



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the nine months
ended 30 September 2014
(Un-audited)

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

AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Un-Audited) Rupees in '000	31 December 2013 (Audited) (Restated)
ASSETS			
Cash and balances with treasury banks		16,218,119	21,208,774
Balances with other banks	6	1,706,972	3,552,694
Lendings to financial institutions	7	15,553,384	—
Investments	8	200,932,747	142,327,147
Advances	9	128,543,522	129,833,937
Operating fixed assets	10	3,052,816	3,035,526
Deferred tax assets - net	11	3,231,673	2,947,155
Other assets		8,818,516	8,490,404
		378,057,749	311,395,637
LIABILITIES			
Bills payable		6,274,835	3,982,213
Borrowings	12	32,207,286	23,057,002
Deposits and other accounts	13	299,325,627	247,507,718
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		11,348,953	8,863,421
		349,156,701	283,410,354
NET ASSETS		28,901,048	27,985,283
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		10,818,480	10,193,511
Unappropriated profit		7,105,725	6,693,745
		28,402,520	27,365,571
Surplus on revaluation of assets - net of deferred tax	14	498,528	619,712
		28,901,048	27,985,283
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	Note	30 September 2014 Quarter ended	30 September 2014 Nine months ended	30 September 2013 Quarter ended	30 September 2013 Nine months ended
		Rupees in '000			
Mark-up / return / interest earned		8,153,412	23,553,559	6,021,697	18,537,579
Mark-up / return / interest expensed		(5,226,830)	(15,491,342)	(3,704,510)	(11,982,626)
Net mark-up / interest income		2,926,582	8,062,217	2,317,187	6,554,953
Provision against non-performing loans and advances-net	9.3	108,605	1,071,284	298,925	1,334,563
Provision for diminution in the value of investments-net	8.1	21,363	17,479	(2,288)	(2,993)
Bad debts written-off directly		-	-	-	-
		(129,968)	(1,088,763)	(296,637)	(1,331,570)
Net mark-up / interest income after provisions		2,796,614	6,973,454	2,020,550	5,223,383
Non mark-up / interest income					
Fee, commission and brokerage income		606,130	1,811,348	563,610	1,682,669
Dividend income		18,931	37,362	3,123	42,675
Income from dealing in foreign currencies-net		302,634	720,702	172,062	483,490
Gain on sale / redemption of securities-net		(3,258)	801,570	162,440	1,314,795
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		-	-	-	-
Other income		79,565	230,420	110,538	227,271
Total non mark-up / interest income		1,004,002	3,601,402	1,011,773	3,750,900
		3,800,616	10,574,856	3,032,323	8,974,283
Non mark-up / interest expenses					
Administrative expenses		1,895,254	5,544,766	1,611,966	4,770,688
Other provisions / write-offs		299,000	299,000	-	-
Other charges		34,641	89,051	34,617	121,005
Total non mark-up / interest expenses		(2,228,895)	(5,932,817)	(1,646,583)	(4,891,693)
		1,571,721	4,642,039	1,385,740	4,082,590
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		1,571,721	4,642,039	1,385,740	4,082,590
Taxation - Current		510,316	1,702,013	491,124	1,510,609
- Prior years		-	-	110,772	284,140
- Deferred		37,153	(194,163)	(52,119)	(336,933)
		(547,469)	(1,507,850)	(549,777)	(1,457,816)
Profit after taxation		1,024,252	3,134,189	835,963	2,624,774
Basic earnings per share (Rupees)	16	0.98	2.99	0.80	2.50

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director

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

FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	30 September 2014 Quarter ended	30 September 2014 Nine months ended	30 September 2013 Quarter ended	30 September 2013 Nine months ended
	Rupees in '000			
Profit after taxation for the period	1,024,252	3,134,189	835,963	2,624,774
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain / (loss) on defined benefit plan	(34,137)	(2,427)	(3,605)	(10,814)
Deferred tax on defined benefit plans	11,948	849	1,262	3,785
	(22,189)	(1,578)	(2,343)	(7,029)
Total comprehensive income	1,002,063	3,132,611	833,620	2,617,745

