498,024</td>
<td>49,843</td>
<td>46,461</td>
<td>A (f)</td>
</tr>
<tr>
<td>HBL Money Market Fund</td>
<td>3,318,797</td>
<td>842,272</td>
<td>798,786</td>
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<tr>
<td>IGI Aggressive Income Fund</td>
<td>589,023</td>
<td>25,287</td>
<td>25,000</td>
<td>A (f)</td>
</tr>
<tr>
<td>IGI Capital Protected Fund</td>
<td>210,684</td>
<td>21,167</td>
<td>20,000</td>
<td>AAA(cp)</td>
</tr>
<tr>
<td>IGI Income Fund</td>
<td>771,171</td>
<td>56,120</td>
<td>50,000</td>
<td>**</td>
</tr>
<tr>
<td>IGI Money Market Fund</td>
<td>2,443,554</td>
<td>247,423</td>
<td>232,015</td>
<td>AA (f)</td>
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<tr>
<td>JS Cash Fund</td>
<td>1,403,487</td>
<td>23,202</td>
<td>23,338</td>
<td>A (f)</td>
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<tr>
<td>Laksan Asset Allocation Global Commodities Fund</td>
<td>381,910</td>
<td>39,595</td>
<td>38,419</td>
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</tr>
<tr>
<td>Laksan Asset Allocation Developed Market Fund</td>
<td>529,147</td>
<td>104,191</td>
<td>94,753</td>
<td>**</td>
</tr>
<tr>
<td>Laksan Asset Allocation Emerging Market Fund</td>
<td>528,789</td>
<td>55,908</td>
<td>50,000</td>
<td>**</td>
</tr>
<tr>
<td>Laksan Income Fund</td>
<td>1,710,894</td>
<td>174,019</td>
<td>167,041</td>
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<td>Laksan Money Market Fund</td>
<td>783,920</td>
<td>783,913</td>
<td>729,312</td>
<td>AA (f)</td>
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<tr>
<td>MCB Cash Management Optimizer</td>
<td>5,229,794</td>
<td>523,248</td>
<td>481,568</td>
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<tr>
<td>MCB Dynamic Cash Fund</td>
<td>2,964,620</td>
<td>253,501</td>
<td>252,305</td>
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<tr>
<td>MCB Stock Fund</td>
<td>261,948</td>
<td>27,755</td>
<td>25,125</td>
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<tr>
<td>Mezaan Cash Fund</td>
<td>6,818,057</td>
<td>341,544</td>
<td>315,960</td>
<td>AA (f)</td>
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<tr>
<td>Mezaan Islamic Income Fund</td>
<td>5,489,329</td>
<td>278,748</td>
<td>260,000</td>
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</tr>
<tr>
<td>Mezaan Sovereign Fund</td>
<td>10,060,352</td>
<td>507,042</td>
<td>513,787</td>
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### 10. CLOSE END MUTUAL FUNDS

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>MSF Perpetual</td>
<td>3,065,171</td>
<td>153,350</td>
<td>1,783,610</td>
<td>130,655</td>
<td>1,612,312</td>
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<tr>
<td>NAFA Asset Allocation Fund</td>
<td>2,079,071</td>
<td>25,091</td>
<td>25,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>NAFA Financial Sector Income Fund</td>
<td>27,564,123</td>
<td>254,855</td>
<td>175,000</td>
<td>AAA (f)</td>
<td>AAA (f)</td>
<td>A + (f)</td>
<td>A + (f)</td>
</tr>
<tr>
<td>NAFA Government Securities Liquid Fund</td>
<td>40,015,853</td>
<td>73,747,591</td>
<td>702,859</td>
<td>-</td>
<td>-</td>
<td>4 - Star</td>
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<tr>
<td>NAFA Stock Fund</td>
<td>-</td>
<td>9,970</td>
<td>83,869</td>
<td>-</td>
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<td>NAFA Money Market Fund</td>
<td>88,522,152</td>
<td>105,326</td>
<td>100,000</td>
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<td>-</td>
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<td>AA (f)</td>
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<tr>
<td>NAFA Multi Asset Fund</td>
<td>1,992,255</td>
<td>25,125</td>
<td>211,906</td>
<td>115,995</td>
<td>201,004</td>
<td>4 Star</td>
<td>2 - Star</td>
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<tr>
<td>National Investment Trust</td>
<td>-</td>
<td>224,431</td>
<td>210,745</td>
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<td>AA (f)</td>
<td>A + (f)</td>
<td>A + (f)</td>
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<tr>
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<td>107,524</td>
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<td>AA (f)</td>
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<td>NT Income Fund</td>
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<td>201,004</td>
