



هَذَا مِنْ فَضْلِ رَبِّي



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 Ahmed 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.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present un-audited accounts for the half year ended 30 June 2013.

With the induction of the new government, hopes for better economic growth stand rekindled. The stock exchanges continued to perform well backed by improved dividend yield from the corporate sector and the growing interest of foreign investors.

In the first half of 2013, despite of improvement in inflationary expectations, the energy crisis and security conditions continued to hold back economic growth. The IMF loan repayments added to the pressure on the Country's foreign exchange reserves, which as of 14 June 2013, stood at USD 6.2 billion. The current account balance dipped by a significant 51% to US\$ 2.3 billion in the FY13. However, it has shown some improvements due to subdued imports and improvement in exports as compared to the last fiscal year. Worker remittances continued to be another strong positive on the balance of payments.

Continuous broad-based deceleration in inflation has been the beacon of hope for the economy; in May 2013, at 5.1 percent, the year- on-year CPI inflation was witnessed at its lowest since October 2009. The average CPI inflation for FY13 is expected to be considerably lower than the target of 9.5 percent. However, the increase in the General Sales Tax to 17 percent, along with other changes in taxation of goods and services as well as the government's plans to revise electricity tariffs upward in phases poses a risk of driving inflation beyond the budget target.

Despite challenging conditions, by the Grace of Allah, Habib Metropolitan Bank exhibited a resilient performance. Habib Metro's deposit base and advances stood at Rs. 219 billion and Rs. 107 billion respectively. Assets increased to Rs. 342 billion as against Rs. 301 billion at the previous year-end, while investments have increased to Rs. 180 billion at the end of current period.

The Bank posted a Profit Before Tax (PBT) of Rs. 2,685 million for the half-year ended 30 June 2013 as compared to Rs. 2,761 million in the same period last year with post-tax earnings per share of Rs. 1.70. At end of current period, the Bank's net equity stands at Rs. 25.681 billion with a comfortable 17.8% capital adequacy level (Basel II) against the required 10%.

The Bank continues to enjoy AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the 12th consecutive year. The review was undertaken by PACRA in the second quarter of this year. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

With a network of 188 branches, Habib Metropolitan Bank is further strengthened and provides the technologically advanced services to its customers. Our call center “HabibMetro Connect” with a toll free contact number 0800 HABIB (42242), is the Bank's centre point of contact and provides services round the clock.

Going forward, the Bank aims to boost its profitability through broad-based efficiency enhancement and strategic product development initiatives with an emphasis on increasing fee income. Additionally, Habib Metropolitan Bank continues to be a major player in the trade business with significant market share of the Country's imports and exports.

During the last quarter, the Board co-opted Mr. Sohail Hasan as an independent non-executive director to fill the casual vacancy arisen and Syed Zubair Ahmed 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 Ahmed is an MBA from IBA Karachi and MPhil in economics from Glasgow University UK. Mr. Ahmed 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.

Finally, I would like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Also, yet equally importantly, I would like to thank the staff of HabibMetro for their continued dedication and hard work in improving their Bank's performance.

On behalf of the Board

Sirajuddin Aziz
President & Chief Executive Officer

Karachi: 22 August 2013

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2013 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (herein after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures of the unconsolidated condensed interim profit and loss account, condensed interim statement of comprehensive income for the quarter ended 30 June 2013 have not been reviewed, and we do not express a conclusion on them.

Karachi: 22 August 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

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

AS AT 30 JUNE 2013

	Note	30 June 2013 (Un-Audited)	31 December, 2012 (Audited)
		Rupees in '000	
			(Restated)
ASSETS			
Cash and balances with treasury banks		17,098,516	16,918,780
Balances with other banks	5	4,386,468	5,151,116
Lendings to financial institutions	6	20,423,193	-
Investments	7	180,225,943	160,849,741
Advances	8	106,964,483	106,910,727
Operating fixed assets	9	2,979,990	2,999,673
Deferred tax assets	10	2,463,371	2,310,580
Other assets	11	7,229,355	5,740,805
		341,771,319	300,881,422
LIABILITIES			
Bills payable		5,399,902	4,092,268
Borrowings	12	80,340,707	41,569,169
Deposits and other accounts	13	218,820,091	217,797,754
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		9,397,844	9,235,371
		313,958,544	272,694,562
NET ASSETS		27,812,775	28,186,860
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		9,844,277	9,488,277
Unappropriated profit		5,358,618	6,034,063
		25,681,210	26,000,655
Surplus on revaluation of assets - net of deferred tax	14	2,131,565	2,186,205
		27,812,775	28,186,860
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

