



HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the nine months ended
30 September 2013
(Un-Audited)

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

AS AT 30 SEPTEMBER 2013

	Note	30 September 2013 (Un-Audited)	31 December, 2012 (Audited) Rupees in '000 (Restated)
ASSETS			
Cash and balances with treasury banks		20,558,752	16,918,780
Balances with other banks	5	2,740,679	5,151,149
Lendings to financial institutions	6	3,933,419	–
Investments	7	130,626,189	160,733,315
Advances	8	111,900,452	106,910,727
Operating fixed assets	9	2,997,743	3,000,827
Deferred tax assets	10	3,583,909	2,310,721
Other assets		7,236,308	5,749,931
		283,577,451	300,775,450
LIABILITIES			
Bills payable		5,350,339	4,092,268
Borrowings	11	17,602,854	41,569,169
Deposits and other accounts	12	223,872,244	217,670,832
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities		10,091,414	9,255,735
		256,916,851	272,588,004
NET ASSETS		26,660,600	28,187,446
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,011,277	9,488,277
Unappropriated profit		6,033,681	6,034,600
		26,523,273	26,001,192
Surplus on revaluation of assets - net of deferred tax	13	137,327	2,186,254
		26,660,600	28,187,446
CONTINGENCIES AND COMMITMENTS	14		

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013

	Note	30 September 2013 Quarter ended	30 September 2013 Nine months ended	30 September 2012 Quarter ended	30 September 2012 Nine months ended
		Rupees in '000			
		(Restated)		(Restated)	
Mark-up / return / interest earned		5,716,196	17,439,928	7,034,706	20,303,272
Mark-up / return / interest expensed		(3,426,120)	(11,138,834)	(4,894,085)	(13,824,180)
Net mark-up / interest income		2,290,076	6,301,094	2,140,621	6,479,092
Provision against non-performing loans and advances	8.3	298,925	1,334,563	631,633	2,027,803
Provision for diminution in the value of investments	7.1	(2,288)	(2,993)	(10,469)	5,719
Bad debts written-off directly		–	–	–	–
		(296,637)	(1,331,570)	(621,164)	(2,033,522)
Net mark-up / interest income after provisions		1,993,439	4,969,524	1,519,457	4,445,570
Non mark-up / interest income					
Fee, commission and brokerage income		563,610	1,682,669	525,566	1,608,071
Dividend income		3,123	42,675	19,632	613,720
Income from dealing in foreign currencies		199,502	737,678	422,096	1,001,461
Gain on sale / redemption of securities		162,440	1,314,795	340,518	648,814
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		–	–	–	–
Other income		110,368	227,101	67,319	195,186
Total non mark-up / interest income		1,039,043	4,004,918	1,375,131	4,067,252
		3,032,482	8,974,442	2,894,588	8,512,822
Non mark-up / interest expenses					
Administrative expenses		1,611,966	4,770,688	1,457,272	4,225,686
Other provisions / write-offs		–	–	59,805	59,805
Other charges		34,776	121,164	(8,260)	71,140
Total non mark-up / interest expenses		(1,646,742)	(4,891,852)	(1,508,817)	(4,356,631)
		1,385,740	4,082,590	1,385,771	4,156,191
Extra ordinary / unusual items		–	–	–	–
Profit before taxation		1,385,740	4,082,590	1,385,771	4,156,191
Taxation – Current		491,125	1,510,610	579,241	1,816,494
– Prior years		110,772	284,140	–	–
– Deferred		(52,119)	(336,933)	(128,369)	(477,566)
		(549,778)	(1,457,817)	(450,872)	(1,338,928)
Profit after taxation		835,962	2,624,773	934,899	2,817,263
Basic earnings per share (Rupees)	15	0.80	2.50	0.89	2.69