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<td>AAA (f)</td>
<td>AA (f)</td>
<td>AA (f)</td>
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<tr>
<td>Pak Oman Government Securities Fund</td>
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<td>29,694</td>
<td>26,501</td>
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<td>AA (f)</td>
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<td>Pakistan Stock Market Fund</td>
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<td>59,594</td>
<td>53,542</td>
<td>-</td>
<td>-</td>
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<tr>
<td>PILOC Cash Fund</td>
<td>2,952,762</td>
<td>297,236</td>
<td>282,207</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
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<tr>
<td>PILOC Energy Fund</td>
<td>5,765,859</td>
<td>184,901</td>
<td>175,316</td>
<td>-</td>
<td>-</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
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<tr>
<td>PILOC Income Fund</td>
<td>1,488,204</td>
<td>149,547</td>
<td>138,652</td>
<td>-</td>
<td>-</td>
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<td>A + (f)</td>
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<td>Primus Cash Fund</td>
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<td>103,541</td>
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<td>AA (f)</td>
<td>AA (f)</td>
<td>AA (f)</td>
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<td>Primus Daily Reserve Fund</td>
<td>5,192,978</td>
<td>519,730</td>
<td>54,000</td>
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<tr>
<td>UBL Asset Allocation Fund</td>
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<td>92,650</td>
<td>90,000</td>
<td>AA (f)</td>
<td>AA (f)</td>
<td>AA (f)</td>
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<tr>
<td>UBL Liquidity Plus Fund</td>
<td>7,431,209</td>
<td>548,629</td>
<td>525,293</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
<td>AA + (f)</td>
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<tr>
<td>UBL Savings Income Fund</td>
<td>2,477,295</td>
<td>100,272</td>
<td>94,866</td>
<td>**</td>
<td>*</td>
<td>AA (f)</td>
<td>AA (f)</td>
</tr>
<tr>
<td>UBL Islamic Sovereign Fund</td>
<td>529,648</td>
<td>50,000</td>
<td>-</td>
<td>**</td>
<td>**</td>
<td>AA - (f)</td>
<td>AA - (f)</td>
</tr>
<tr>
<td>(Formerly: UBL Islamic Savings Fund)</td>
<td>-</td>
<td>53,471</td>
<td>52,168</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>United Stock Fund</td>
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<td>1,354,522</td>
<td>52,168</td>
<td>-</td>
<td>-</td>
<td>**</td>
<td>-</td>
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<tr>
<td>**Ratings are not available</td>
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<td></td>
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<tr>
<td><strong>Total</strong></td>
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<td>11,415,046</td>
<td>10,298,235</td>
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</tbody>
</table>

** **Ratings are not available

### 11. Break-up value per ordinary share of Habib Metropolitan Financial Services Limited (subsidiary company) based on its audited financial statements as of 31 December 2013 amounted to Rs. 10.04 (2012: Rs. 10.02) per share.
## ANNEXURE "II" AS REFERRED TO IN NOTE 12.8 OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs. 500,000/- OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name and address of the borrower</th>
<th>Name of Individuals/partner/directors (with CNIC No.)</th>
<th>Father's/Husband's Name</th>
<th>Outstanding liabilities at beginning of the year</th>
<th>Principal written-off</th>
<th>Interest/ mark-up written-off</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Principal</td>
<td>Interest/ mark-up</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Aero Asia International (Pvt) Limited</td>
<td>Abdul Rauf Tabani 42201-8259406-3</td>
<td>M Siddiq Tabani</td>
<td>114,882</td>
<td>5,921</td>
<td>120,803</td>
<td>47,250</td>
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<td></td>
<td></td>
<td>Azam Tabani 42201-02606563-5</td>
<td>M Siddiq Tabani</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Yaqoob Tabani 42201-9410252-9</td>