SOHAIL HASAN
Director

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 Quarter ended	30 June 2013 Half year ended	30 June 2012 Quarter ended	30 June 2012 Half year ended
		Rupees in '000			
				(Restated)	(Restated)
Mark-up / return / interest earned		5,786,931	11,717,098	6,373,351	13,261,107
Mark-up / return / interest expensed		(3,718,989)	(7,716,009)	(4,208,430)	(8,935,947)
Net mark-up / interest income		2,067,942	4,001,089	2,164,921	4,325,160
Provision against non-performing loans and advances	8.3	377,076	1,035,638	682,275	1,396,170
Provision for diminution in the value of investments		7,911	(705)	11,410	16,188
Bad debts written-off directly		–	–	–	–
		(384,987)	(1,034,933)	(693,685)	(1,412,358)
Net mark-up / interest income after provisions		1,682,955	2,966,156	1,471,236	2,912,802
Non mark-up / interest income					
Fee, commission and brokerage income		552,636	1,100,060	543,285	1,072,948
Dividend income		4,523	39,552	322,103	594,088
Income from dealing in foreign currencies		252,446	538,176	297,625	579,365
Gain on sale / redemption of securities		651,215	1,152,236	253,148	306,979
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		–	–	–	–
Other income		58,166	115,667	79,565	127,664
Total non mark-up / interest income		1,518,986	2,945,691	1,495,726	2,681,044
		3,201,941	5,911,847	2,966,962	5,593,846
Non mark-up / interest expenses					
Administrative expenses		1,579,019	3,141,020	1,368,457	2,753,822
Other provisions / write-offs		–	–	–	–
Other charges		51,640	86,140	41,051	79,177
Total non mark-up / interest expenses		(1,630,659)	(3,227,160)	(1,409,508)	(2,832,999)
		1,571,282	2,684,687	1,557,454	2,760,847
Extra ordinary / unusual items		–	–	–	–
Profit before taxation		1,571,282	2,684,687	1,557,454	2,760,847
Taxation – Current		526,342	1,015,383	655,599	1,233,757
– Prior years		173,367	173,367	–	–
– Deferred		(151,399)	(284,967)	(135,187)	(349,348)
		(548,310)	(903,783)	(520,412)	(884,409)
Profit after taxation		1,022,972	1,780,904	1,037,042	1,876,438
Basic earnings per share (Rupees)	16	0.98	1.70	0.99	1.79

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

SOHAIL HASAN
Director

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2013

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

SOHAIL HASAN
Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012 (Restated)
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,684,687	2,760,847
Less: Dividend income	(39,552)	(594,088)
	2,645,135	2,166,759
Adjustments		
Depreciation	226,657	223,602
Provision against non-performing loans and advances – net	1,035,638	1,396,170
Provision for diminution in the value of investments – net	(82,083)	13,622
Net gain on sale of fixed assets	(4,373)	(12,562)
	1,175,839	1,620,832
	3,820,974	3,787,591
(Increase) / decrease in operating assets		
Lendings to financial institutions	(20,423,193)	(2,320,637)
Advances	(1,089,394)	(3,153,512)
Other assets	(1,488,550)	315,456
	(23,001,137)	(5,158,693)
Increase / (decrease) in operating liabilities		
Bills payable	1,307,634	1,566,939
Borrowings	38,849,127	(44,927,125)
Deposits and other accounts	1,022,337	23,157,988
Other liabilities (excluding taxation and dividend)	236,670	237,943
	41,415,768	(19,964,255)
	22,235,605	(21,335,357)
Income tax paid	(1,273,011)	(1,264,588)
Net cash flows from operating activities	20,962,594	(22,599,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(13,967,467)	31,264,016
Net investments in held-to-maturity securities	(5,246,593)	(4,474,727)
Dividend received	39,552	594,088
Investments in operating fixed assets	(207,809)	(116,830)
Proceeds from sale of fixed assets	5,208	77,996
Net cash flows from investing activities	(19,377,109)	27,344,543
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,092,808)	(1,568,828)
Net cash flows from financing activities	(2,092,808)	(1,568,828)
(Decrease) / increase in cash and cash equivalents	(507,323)	3,175,770
Cash and cash equivalents at beginning of the period	21,216,165	15,449,954
Effect of exchange rate changes on cash and cash equivalents	215,320	279,853
Cash and cash equivalents at end of the period	20,924,162	18,905,577

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

SOHAIL HASAN
Director

FOR THE HALF YEAR ENDED 30 JUNE 2013

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

SOHAIL HASAN
Director

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

FOR THE HALF YEAR ENDED 30 JUNE 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 146 (31 December 2012: 143) branches including 4 (31 December 2012: 4) Islamic banking branches and 40 (31 December 2012: 40) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) which is incorporated in Switzerland.