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

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013

	Note	30 September 2013 Quarter ended	30 September 2013 Nine months ended	30 September 2012 Quarter ended	30 September 2012 Nine months ended
		Rupees in '000			
				(Restated)	(Restated)
Profit after taxation for the period		835,962	2,624,773	934,899	2,817,263
Other comprehensive income					
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial loss on defined benefit plan	3.2	(3,605)	(10,814)	(8,626)	(25,878)
Deferred tax on defined benefit plan	3.2	1,262	3,785	2,727	8,183
		(2,343)	(7,029)	(5,899)	(17,695)
Comprehensive income transferred to equity		833,619	2,617,744	929,000	2,799,568
Components of comprehensive income not reflected in equity					
Items to be reclassified to profit or loss in subsequent periods:					
(Deficit) / surplus on revaluation of investments		(3,061,399)	(2,981,396)	2,643,488	2,347,018
Deferred tax on revaluation of investments		1,067,148	932,469	(845,708)	(709,503)
		(1,994,251)	(2,048,927)	1,797,780	1,637,515
Total comprehensive income		(1,160,632)	568,817	2,726,780	4,437,083

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KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	30 September 2013	30 September 2012
	Rupees in '000	
	(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,082,590	4,156,191
Less: Dividend income	(42,675)	(613,720)
	<u>4,039,915</u>	<u>3,542,471</u>
Adjustments		
Depreciation	340,564	339,200
Provision against non-performing loans and advances – net	1,334,563	2,027,803
Provision for diminution in the value of investments – net	(84,371)	(26,039)
Net (gain) on sale of fixed assets	(54,201)	(14,866)
	<u>1,536,555</u>	<u>2,326,098</u>
	<u>5,576,470</u>	<u>5,868,569</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,933,419)	(4,908,085)
Advances	(6,324,288)	(779,626)
Other assets	(1,486,377)	877,307
	<u>(11,744,084)</u>	<u>(4,810,404)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,258,071	625,882
Borrowings	(24,573,079)	(20,960,623)
Deposits and other accounts	6,201,412	31,144,995
Other liabilities (excluding taxation and dividend)	538,698	295,787
	<u>(16,574,898)</u>	<u>11,106,041</u>
	<u>(22,742,512)</u>	<u>12,164,206</u>
Income tax paid	(1,511,074)	(1,833,153)
Net cash flows from operating activities	<u>(24,253,586)</u>	<u>10,331,053</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	36,834,495	(1,956,495)
Net investments in held-to-maturity securities	(9,624,394)	(4,482,307)
Dividend received	42,675	613,720
Investments in operating fixed assets	(390,430)	(227,083)
Proceeds from sale of fixed assets	107,150	103,250
Net cash flows from investing activities	<u>26,969,496</u>	<u>(5,948,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,093,172)	(1,569,817)
Net cash flows from financing activities	<u>(2,093,172)</u>	<u>(1,569,817)</u>
Increase in cash and cash equivalents	<u>622,738</u>	<u>2,812,321</u>
Cash and cash equivalents at beginning of the period	20,863,977	15,420,150
Effect of exchange rate changes on cash and cash equivalents	567,541	309,657
Cash and cash equivalents at end of the period	<u>22,054,256</u>	<u>18,542,128</u>

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KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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

BASHIR ALI MOHAMMAD
Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

1. STATUS AND NATURE OF BUSINESS

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

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all the three stock exchanges in Pakistan. The holding company operates 157 (31 December 2012: 143) branches, including 5 (31 December 2012: 4) Islamic banking branches and 40 (31 December 2012: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I Chundrigar Road, Karachi.

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

2. BASIS OF PREPARATION

2.1 These consolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting, and directives issued by Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP). These consolidated condensed interim financial statements do not include all of the statements required for full financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2012.

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

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Bank for the year ended 31 December 2012 other than as disclosed in note 3.2 below.

3.2 During the period the Bank has adopted IAS-19 (Revised) "Employee Benefits". The significant changes to IAS 19 are as follows:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. 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 the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.
- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. The revision has no effect on these consolidated condensed interim financial statements.