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	30 September 2014	30 September 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,642,039	4,082,590
Less: Dividend income	(37,362)	(42,675)
	4,604,677	4,039,915
Adjustments		
Depreciation and amortization	384,656	340,562
Provision against non-performing loans and advances – net	1,071,284	1,334,563
Provision for diminution in the value of investments – net	(24,705)	(84,371)
Net (gain) on sale of operating fixed assets	(2,841)	(54,201)
Actuarial loss on defined benefit plan	(2,427)	(10,814)
	1,425,967	1,525,739
	6,030,644	5,565,654
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,553,384)	(3,933,419)
Advances	219,131	(6,324,288)
Other assets (excluding taxation)	(194,031)	(1,486,377)
	(15,528,284)	(11,744,084)
Increase / (decrease) in operating liabilities		
Bills payable	2,292,622	1,258,071
Borrowings	7,015,830	(24,573,079)
Deposits and other accounts	51,817,909	6,201,412
Other liabilities (excluding dividend)	2,483,650	549,514
	63,610,011	(16,564,082)
	54,112,371	(22,742,512)
Income tax paid	(1,835,544)	(1,511,074)
Net cash flows from operating activities	52,276,827	(24,253,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(50,355,355)	36,834,495
Net investments in held-to-maturity securities	(8,436,231)	(9,624,394)
Dividend received	37,362	42,675
Investments in operating fixed assets and intangible assets	(403,148)	(390,430)
Proceeds from sale of operating fixed assets	4,055	107,150
Net cash flows from investing activities	(59,153,317)	26,969,496
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,093,313)	(2,093,172)
Net cash flows from financing activities	(2,093,313)	(2,093,172)
(Decrease) / increase in cash and cash equivalents	(8,969,803)	622,738
Cash and cash equivalents at beginning of the period	24,535,447	20,863,977
Effect of exchange rate changes on cash and cash equivalents	(293,277)	567,541
Cash and cash equivalents at end of the period	15,272,367	22,054,256

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Share capital	Reserves			Revenue reserve	Unappropriated profit	Total
		Share premium	Statutory reserve	Special reserve			
	Rupees in '000						
Balance as at 1 January 2013 - restated	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,765	26,002,357
Changes in equity for the nine months ended 30 September 2013							
Profit after tax	-	-	-	-	-	2,624,774	2,624,774
Other comprehensive income - net of tax	-	-	-	-	-	(7,029)	(7,029)
	-	-	-	-	-	2,617,745	2,617,745
Transfer to statutory reserve	-	-	523,000	-	-	(523,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 September 2013	10,478,315	2,550,985	5,719,931	240,361	1,500,000	6,034,847	26,524,439
Total comprehensive income for the three months ended 31 December 2013							
Profit after tax	-	-	-	-	-	901,994	901,994
Other comprehensive income - net of tax	-	-	-	-	-	(60,862)	(60,862)
	-	-	-	-	-	841,132	841,132
Transfer to statutory reserve	-	-	182,234	-	-	(182,234)	-
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,693,745	27,365,571
Total comprehensive income for the nine months ended 30 September 2014							
Profit after tax	-	-	-	-	-	3,134,189	3,134,189
Other comprehensive income - net of tax	-	-	-	-	-	(1,578)	(1,578)
	-	-	-	-	-	3,132,611	3,132,611
Transfer to statutory reserve	-	-	624,969	-	-	(624,969)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share)	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 September 2014	10,478,315	2,550,985	6,527,134	240,361	1,500,000	7,105,724	28,402,519

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

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Director

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (holding company) and Habib Metropolitan Financial Services Limited (wholly owned subsidiary company). The Group is engaged in providing commercial banking and brokerage services.

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all the three stock exchanges in Pakistan. The holding company operates 190 (31 December 2013: 174) branches, including 9 (31 December 2013: 6) Islamic banking branches and 40 (31 December 2013: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, 11 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 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 consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 The financial results of the Islamic Banking branches of the Group have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 18 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS's), Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP), the requirement of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirement of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) issued vide SRO 411(I)/2008 dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

4. ACCOUNTING POLICIES AND ESTIMATES

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

5. FINANCIAL RISK MANAGEMENT

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

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6. BALANCES WITH OTHER BANKS

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

In Pakistan

Current accounts
Deposit accounts

525,947	460,186
87,069	24,004
613,016	484,190

Outside Pakistan

Current accounts
Deposit accounts

1,093,956	1,488,635
—	1,579,869
1,093,956	3,068,504
1,706,972	3,552,694

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings
Repurchase agreement lendings (Reverse repo)