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

2. BASIS OF PREPARATION

- 2.1** These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting and directives issued by Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP). These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2012.
- 2.2** These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with the requirement of section 245 of the Companies Ordinance 1984. These unconsolidated condensed interim financial statements are unaudited but subject to limited scope review by the auditors.
- 2.3** These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately. However, the consolidated condensed interim financial statements are not subject to a limited scope review by the auditors.

3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2012 other than as disclosed in note 3.2 below.
- 3.2** During the period the Bank has adopted IAS-19 (Revised) effective from June 30, 2013. 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 unconsolidated 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 unconsolidated financial statements for the year ended December 31, 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 June 30, 2013 would have been higher by Rs.70,876 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. 109,040 thousand (31 December 2012: 101,832 thousand) and profit after tax for the half year ended 30 June 2013 would have been lower by 6,739 thousand (30 June 2012: Rs. 1,665 thousand). Moreover, deferred tax asset would have lower by Rs. 38,164 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 June 2012 have also been restated and the actuarial loss of Rs. 832 thousand and Rs. 1,665 thousand for the above respective periods earlier recognised in the profit and loss accounts of those periods have now been transferred to the unconsolidated condensed interim statement of comprehensive income.

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

4. FINANCIAL RISK MANAGEMENT

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

HABIBMETRO

5	BALANCES WITH OTHER BANKS	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
		Rupees in '000	
	In Pakistan		
	Current accounts	446,408	361,834
	Deposit accounts	16,557	12,550
		462,965	374,384
	Outside Pakistan		
	Current accounts	1,432,015	3,319,486
	Deposit accounts	2,491,488	1,457,246
		3,923,503	4,776,732
		4,386,468	5,151,116
6.	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	6,500,000	–
	Repurchase agreement lendings (Reverse repo)	13,923,193	–
		20,423,193	–

7. INVESTMENTS

7. INVESTMENTS		30 June 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		48,240,288	35,691,356	83,931,644	81,626,716	15,095,547	96,722,263
Pakistan investment bonds	7.2	19,583,003	26,842,571	46,425,574	17,834,896	5,780,174	23,615,070
Ordinary shares of listed companies		197,598	–	197,598	849,818	–	849,818
Ordinary shares of unlisted companies		104,205	–	104,205	104,205	–	104,205
Preference shares of a listed company		40,000	–	40,000	40,000	–	40,000
Listed term finance certificates		953,690		953,690	1,082,970		1,082,970
Unlisted term finance certificates		703,230	–	703,230	784,718	–	784,718
Sukuk certificates and bonds		25,074,272	–	25,074,272	19,759,321	–	19,759,321
Units of open end mutual funds		9,851,907	–	9,851,907	10,298,235	–	10,298,235
Units of close end mutual funds		–	–	–	58,053	–	58,053
		104,748,193	62,533,927	167,282,120	132,438,932	20,875,721	153,314,653
Held-to-maturity securities							
Pakistan investment bonds		7,933,922	–	7,933,922	4,487,329	–	4,487,329
Certificate of investments		1,800,000	–	1,800,000	–	–	–
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Investments at cost		114,782,115	62,533,927	177,316,042	137,226,261	20,875,721	158,101,982
Less: Provision for diminution in the value of investments	7.1	(192,159)	–	(192,159)	(274,242)	–	(274,242)
Investments – net of provisions		114,589,956	62,533,927	177,123,883	136,952,019	20,875,721	157,827,740
Surplus / (deficit) on revaluation of available-for-sale securities – net	14	3,742,619	(640,559)	3,102,060	3,659,849	(637,848)	3,022,001
Investments after revaluation of available-for-sale securities		118,332,575	61,893,368	180,225,943	140,611,868	20,237,873	160,849,741

HABIBMETRO

	Note	30 June 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		(3,255)	(9,753)
Net charge		(705)	32,499
Reversal of provision upon disposal of investments		(81,378)	(67,786)
Investment written off during the period / year		-	(29,193)
Closing balance		192,159	274,242