<td>M Siddiq Tabani</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Ameer Bano</td>
<td>Ameer Bano 42201-8684857-0</td>
<td>Reaz Ahmed Sharif</td>
<td>1,175</td>
<td>503</td>
<td>1,678</td>
<td>713</td>
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<tr>
<td></td>
<td>H. No. 2/66-B, Kashmir Road, PECHS, Karachi,</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Any Agro (Pvt) Limited</td>
<td>Dr. Javeed Mehmoood 35202-25885697-3</td>
<td>Sheikh Muhammad Ahmed</td>
<td>28,999</td>
<td>4,087</td>
<td>33,086</td>
<td>28,999</td>
</tr>
<tr>
<td></td>
<td>61-L, Gulberg III, Lahore</td>
<td>Umar Naseer 35202-1239216-5</td>
<td>Sheikh Naseer Ahmed</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Any Seeds (Pvt) Limited</td>
<td>Sarfraz Mahmood Sheikh 35202-0166546-1</td>
<td>Sh. Muhammad Latif</td>
<td>29,996</td>
<td>14,885</td>
<td>44,881</td>
<td>29,996</td>
</tr>
<tr>
<td></td>
<td>31, Atta Turk Block, New Garden Town, Lahore</td>
<td>Waqas Sarfraz Sheikh 35202-6956171-1</td>
<td>Sarfraz Mahmood Sheikh</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Ghais Sarfraz Sheikh 35202-6254541-9</td>
<td>Sarfraz Mahmood Sheikh</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>S. No.</td>
<td>Name and address of the borrower</td>
<td>Name of Individuals/partners/directors (with CNIC No.)</td>
<td>Father’s/Husband’s Name</td>
<td>Outstanding liabilities at beginning of the year Principal</td>
<td>Interest/mark-up</td>
<td>Total</td>
<td>Principal written-off</td>
</tr>
<tr>
<td>-------</td>
<td>----------------------------------</td>
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<td></td>
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<td>(in Rupees in '000)</td>
<td></td>
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</tr>
<tr>
<td>5</td>
<td>Arfeen Towel Industries</td>
<td>Shahid Arfeen 42101-18348931-3</td>
<td>Abdul Hameed</td>
<td>37,796</td>
<td>6,200</td>
<td>43,996</td>
<td>37,741</td>
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<td>Plot No WSA 3/3, F B Area, Karachi</td>
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<tr>
<td>6</td>
<td>Konain Apparel</td>
<td>Muhammad Amin 42301-6940066-7</td>
<td>Ismail</td>
<td>5,216</td>
<td>544</td>
<td>5,760</td>
<td>3,534</td>
</tr>
<tr>
<td></td>
<td>Suite No 6, Hub River Road, SITE Karachi</td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Morgan Technologies (Pvt) Limited</td>
<td>Ghazanfar J awaid 42000-0575398-9</td>
<td>Liaqat J awaid 42000-0575392-1</td>
<td>5,133</td>
<td>-</td>
<td>5,133</td>
<td>2,951</td>
</tr>
<tr>
<td></td>
<td>SA-09, 1st Floor, Shahnaz Arcade</td>
<td>Shaheed-e-Millat Road, Karachi.</td>
<td></td>
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<tr>
<td>8</td>
<td>MR Denim (Pvt) Limited</td>
<td>Munir Ahmed Bhatti 35202-9316192-7</td>
<td>Muhammad Akram Bhatti</td>
<td>15,660</td>
<td>3,087</td>
<td>18,747</td>
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<td></td>
<td>F-53, Industrial Estate, Kot Lakhpat Lahore</td>
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<tr>
<td>9</td>
<td>Rafi Cotton Industries</td>
<td>Sheikh Fazal Elahi 36302-7029576-7</td>
<td>Sh. Muhammad Rafi</td>
<td>27,858</td>
<td>1,583</td>
<td>29,441</td>
<td>27,858</td>
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<tr>
<td></td>
<td>Near Maqbool Cotton Factory, Qaddafi Chowk, Khanwala Road, Multan.</td>
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<tr>
<td>10</td>
<td>Shahzad Apparel</td>
<td>Mohammad Ali Abbas 42301-1457508-3</td>
<td>Haji Ghulam Mohammad</td>
<td>33,461</td>
<td>66</td>
<td>33,527</td>
<td>8,461</td>
</tr>
<tr>
<td></td>
<td>1st 36/C, 24th Comm Street Ph II, Ext, DHA, Karachi</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>S. No.</td>
<td>Name and address of the borrower</td>
<td>Name of Individuals/partners/directors (with CNIC No.)</td>
<td>Father’s/Husband’s Name</td>
<td>Outstanding liabilities at beginning of the year</td>
<td>Principal written-off</td>
<td>Interest/mark-up written off</td>
<td>Total written off</td>
</tr>
<tr>
<td>--------</td>
<td>---------------------------------</td>
<td>------------------------------------------------------</td>
<td>--------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>11</td>