1,300,000	—
14,253,384	—
15,553,384	—

8. INVESTMENTS

		30 September 2014 (Un-Audited)			31 December 2013 (Audited)		
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
				Rupees in '000			
Available-for-sale securities							
Market treasury bills		57,659,350	–	57,659,350	54,535,779	–	54,535,779
Pakistan investment bonds	8.2	90,143,862	–	90,143,862	45,828,229	–	45,828,229
Ordinary shares of listed companies		820,679	–	820,679	230,409	–	230,409
Ordinary shares of unlisted companies		138,956	–	138,956	138,955	–	138,955
Preference shares of a listed company		–	–	–	40,000	–	40,000
Listed term finance certificates		1,622,977	–	1,622,977	866,305	–	866,305
Unlisted term finance certificates		468,133	–	468,133	582,963	–	582,963
Sukuk certificates and bonds		12,394,010	–	12,394,010	14,096,788	–	14,096,788
Open end mutual funds		14,810,046	–	14,810,046	11,415,046	–	11,415,046
Close end mutual funds		31,816	–	31,816	–	–	–
		178,089,829	–	178,089,829	127,734,474	–	127,734,474
Held-to-maturity securities							
Pakistan investment Bonds	8.2	22,548,533	–	22,548,533	14,112,302	–	14,112,302
Investments at cost		200,638,362	–	200,638,362	141,846,776	–	141,846,776
Provision for diminution in the value of investments	8.1	(166,279)	–	(166,279)	(190,984)	–	(190,984)
Investments – net of provisions		200,472,083	–	200,472,083	141,655,792	–	141,655,792
Surplus / (deficit) on revaluation of available-for-sale Investments – net	14	460,664	–	460,664	671,355	–	671,355
Total Investments		200,932,747	–	200,932,747	142,327,147	–	142,327,147

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	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
8.1 Particulars of provision for diminution in the value of investments			
Opening balance		190,984	274,242
Charge for the period / year		24,482	4,323
Recovered during the period / year		(7,003)	(6,203)
Net charge		17,479	(1,880)
Reversal of provision upon disposal of investments		(38,360)	(81,378)
Provision written off during the period / year		(3,824)	–
Closing balance		166,279	190,984

8.2 These include Rs. 158,500 thousand (31 December 2013: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

9. ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		114,808,990	118,698,461
Net investments in finance lease / ijarah financing			
In Pakistan		497,595	490,079
Net book value of assets in Ijarah under IFAS-2		251,762	174,511
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,513,849	5,511,266
Payable outside Pakistan		22,823,995	19,269,633
		28,337,844	24,780,899
Advances - gross		143,896,191	144,143,950
Provision against non-performing advances			
– specific		(14,910,949)	(13,455,861)
– general		(441,720)	(854,152)
	9.3	(15,352,669)	(14,310,013)
Advances - net of provisions		128,543,522	129,833,937

- 9.1 Advances include Rs. 19,864,878 thousand (31 December 2013: Rs. 16,973,536 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2014 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	1,394,808	282,288	282,288
Doubtful	1,725,506	727,319	727,319
Loss	16,744,564	13,901,342	13,901,342
	<u>19,864,878</u>	<u>14,910,949</u>	<u>14,910,949</u>

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

- 9.2 During the current year, the Group availed additional forced Sale Value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing advances by Rs. 350,306 thousand. Further, as of 30 September 2014, had the benefit of FSVs (including those availed upto previous year) not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs.3,248,099 thousand (31 December 2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs.2,111,264 thousand (31 December 2013: Rs. 2,241,423 thousand). This amount of Rs.2,111,264 thousand is not available for distribution of cash and stock dividend to the shareholders.

9.3 Particulars of specific provision against non-performing advances:

	30 September 2014 (Un-Audited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	13,455,861	854,152	14,310,013	12,035,322	353,674	12,388,996
Charge for the period / year	1,843,905	–	1,843,905	2,182,078	500,478	2,682,556
Reversals	(360,189)	(412,432)	(772,621)	(571,446)	–	(571,446)
Net charge for the period / year	1,483,716	(412,432)	1,071,284	1,610,632	500,478	2,111,110
Amount written off	(28,628)	–	(28,628)	(190,093)	–	(190,093)
Closing balance	<u>14,910,949</u>	<u>441,720</u>	<u>15,352,669</u>	<u>13,455,861</u>	<u>854,152</u>	<u>14,310,013</u>

9.4 General provision includes provision of Rs. 1,984 thousand (31 December 2013: Rs. 2,894 thousand) made against consumer portfolio maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan. Moreover, general provision also includes provision of Rs. 31,912 thousands (31 December 2013: Rs. 37,450 thousands) made against Small Enterprises (SEs) maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

10. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 318,821 thousand (30 September 2013: Rs. 153,726 thousand) and 8,208 thousand (30 September 2013: Rs. 65,021 thousand) respectively.