The adoption of the said amendments has resulted in a change in the Bank's accounting policy related to recognition of actuarial gains and losses (note 5.9.1 to the consolidated financial statements for the year ended 31 December 2012). Consequently the Bank now recognizes all actuarial gains and losses net of deferred tax directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Had the said change not been made, the Bank's equity as at 30 September 2013 would have been higher by Rs. 73,220 thousand net of deferred tax (31 December 2012: Rs. 66,190 thousand), liability in respect of defined benefit plan (included in other liabilities) would have been lower by Rs. 112,645 thousand (31 December 2012: Rs. 101,830 thousand) and profit after tax for the nine month ended 30 September 2013 would have been lower by Rs. 5,054 thousand (30 September 2012: Rs. 2,498 thousand). Moreover, deferred tax asset would have lower by Rs. 39,425 thousand (31 December 2012: Rs. 35,640 thousand).

Due to the above change, the comparative figures of the profit and loss account for the quarter and six months period ended 30 September 2012 have also been restated and the actuarial loss of Rs. 832 thousand and Rs. 2,497 thousand for the above respective periods earlier recognised in the profit and loss accounts of those periods have now been transferred to the consolidated condensed interim statement of comprehensive income.

3.3 The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Bank for the year ended 31 December 2012.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the financial statements of the Group for the year ended 31 December 2012.

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5. BALANCES WITH OTHER BANKS	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
In Pakistan		
Current accounts	359,789	361,861
Deposit accounts	14,088	12,556
	<u>373,877</u>	<u>374,417</u>
Outside Pakistan		
Current accounts	775,858	3,319,486
Deposit accounts	1,590,944	1,457,246
	<u>2,366,802</u>	<u>4,776,732</u>
	<u>2,740,679</u>	<u>5,151,149</u>
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse repo)	3,933,419	—
	<u>3,933,419</u>	<u>—</u>

7. INVESTMENTS

7. INVESTMENTS		30 September 2013 (Un-Audited)			31 December 2012 (Audited)		
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
				Rupees in '000			
Available-for-sale securities							
Market treasury bills		37,949,321	–	37,949,321	81,775,464	15,095,547	96,871,011
Pakistan investment bonds	7.2	46,001,381	–	46,001,381	17,834,896	5,780,174	23,615,070
Ordinary shares of listed companies		170,274	–	170,274	849,818	–	849,818
Ordinary shares of unlisted companies		138,955	–	138,955	138,955	–	138,955
Preference shares of a listed company		40,000	–	40,000	40,000	–	40,000
Listed term finance certificates		770,691	–	770,691	1,082,970		1,082,970
Unlisted term finance certificates		702,892	–	702,892	784,718	–	784,718
Sukuk certificates and bonds		20,633,327	–	20,633,327	19,759,321	–	19,759,321
Units of open end mutual funds		10,256,815	–	10,256,815	10,298,235	–	10,298,235
Units of close end mutual funds		–	–	–	58,053	–	58,053
		116,663,656	–	116,663,656	132,622,430	20,875,721	153,498,151
Held-to-maturity securities							
Pakistan investment bonds	7.2	14,111,723	–	14,111,723	4,487,329	–	4,487,329
Investments at cost							
Less: Provision for diminution in the value of investments	7.1	(189,871)	–	(189,871)	(274,242)	–	(274,242)
Investments – net of provisions							
Surplus / (deficit) on revaluation of available-for-sale securities – net	13	40,681	–	40,681	3,659,925	(637,848)	3,022,077
Investments after revaluation of available-for-sale securities							
		130,626,189	–	130,626,189	140,495,442	20,237,873	160,733,315