<td>WN Holding</td>
<td>Muhammad Naifees 33100-4836478-5</td>
<td>Abdul Majeed</td>
<td>5,177</td>
<td>855</td>
<td>6,032</td>
<td>177</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Waseem Sarwar 33100-1525532-9</td>
<td>Muhammad Sarwar Khan</td>
<td>Muhammad Tehseen Sarwar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10 Sania Arcade, Britto Road, Karachi</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>13</td>
<td>Ismail Beverage</td>
<td>Imran Ismail 42201-9359677-1</td>
<td>Abdullah Ismail</td>
<td>5,997</td>
<td>1,293</td>
<td>7,290</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Plot No. ST-2/3, Sector-19, Korangi Industrial Area Karachi</td>
<td>Adnan Ismail 42000-0551282-1</td>
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<tr>
<td>14</td>
<td>Maymar Holding</td>
<td>Abdul Rasheed 42201-4954677-9</td>
<td>Hashim Muhammad Shamim</td>
<td>112,500</td>
<td>91,473</td>
<td>203,973</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>170/A, Block 3, 9th Syed Road, PECHS, Karachi</td>
<td>Syed Abid Hassan 54400-9547506-1</td>
<td>Syed Khalique Hasan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Syed Mohsin Hasan 54400-3601118-1</td>
<td>Syed Khalique Hasan</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Muhammad Zafar 42201-0465645-3</td>
<td>Mohammad Rafiq Ahmed</td>
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<tr>
<td>15</td>
<td>Millenium Power Tools</td>
<td>Aslam Qazi 61101-2960155-1</td>
<td>Qazi Mushtaq</td>
<td></td>
<td>5,685</td>
<td>5,685</td>
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<tr>
<td></td>
<td>Banglow No. 18, Karsaz Town House, Plot No. 12, Clifton-Karachi.</td>
<td>Lubna Ashfaq 42301-0818143-4</td>
<td>Ashraf Yousuf Tola</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>S. No.</td>
<td>Name and address of the borrower</td>
<td>Name of Individuals/partners/directors (with CNIC No.)</td>
<td>Father's/Husband's Name</td>
<td>Outstanding liabilities at beginning of the year</td>
<td>Principal written-off</td>
<td>Interest/mark-up written off</td>
<td>Total</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------</td>
<td>-----------------------------------------------------</td>
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<td>-----------------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
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</tr>
<tr>
<td>16</td>
<td>Samana Sons, Pilot House, Plaza Square, Karachi</td>
<td>Mohammad Farooq Samana 42201-5693810-9</td>
<td>Usman Suleman Samna</td>
<td>2,455 2,865 5,320</td>
<td>-</td>
<td>2,320</td>
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</tr>
<tr>
<td>17</td>
<td>Tabani Corporation, 43J, Block-6, PECHS, Karachi</td>
<td>Adnan Ebrahim Tabani 42201-3110503-5</td>
<td>M. Ebrahim Tabani</td>
<td>13,396 7,917 21,313</td>
<td>-</td>
<td>7,917</td>
<td>7,917</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Abdul Rauf Tabani 42201-8259406-3</td>
<td>M. Siddique Tabani</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Muhammad Azam Tabani 42201-0260663-5</td>
<td>M. Siddique Tabani</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>442,301</td>
</tr>
<tr>
<td>147,727</td>
</tr>
<tr>
<td>590,028</td>
</tr>
<tr>
<td>189,555</td>
</tr>
<tr>
<td>151,071</td>
</tr>
<tr>
<td>340,626</td>
</tr>
</tbody>
</table>
## Pattern of Shareholdings – CDC and Physical

**As on 31 December 2013**

<table>
<thead>
<tr>
<th>Number of Shareholders</th>
<th>Size of Shareholding Rs. 10 each</th>
<th>Total Shares Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>283</td>
<td>1 - 100</td>
<td>8,102</td>
</tr>
<tr>
<td>360</td>
<td>101 - 500</td>
<td>113,678</td>
</tr>
<tr>
<td>252</td>
<td>501 - 1,000</td>
<td>204,156</td>
</tr>
<tr>
<td>846</td>
<td>1,001 - 5,000</td>
<td>2,220,528</td>
</tr>
<tr>
<td>299</td>
<td>5,001 - 10,000</td>
<td>2,257,547</td>
</tr>
<tr>
<td>390</td>
<td>10,001 - 15,000</td>
<td>4,729,667</td>
</tr>
<tr>
<td>63</td>
<td>15,001 - 20,000</td>
<td>1,148,628</td>
</tr>
<tr>
<td>75</td>
<td>20,001 - 25,000</td>
<td>1,754,823</td>
</tr>
<tr>
<td>33</td>
<td>25,001 - 30,000</td>
<td>912,067</td>
</tr>
<tr>
<td>21</td>
<td>30,001 - 35,000</td>
<td>693,506</td>
</tr>
<tr>
<td>39</td>
<td>35,001 - 40,000</td>
<td>1,462,929</td>
</tr>
<tr>
<td>48</td>