11. DEFERRED TAX ASSETS

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be 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 will be allowed upto 1% of such total gross advances. Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 3,201,612 thousand. (31 December 2013: Rs. 3,131,045 thousand).

	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
12. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	15,140,008	18,679,476
– under long term financing – export oriented projects	85,649	136,751
– under long term financing facility – locally manufactured plant and machinery	1,567,367	1,796,348
	16,793,024	20,612,575
Against bills re-discounting	3,979,531	1,925,129
	20,772,555	22,537,704
Unsecured		
Call borrowings	8,780,979	–
Overdrawn nostro accounts	2,044,200	399,825
Overdrawn local bank accounts	609,552	119,473
	11,434,731	519,298
	32,207,286	23,057,002
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	127,005,594	100,894,176
Saving deposits	92,206,620	73,259,593
Current accounts (non-remunerative)	74,082,295	66,060,951
Others	2,309,788	3,085,411
	295,604,297	243,300,131
Financial Institutions		
Remunerative deposits	2,851,025	3,660,137
Non-remunerative deposits	870,305	547,450
	3,721,330	4,207,587
	299,325,627	247,507,718

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

14. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX

Available-for-sale securities:

Federal Government Securities

Market treasury bills	(9,818)	(91,715)
Pakistan investment bonds	(646,931)	(92,551)
GOP ijarah sukuk	171,097	128,978

Fully paid-up ordinary shares and mutual funds

884,870 726,604

Preference shares of a listed company

– 6,720

Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	(7,727)	(17,751)
Unlisted term finance certificates	13,468	16,512
Sukuk certificates and bonds	55,705	(5,442)

460,664 671,355

Related deferred tax asset / (liability) - net

37,864 (51,643)

498,528 **619,712**

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of:

Banking companies and other financial institutions **8,000** 31,670

15.2 Transaction-related contingent liabilities

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

i) Government **13,482,140** 16,417,161

ii) Banking companies and other financial institutions **128,492** 170,040

iii) Others **6,381,934** 3,566,742

19,992,566 **20,153,943**

15.3 Trade-related contingent liabilities

Letters of credit **48,453,304** 60,413,234

Acceptances **15,687,591** 10,821,099

	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>98,209,212</u>	<u>58,594,354</u>
Sale	<u>98,701,112</u>	<u>60,959,246</u>
15.5 Commitments in respect of operating leases		
Not later than one year	<u>4,057</u>	<u>20,106</u>
Later than one year and not later than five years	<u>36,909</u>	<u>23,842</u>
	<u>40,966</u>	<u>43,948</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>43,599</u>	<u>19,791</u>
15.7 Claims against the Bank not acknowledged as debt	<u>2,184,916</u>	<u>2,154,916</u>

15.8 Commitments in respect of forward lendings

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

15.9 Taxation

Income tax assessments of the Group have been finalised upto the tax year 2013 (corresponding to the accounting year ended 31 December 2012). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Revenue (ATIR). However, adequate provisions are being held by the Bank.

16. BASIC EARNINGS PER SHARE

	30 September 2014		30 September 2013	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	(Un-Audited)			
	Rupees in '000			
Profit after taxation	<u>1,024,252</u>	<u>3,134,189</u>	<u>835,963</u>	<u>2,624,774</u>
	Number in '000			
Weighted average number of ordinary shares	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>	<u>1,047,831</u>
	Rupees			
Basic earnings per share	<u>0.98</u>	<u>2.99</u>	<u>0.80</u>	<u>2.50</u>