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	Note	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
Rupees in '000			
7.1 Particulars of provision for diminution in the value of investments			
Opening balance		274,242	338,722
Charge for the period / year		2,550	42,252
Recovered during the period / year		(5,543)	(9,753)
Net charge for the period / year		(2,993)	32,499
Reversal of provision upon disposal of investments		(81,378)	(67,786)
Investment written off during the period / year		-	(29,193)
Closing balance		189,871	274,242
7.2 These carry mark-up rates ranging from 11.25% to 12.00% per annum (31 December 2012: 9.00% to 12.00% per annum) and will mature up to 19 July 2022. These include Rs. 158,500 thousand (31 December 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.			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		105,169,970	99,708,381
Net investments in finance lease / ijarah financing			
In Pakistan		533,937	488,868
Net assets in ijarah under IFAS 2		203,725	350,465
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,796,114	4,555,113
Payable outside Pakistan		13,808,956	14,196,896
		19,605,070	18,752,009
Advances - gross		125,512,702	119,299,723
Provision against non-performing advances			
- specific		(12,919,184)	(12,035,322)
- general		(693,066)	(353,674)
	8.3	(13,612,250)	(12,388,996)
Advances - net of provisions		111,900,452	106,910,727

- 8.1 Advances include Rs. 17,321,866 thousand (31 December 2012 : Rs. 17,729,487 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2013 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	61,420	12,855	12,855
Doubtful	170,561	42,130	42,130
Loss	17,089,885	12,864,199	12,864,199
	<u>17,321,866</u>	<u>12,919,184</u>	<u>12,919,184</u>

Category of Classification	31 December 2012 (Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	154,747	34,369	34,369
Doubtful	2,246,483	673,447	673,447
Loss	15,328,257	11,327,506	11,327,506
	<u>17,729,487</u>	<u>12,035,322</u>	<u>12,035,322</u>

- 8.2 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the State Bank of Pakistan, the Bank has taken the benefit of forced sale values (FSV) against certain collaterals held against non-performing advances (excluding consumer portfolio). As of 30 September 2013, had the total benefit of these FSVs not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 4,003,501 thousand (31 December 2012: Rs. 4,454,865 thousand) and accumulated profit would have been lower by Rs. 2,602,276 thousand (31 December 2012: Rs. 2,895,662 thousand). This amount of Rs. 2,602,276 thousand is not available for the distribution of cash and stock dividend to the shareholders. The effect on profit for the nine months period ended 30 September 2013, had the benefit of FSV not reduced during the current nine months period, profit after tax would have been higher by Rs. 293,386 thousand (30 September 2012: reduced by Rs. 536,156 thousand).

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

	30 September 2013 (Un-Audited)			31 December 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	12,035,322	353,674	12,388,996	9,928,671	94,263	10,022,934
Charge for the period / year	1,591,348	339,439	1,930,787	3,575,401	259,411	3,834,812
Reversals	(596,177)	(47)	(596,224)	(1,173,564)	—	(1,173,564)
Net charge for the period / year	995,171	339,392	1,334,563	2,401,837	259,411	2,661,248
Amount written off	(111,309)	—	(111,309)	(295,186)	—	(295,186)
Closing balance	<u>12,919,184</u>	<u>693,066</u>	<u>13,612,250</u>	<u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>

8.4 General provision includes provision of Rs. 2,522 thousand (31 December 2012: Rs. 5,385 thousand) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 153,726 thousand (30 September 2012: Rs. 254,395 thousand) and Rs. 65,021 thousand (30 September 2012: Rs. 88,384 thousand) respectively.

10. DEFERRED TAX ASSETS

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed up to 1% of such total gross advances. Further Rule 8(A) of Seventh Schedule allows for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,701,682 thousand. (31 December 2012: Rs. 3,424,087 thousand).

	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
11. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	14,537,693	18,810,750
– under long term financing – export oriented projects	189,032	331,383
– under long term financing facility – locally manufactured plant and machinery	1,630,954	1,567,889
	16,357,679	20,710,022
Repurchase agreement borrowings	–	20,220,736
	16,357,679	40,930,758
Unsecured		
Overdrawn nostro accounts	1,158,832	514,541
Overdrawn local bank accounts	86,343	123,870
	1,245,175	638,411
	17,602,854	41,569,169
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	90,799,772	93,541,355
Saving deposits	69,732,294	54,785,453
Current accounts (non-remunerative)	56,745,515	53,335,479
Others	2,885,668	2,369,674
	220,163,249	204,031,961
Financial Institutions		
Remunerative deposits	3,107,046	13,169,786
Non-remunerative deposits	601,949	469,085
	3,708,995	13,638,871
	223,872,244	217,670,832