<td>40,001 - 50,000</td>
<td>2,239,177</td>
</tr>
<tr>
<td>30</td>
<td>50,001 - 60,000</td>
<td>1,534,626</td>
</tr>
<tr>
<td>22</td>
<td>60,001 - 80,000</td>
<td>1,879,886</td>
</tr>
<tr>
<td>31</td>
<td>80,001 - 100,000</td>
<td>6,178,267</td>
</tr>
<tr>
<td>51</td>
<td>100,001 - 150,000</td>
<td>2,805,367</td>
</tr>
<tr>
<td>16</td>
<td>150,001 - 200,000</td>
<td>3,351,014</td>
</tr>
<tr>
<td>15</td>
<td>200,001 - 250,000</td>
<td>239,491,806</td>
</tr>
<tr>
<td>40</td>
<td>250,001 - 500,000</td>
<td>1,047,831,480</td>
</tr>
<tr>
<td>39</td>
<td>500,001 - 1,000,000</td>
<td>28,493,373</td>
</tr>
<tr>
<td>14</td>
<td>1,000,001 - 1,500,000</td>
<td>16,500,670</td>
</tr>
<tr>
<td>11</td>
<td>1,500,001 - 2,000,000</td>
<td>17,818,950</td>
</tr>
<tr>
<td>12</td>
<td>2,000,001 - 3,000,000</td>
<td>27,545,839</td>
</tr>
<tr>
<td>6</td>
<td>3,000,001 - 5,000,000</td>
<td>23,871,884</td>
</tr>
<tr>
<td>6</td>
<td>5,000,001 - 10,000,000</td>
<td>43,798,508</td>
</tr>
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<td>13</td>
<td>10,000,001 - 50,000,000</td>
<td>239,491,806</td>
</tr>
<tr>
<td>1</td>
<td>50,000,001 - 75,000,000</td>
<td>65,200,607</td>
</tr>
<tr>
<td>1</td>
<td>534,390,001 - 534,395,000</td>
<td>534,394,054</td>
</tr>
</tbody>
</table>

Shareholders holding five percent or more voting interest in the listed company

**Total Paid-up Capital of the Company** 1,047,831,480 shares

<table>
<thead>
<tr>
<th>Name(s) of Shareholder(s)</th>
<th>Description</th>
<th>No. of Shares Held</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habib Bank AG Zurich, Switzerland</td>
<td>Falls in Category #6</td>
<td>534,390,054</td>
<td>51.00</td>
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<tr>
<td>National Investment Trust Limited</td>
<td>Falls in Category #8</td>
<td>65,844,139</td>
<td>6.28</td>
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</tbody>
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115
## COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDINGS

### AS ON 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Category No.</th>
<th>Categories of Shareholders</th>
<th>Number of Shares held</th>
<th>Category wise No. of Shareholders</th>
<th>Category wise Shares held</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Individuals</td>
<td>2,815</td>
<td>135,521,275</td>
<td>12.93</td>
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<tr>
<td>2</td>
<td>Investment Companies</td>
<td>4</td>
<td>2,193,708</td>
<td>0.21</td>
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<tr>
<td>3</td>
<td>Joint Stock Companies</td>
<td>51</td>
<td>19,711,525</td>
<td>1.88</td>
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<tr>
<td>4</td>
<td>Directors, Chief Executive Officer and their spouse and minor children</td>
<td>11</td>
<td>26,400,246</td>
<td>2.52</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mr. Kassim Parekh</td>
<td></td>
<td>2,417,593</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mr. Ali S. Habib</td>
<td></td>
<td>1,510,994</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mr. Bashir Ali Mohammad</td>
<td></td>
<td>16,340,985</td>
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</tr>
<tr>
<td></td>
<td>Mr. Mohamedali R. Habib</td>
<td></td>
<td>1,612,524</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Mr. Muhammad H. Habib</td>
<td></td>
<td>2,069,454</td>
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</tr>
<tr>
<td></td>
<td>Mr. SohAIL Hasan</td>
<td></td>
<td>500</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Mr. Tariq Ikram</td>
<td></td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mr. Sirajuddin Aziz</td>
<td></td>
<td>1,000</td>
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<tr>
<td></td>
<td>Mrs. Farah Fatimah Muhammad H. Habib</td>
<td>1,037,157</td>
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<tr>
<td></td>
<td>Mrs. Munizeh Ali Habib</td>
<td></td>
<td>604,374</td>
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<td></td>
<td>Syeda Mohamedali R. Habib</td>
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<td>805,065</td>
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<tr>
<td>5</td>
<td>Executives</td>
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<tr>
<td>6</td>