17. 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 2014 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	179,325	5,220,156	49,351	306,775	1,077,055	6,832,662
Received during the period	16,016,467	735,585,179	358,213	1,017,087	3,788,501	756,765,447
Repaid during the period	(15,906,740)	(724,897,685)	(334,874)	(894,788)	(3,935,407)	(745,969,494)
At end of the period	289,052	15,907,650	72,690	429,074	930,149	17,628,615
Advances						
At beginning of the period	-	2,020,013	108,844	-	-	2,128,857
Disbursed during the period	-	27,620,531	60,282	-	-	27,680,813
Recovered during the period	-	(27,387,553)	(8,233)	-	-	(27,395,786)
At end of the period	-	2,252,991	160,893	-	-	2,413,884
Bank balances held by the Group	185,893	38,981	-	-	-	224,874
Mark-up/return/interest receivable	-	23,171	-	-	-	23,171
Mark-up/return/interest payable	-	270,450	1,034	2,570	127,543	401,597
Management fee payable for technical and consultancy services*	216,850	-	-	-	-	216,850
Prepayments /Advance deposits	-	7,084	-	-	-	7,084
Insurance premium and other payable	30,900	508	-	-	-	31,408
Transaction-related contingent liabilities	-	2,280,527	-	-	-	2,280,527
Trade-related contingent liabilities	-	3,343,333	-	-	-	3,343,333

	31 December 2013 (Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	91,390	6,010,887	24,338	151,459	1,830,080	8,108,154
Received during the year	17,604,101	752,573,987	389,590	1,036,460	6,186,611	777,790,749
Repaid during the year	(17,516,166)	(753,364,718)	(364,577)	(881,144)	(6,939,636)	(779,066,241)
At end of the year	179,325	5,220,156	49,351	306,775	1,077,055	6,832,662
Advances						
At beginning of the year	-	1,602,820	26,101	-	-	1,628,921
Recovered during the year	-	37,133,684	105,201	-	-	37,238,885
Repaid during the year	-	(36,716,491)	(22,458)	-	-	(36,738,949)
At end of the year	-	2,020,013	108,844	-	-	2,128,857
Bank balances held by the Group	99,480	208,512	-	-	-	307,992
Overdrawn bank balances held by the Group	-	72,336	-	-	-	72,336
Mark-up/return/interest receivable	6	13,088	-	-	-	13,094
Mark-up/return/interest payable	-	131,556	3,099	2,097	96,065	232,817
Management fee payable for technical and consultancy services*	164,350	-	-	-	-	164,350
Prepayments /Advance deposits	-	4,561	-	-	-	4,561
Insurance premium and other payables	24,200	989	-	-	-	25,189
Transaction-related contingent liabilities	-	2,123,093	-	-	-	2,123,093
Trade-related contingent liabilities	-	5,195,352	-	-	-	5,195,352
Advance received against prepaid card	-	152	-	-	-	152
Receivable / (payable) against purchase / sale of securities	9,839	(20)	(271)	-	-	9,548

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

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Transactions during the period	For the period ended 30 September 2014 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Mark-up/return/interest earned	-	94,952	7,986	-	-
Mark-up/return/interest expensed	-	681,302	1,828	21,527	81,214
Commission/brokerage/bank charges recovered	10,961	88,907	141	-	-
Commission/brokerage/bank charges paid	322	997	-	-	-
Salaries and allowances	-	-	220,857	-	-
Directors' fees	-	-	-	6,900	-
Contribution to defined benefit plan	-	-	-	-	95,238
Contribution to defined contribution plan	-	-	-	-	93,146
Rent expenses	-	12,661	-	-	-
Insurance premium expenses	6,700	1,752	-	-	-
Maintenance, Electricity, Stationery & Entertainment	-	35,289	-	-	-
Management fee expense for technical and consultancy services*	167,750	-	-	-	-
Donation	-	9,440	-	-	-
Professional/ other charges paid	-	1,401	-	-	-

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

	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	4,009	-	-
Mark-up/return/interest expensed	-	448,715	1,930	9,505	94,766
Commission/brokerage/bank charges recovered	4,438	275,828	36	-	-
Commission/brokerage/bank charges paid	263	18,949	-	-	-
Rent income	-	495	-	-	-
Loss on sale of fixed assets	-	11,366	-	-	-
Salaries and allowances	-	-	177,544	-	-
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	15,500	15,002	-	-	-
Maintenance, Electricity, Stationery & Entertainment	-	27,710	-	-	-
Management fee expense for technical and consultancy services*	136,398	-	-	-	-
Donation	-	1,440	-	-	-
Professional / other charges paid	-	2,807	-	-	-