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	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
13. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
Available-for-sale securities:		
Federal Government Securities		
Market Treasury Bills	(67,734)	371,564
Pakistan Investment Bonds	(333,434)	1,588,221
GOP Ijarah Sukuk	18,627	159,938
Fully paid-up ordinary shares of listed companies	12,118	173,555
Fully paid-up preference shares of a listed company	3,960	2,561
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(20,114)	10,814
Unlisted term finance certificates	9,427	7,745
Sukuk certificates / bonds	(9,630)	(3,819)
Mutual funds		
Open end	427,461	678,683
Close end	–	32,815
	<u>40,681</u>	<u>3,022,077</u>
Related deferred tax asset / (liability) - net	<u>96,646</u>	<u>(835,823)</u>
	<u>137,327</u>	<u>2,186,254</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	<u>31,670</u>	<u>47,341</u>
14.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	15,746,767	12,770,916
ii) Banking companies and other financial institutions	102,982	121,472
iii) Others	2,495,402	2,871,002
	<u>18,345,151</u>	<u>15,763,390</u>
14.3 Trade-related contingent liabilities		
Letters of credit	<u>55,592,553</u>	<u>51,509,313</u>
Acceptances	<u>8,603,201</u>	<u>7,993,332</u>

	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
14.4 Commitments in respect of forward exchange contracts		
Purchase	<u>59,812,048</u>	<u>45,136,165</u>
Sale	<u>54,179,340</u>	<u>51,020,826</u>
14.5 Commitments in respect of operating leases		
Not later than one year	<u>19,973</u>	<u>7,578</u>
Later than one year and not later than five years	<u>28,175</u>	<u>8,111</u>
	<u>48,148</u>	<u>15,689</u>
14.6 Commitments for the acquisition of operating fixed assets	<u>60,669</u>	<u>35,018</u>
14.7 Claims against the Bank not acknowledged as debt	<u>2,154,916</u>	<u>2,332,580</u>

14.8 Commitments in respect of forward lendings

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

14.9 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2012 (corresponding to the accounting year ended 31 December 2011). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the Bank.

15. BASIC EARNINGS PER SHARE

	30 September 2013 (Un-Audited)		30 September 2012 (Un-Audited)	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000		Rupees in '000	
	(Restated)		(Restated)	
Profit after taxation	<u>835,963</u>	<u>2,624,774</u>	<u>934,899</u>	<u>2,817,263</u>
	Number in '000		Number in '000	
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees		Rupees	
Basic earnings per share	<u>0.80</u>	<u>2.50</u>	<u>0.89</u>	<u>2.69</u>

16. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 September 2013 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	91,390	4,934,306	24,338	151,459	1,830,080	7,031,573
Received during the period	13,064,063	574,130,882	186,128	766,198	4,326,936	592,474,207
Repaid during the period	(13,069,953)	(575,182,070)	(185,651)	(695,230)	(5,128,700)	(594,261,604)
At end of the period	85,500	3,883,118	24,815	222,427	1,028,316	5,244,176
Advances						
At beginning of the period	-	1,602,820	26,101	-	-	1,628,921
Disbursed during the period	-	25,959,213	44,130	-	-	26,003,343
Recovered during the period	-	(25,679,239)	(13,636)	-	-	(25,692,875)
At end of the period	-	1,882,794	56,595	-	-	1,939,389
Bank balances held by the Bank	249,900	24,574	-	-	-	274,474
Overdrawn bank balances held by the Bank	-	431,832	-	-	-	431,832
Mark-up/return/interest receivable	-	15,178	-	-	-	15,178
Mark-up/return/interest payable	-	75,018	692	1,345	87,750	164,805
Management fee payable for technical and consultancy services*	131,061	-	-	-	-	131,061
Prepayments /Advance deposits	-	4,865	-	-	-	4,865
Insurance premium payable	-	18,000	-	-	-	18,000
Transaction-related contingent liabilities	-	1,826,170	-	-	-	1,826,170
Trade-related contingent liabilities	-	3,006,220	-	-	-	3,006,220
Advance received against prepaid card	-	45	-	-	-	45
Receivable / (payable) against purchase / sale of securities	-	40,830	143	-	-	40,973