<td>Associated Companies, undertakings and related parties</td>
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<td>51.16</td>
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<tr>
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<td>Habib Bank AG Zurich</td>
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<td>534,394,054</td>
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<tr>
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<td>Habib Insurance Company Limited</td>
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<td>1,665,424</td>
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<tr>
<td></td>
<td>Trustee Thal Ltd. Emp. Ret Benefit Fund</td>
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<td>Trustee Gul Ahmed Textile Mills Ltd Emp. P. F.</td>
<td>2,090</td>
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<tr>
<td>7</td>
<td>Banks, DFIs, NBFI's, Insurance companies, Takaful, Modarabas &amp; Pension Funds</td>
<td>25</td>
<td>121,674,447</td>
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<tr>
<td>8</td>
<td>Mutual Funds</td>
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<td>72,868,840</td>
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<td>BSJ S Balanced Fund Ltd.</td>
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<td>2,241</td>
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<tr>
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<td>CDC - Trustee Pakistan Premier Fund</td>
<td>11,000</td>
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<tr>
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<td>CDC - Trustee First Habib Stock Fund</td>
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<td>CDC - Trustee AKD Index Tracker Fund</td>
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<tr>
<td></td>
<td>CDC - Trustee MCB Dynamic Stock Fund</td>
<td>130,000</td>
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<tr>
<td></td>
<td>CDC - Trustee ABL Stock Fund</td>
<td>354,500</td>
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</tr>
<tr>
<td></td>
<td>CDC - Trustee Atlas Stock Market Fund</td>
<td>500,000</td>
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<td></td>
<td>CDC - Trustee UBL Stock Advantage Fund</td>
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<td>CDC - Trustee First Capital Mutual Fund</td>
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<td>CDC - Trustee APF-Equity Sub Fund</td>
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<td>MCBFSI-Trustee URSF-Equity Sub Fund</td>
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<td>CDC - Trustee Pakistan Stock Market Fund</td>
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<tr>
<td>Category No.</td>
<td>Categories of Shareholders</td>
<td>Number of Shares held</td>
<td>Category wise No. of Shareholders</td>
<td>Category wise Shares held</td>
<td>(%)</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------------------------------</td>
<td>------------------------</td>
<td>-----------------------------------</td>
<td>----------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>9</td>
<td>CDC - Trustee AKD Opportunity Fund</td>
<td>374,510</td>
<td>32</td>
<td>119,469,018</td>
<td>11.40</td>
</tr>
<tr>
<td></td>
<td>Golden Arrow Selected Stocks Fund Limited</td>
<td>513,382</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CDC - Trustee UBL Asset Allocation Fund</td>
<td>860,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Investment Trust Limited</td>
<td>65,844,139</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10</td>
<td>Co-operative Societies</td>
<td>1</td>
<td>1</td>
<td>9,843,073</td>
<td>0.94</td>
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<tr>
<td>11</td>
<td>Charitable Trusts</td>
<td>8</td>
<td>8</td>
<td>728,953</td>
<td>0.07</td>
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<tr>
<td>12</td>
<td>Others</td>
<td>13</td>
<td>13</td>
<td>844,519</td>
<td>0.08</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td>3,017</td>
<td>1,047,831,480</td>
<td>100.00</td>
</tr>
</tbody>
</table>

- CDC - Trustee AKD Opportunity Fund
- Golden Arrow Selected Stocks Fund Limited
- CDC - Trustee UBL Asset Allocation Fund
- National Investment Trust Limited
- Foreign Investors
- Co-operative Societies
- Charitable Trusts
- Others