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

18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Group is operating 9 (31 December 2013: 6) Islamic Banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 30 September 2014 are as follow:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,177,579	1,150,981
Balances with other banks		—	—
Due from financial institutions		6,789,363	—
Investments		13,740,469	14,042,730
Islamic financing and related assets	A-2	6,829,585	7,429,012
Operating fixed assets		31,514	18,940
Deferred tax assets - net		—	—
Other assets		317,479	2,738,851
		28,885,989	25,380,514
LIABILITIES			
Bills payable		264,195	148,884
Due to financial institutions		43,100	165,900
Deposits and other accounts			
- Current accounts		3,986,950	2,975,339
- Saving accounts		7,648,490	6,872,578
- Term deposits		13,328,265	11,231,401
- Others		87,767	154,578
- Deposits from financial institutions - remunerative		1,031,855	1,541,006
- Deposits from financial institutions - non remunerative		35,282	9,957
		26,118,609	22,784,859
Due to head office	18.5	412,102	—
Other liabilities		624,783	649,396
		27,462,789	23,749,039
NET ASSETS		1,423,200	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,566	1,002,633
Reserves		—	—
Unappropriated profit		214,175	505,306
		1,216,741	1,507,939
Surplus on revaluation of assets		206,459	123,536
		1,423,200	1,631,475

**18.2 PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

	30 September 2014 (Un-Audited)	30 September 2013 (Un-Audited)
	Rupees in '000	
Profit / return on financing, investments and placements earned	1,652,894	1,421,378
Profit / return on deposit and other dues expensed	(1,332,440)	(994,320)
Net spread earned	320,454	427,058
Provision against non performing financing	148,696	11,100
Provision for diminution in the value of investments	—	—
Provision for consumer financing ljarah	—	—
Bad debts written off directly	—	—
	148,696	11,100
Net spread after provisions	171,758	415,958
OTHER INCOME		
Fee, commission and brokerage income	21,510	16,480
Dividend income	—	—
Income from dealing in foreign currencies - net	10,097	9,517
Gain on sale / redemption of securities - net	119,583	—
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	33,932	28,281
Total other income	185,122	54,278
	356,880	470,236
OTHER EXPENSES		
Administrative expenses	142,922	91,716
Other provisions / write-offs	—	—
Other charges	(217)	—
Total other expenses	142,705	91,716
	214,175	378,520
Extra ordinary / unusual items	—	—
PROFIT BEFORE TAXATION	214,175	378,520
18.3 Remuneration to Shariah Advisor / Board	1,847	1,149

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	Note	30 September 2014 (Un-Audited)	31 December 2013 (Audited)
Rupees in '000			
18.4 Charity Fund			
Opening balance		-	-
Additions during the period		2	-
Payments / utilization during the period		-	-
Closing Balance		<u>2</u>	<u>-</u>
A-2 ISLAMIC FINANCING AND RELATED ASSETS			
Financings / investments / receivables			
- Murabaha	A-2.2	4,567,746	5,669,333
- Ijarah		275,045	198,293
- Diminishing musharika		1,325,290	1,122,334
- Export refinance murabaha		68,100	165,900
		6,236,181	7,155,860
Advances			
- Advance against murabaha		277,926	70,980
- Advance against ijarah		13,693	4,686
- Advance against diminishing musharika		211,425	197,486
- Advance against istisna		71,216	-
		574,260	273,152
Assets / Inventories			
- Istisna Goods		19,144	-
		6,829,585	7,429,012
A-2.1 Islamic mode of financing			
Financings / investments / receivables		6,236,181	7,155,860
Advances		574,260	273,152
Assets / Inventories		19,144	-
		6,829,585	7,429,012
A-2.2 Murabaha financing			
Murabaha receivable - gross		4,964,060	6,009,883
Less: Deferred murabaha income		(215,683)	(309,189)
Provision against murabaha financing		(180,631)	(31,361)
		4,567,746	5,669,333

18.5 Deposit and other accounts includes redeemable capital of Rs. 22,008,610 thousand (31 December 2013: Rs. 19,644,985 thousand) and deposits on Qard basis of Rs. 4,109,999 thousand (31 December 2013: Rs. 3,139,874 thousand). Redeemable capital consists of remunerative deposits (savings and fixed) which are on Modaraba basis and all non-remunerative deposits are classified as on Qard basis.

19. GENERAL

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

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

20. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 22 October 2014.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

MOHOMED BASHIR
Director