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

	31 December 2012 (Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	178,264	4,880,012	60,025	73,571	1,548,662	6,740,534
Received during the year	15,500,722	816,595,740	407,791	681,914	4,862,281	838,048,448
Repaid during the year	(15,587,596)	(816,541,446)	(443,478)	(604,026)	(4,580,863)	(837,757,409)
At end of the year	91,390	4,934,306	24,338	151,459	1,830,080	7,031,573
Advances						
At beginning of the year	–	1,776,952	31,193	–	–	1,808,145
Disbursed during the year	–	28,892,000	6,245	–	–	28,898,245
Recovered during the year	–	(29,066,132)	(11,337)	–	–	(29,077,469)
At end of the year	–	1,602,820	26,101	–	–	1,628,921
Investments	–	53,642	–	–	–	53,642
Bank balances held by the Bank	77,497	1,980,921	–	–	–	2,058,418
Overdrawn bank balances held by the Bank	–	246,158	–	–	–	246,158
Mark-up/return/interest receivable	–	11,330	–	–	–	11,330
Mark-up/return/interest payable	–	41,072	810	1,292	118,082	161,256
Management fee payable for technical and consultancy services*	159,288	–	–	–	–	159,288
Prepayments /Advance deposits	–	26,164	–	–	–	26,164
Transaction-related contingent liabilities	–	1,456,588	–	–	–	1,456,588
Trade-related contingent liabilities	–	1,814,176	–	–	–	1,814,176
Advance received against prepaid card	–	6,640	–	–	–	6,640
Advance received against insurance premium	–	316	–	–	–	316
Receivable / (payable) against purchase / sale of securities	–	(9,952)	(480)	–	–	(10,432)

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

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Transactions during the period	For the period ended 30 September 2013 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	107,701	2,591	-	-
Mark-up/return/interest expensed	-	400,506	502	9,986	94,766
Commission/brokerage/bank charges recovered	3,667	277,914	54	-	-
Commission/brokerage/bank charges paid	263	18,949	-	-	-
Rent income	-	495	-	-	-
Gain on sale /redemption of securities	-	-	11,366	-	-
Salaries and allowances	-	-	144,564	-	-
Directors' fees	-	-	-	6,160	-
Contribution to defined benefit plan	-	-	-	-	79,200
Contribution to defined contribution plan	-	-	-	-	85,460
Rent expenses	-	10,542	-	-	-
Insurance premium expenses	-	34,804	-	-	-
Maintenance, electricity, stationery & entertainment expenses	-	27,710	-	-	-
Management fee expense for technical and consultancy services*	136,398	-	-	-	-
Donation paid	-	1,440	-	-	-
Professional / other charges paid	-	2,807	-	-	-

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

Transactions during the period

	For the period ended 30 September 2012 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	100,342	1,669	-	-
Mark-up/return/interest expensed	-	434,974	867	5,904	180,456
Commission/brokerage/bank charges recovered	2,373	10,380	37	-	-
Commission/brokerage/bank charges paid	1,261	913	-	-	-
Rent income	-	810	-	-	-
Salaries and allowances	-	-	116,539	-	-
Directors' fees	-	-	-	4,100	-
Contribution to defined benefit plan	-	-	-	-	58,500
Contribution to defined contribution plan	-	-	-	-	76,103
Rent expenses	-	13,524	-	-	-
Insurance premium expenses	-	39,471	-	-	-
Maintenance, electricity, stationery & entertainment expenses	-	28,263	-	-	-
Management fee expense for technical and consultancy services*	120,136	-	-	-	-
Donation	-	6,690	-	-	-
Professional / other charges paid	-	7,536	-	-	-

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

17. KEY ISLAMIC BANKING OPERATIONS

- 17.1 The Group is operating 5 (31 December 2012: 4) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 September 2013 are as follows:

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2013

	Note	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		720,479	1,071,902
Balances with other banks		—	—
Due from financial institutions		—	—
Investments		13,662,365	16,401,280
Islamic financing and related assets	A-2	6,380,432	5,312,433
Operating fixed assets		14,090	13,358
Deferred tax assets		—	—
Other assets		911,342	862,624
		<u>21,688,708</u>	<u>23,661,597</u>
LIABILITIES			
Bills payable		106,396	141,298
Due to financial institutions		208,400	348,600
Deposits and other accounts			
- Current accounts		2,408,379	1,764,052
- Saving accounts		5,978,034	4,534,734
- Term deposits		9,915,906	10,240,495
- Others		51,565	106,287
- Deposits from financial institutions - remunerative		1,117,165	3,930,165
- Deposits from financial institutions - non remunerative		4,674	1,607
		<u>19,475,723</u>	<u>20,577,340</u>
Due to head office		—	—
Other liabilities		507,986	905,466
		<u>20,298,505</u>	<u>21,972,704</u>
NET ASSETS		<u>1,390,203</u>	<u>1,688,893</u>
REPRESENTED BY			
Islamic banking fund		1,002,652	1,002,429
Reserves		—	—
Unappropriated profit		378,520	546,851
		<u>1,381,172</u>	<u>1,549,280</u>
Surplus on revaluation of assets		9,031	139,613
		<u>1,390,203</u>	<u>1,688,893</u>

17.2 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	30 September 2013	30 September 2012
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,421,378	1,626,712
Profit / return on deposit and other dues expensed	(994,320)	(1,201,352)
Net spread earned	427,058	425,360
Provision against non performing financing	11,100	33,228
Provision for diminution in the value of investments	—	—
Provision for customer financing ljarah	—	—
Bad debts written off directly	—	—
	(11,100)	(33,228)
Net spread after provisions	415,958	392,132
OTHER INCOME		
Fee, commission and brokerage income	16,480	16,592
Dividend income	—	—
Income from dealing in foreign currencies	9,517	7,759
Gain on sale / redemption of securities	—	—
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	28,281	40,452
Total other income	54,278	64,803
	470,236	456,935
OTHER EXPENSES		
Administrative expenses	91,716	74,868
Other provisions / write-offs	—	—
Other charges	—	—
Total other expenses	(91,716)	(74,868)
	378,520	382,067
Extra ordinary / unusual items	—	—
PROFIT BEFORE TAXATION	378,520	382,067
17.3 CHARITY FUND		
Opening balance	—	10
Additions during the period	—	211
Payments / utilization during the period	—	(221)
Closing Balance	—	—

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	30 September 2013 (Un-Audited)	30 September 2012 (Un-Audited)
	Rupees in '000	
17.4 REMUNERATION TO SHARIAH ADVISOR / BOARD	1,149	1,377
A-2 ISLAMIC FINANCING AND RELATED ASSETS		
	30 September 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
Financings / investments / receivables		
- Murabaha	4,485,372	3,811,939
- Ijarah	256,310	422,920
- Diminishing musharaka	1,025,403	614,446
- Export refinance murabaha	208,400	343,176
- Receivable from customer against murabaha	-	14,784
	5,975,485	5,207,265
Advances		
- Advance against murabaha	263,049	100,657
- Advance against ijarah	2,161	4,511
- Advance against diminishing musharika	139,737	-
	404,947	105,168
	6,380,432	5,312,433
A-2.1 Islamic mode of financing		
Financings / investments / receivables	5,975,485	5,207,265
Advances	404,947	105,168
	6,380,432	5,312,433

18. GENERAL

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

19. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 23 October 2013.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

BASHIR ALI MOHAMMAD
Director