7.2 These carry mark-up rates ranging from 9.00% 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		97,487,515	99,708,381
Net investments in finance lease / ijarah financing			
In Pakistan		473,731	488,868
Net assets in ijarah under IFAS 2		250,268	350,465
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,902,659	4,555,113
Payable outside Pakistan		17,163,635	14,196,896
		22,066,294	18,752,009
Advances - gross		120,277,808	119,299,723
Provision against non-performing advances			
- specific		(12,858,426)	(12,035,322)
- general		(454,899)	(353,674)
	8.3	(13,313,325)	(12,388,996)
Advances - net of provisions		106,964,483	106,910,727

- 8.1 Advances include Rs. 17,487,867 thousand (31 December 2012 : Rs. 17,729,487 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2013 (Un-Audited)		
	Classified advances	Provision required	Provision held
	Rupees in '000's		
Substandard	66,052	13	13
Doubtful	295,278	100,061	100,061
Loss	17,126,537	12,758,352	12,758,352
	<u>17,487,867</u>	<u>12,858,426</u>	<u>12,858,426</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 June 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. 4,135,386 thousand (31 December 2012: Rs. 4,454,865 thousand) and accumulated profit would have been lower by Rs. 2,688,001 thousand (31 December 2012: Rs. 2,895,662 thousand). This amount of Rs. 2,688,001 thousand is not available for the distribution of cash and stock dividend to the shareholders. The effect on profit for the six months period ended 30 June 2013, had the benefit of FSV not reduced during the current six months period, profit after tax would have been higher by Rs. 207,661 thousand (30 June 2012: reduced by Rs. 409,705 thousand).

8.3 Particulars of specific provision against non-performing advances:

	30 June 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	1,419,828	101,272	1,521,100	3,575,401	259,411	3,834,812
Reversals	(485,415)	(47)	(485,462)	(1,173,564)	-	(1,173,564)
Net charge for the period / year	934,413	101,225	1,035,638	2,401,837	259,411	2,661,248
Amount written off	(111,309)	-	(111,309)	(295,186)	-	(295,186)
Closing balance	<u>12,858,426</u>	<u>454,899</u>	<u>13,313,325</u>	<u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>

8.4 General provision includes provision of Rs. 2,872 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. 97,670 thousand (30 June 2012: Rs. 97,129 thousand) and Rs. 5,286 thousand (30 June 2012: Rs. 65,434 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. 3,688,030 thousand. (31 December 2012: Rs. 3,424,087 thousand).

11. OTHER ASSETS

During the period, other assets increased by Rs. 1,488,550 thousand which mainly comprise of increase in mark-up receivable by Rs. 1,406,323 thousand.

	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
12. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	16,023,516	18,810,750
– under long term financing – export oriented projects	213,369	331,383
– under long term financing facility – locally manufactured plant and machinery	1,676,635	1,567,889
	17,913,520	20,710,022
Repurchase agreement borrowings	61,866,365	20,220,736
	79,779,885	40,930,758
Unsecured		
Overdrawn nostro accounts	467,288	514,541
Overdrawn local bank accounts	93,534	123,870
	560,822	638,411
	80,340,707	41,569,169
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	87,157,424	93,541,355
Saving deposits	64,652,621	54,785,453
Current accounts (non-remunerative)	59,633,567	53,335,479
Others	3,045,938	2,369,674
	214,489,550	204,031,961
Financial Institutions		
Remunerative deposits	3,630,372	13,292,039
Non-remunerative deposits	700,169	473,754
	4,330,541	13,765,793
	218,820,091	217,797,754

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	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
14. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
Available-for-sale securities:		
Federal Government Securities		
Market Treasury Bills	63,587	371,488
Pakistan Investment Bonds	2,571,038	1,588,221
GOP Ijarah Sukuk	17,975	159,938
Fully paid-up ordinary shares of listed companies	39,765	173,555
Fully paid-up preference shares of a listed company	3,600	2,561
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(15,151)	10,814
Unlisted term finance certificates	10,444	7,745
Sukuk certificates / bonds	(6,736)	(3,819)
Mutual funds		
Open end	417,538	678,683
Close end	–	32,815
	<u>3,102,060</u>	<u>3,022,001</u>
Related deferred tax liability - net	<u>(970,495)</u>	<u>(835,796)</u>
	<u><u>2,131,565</u></u>	<u><u>2,186,205</u></u>
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	<u>43,505</u>	<u>47,341</u>
15.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	14,635,298	12,770,916
ii) Banking companies and other financial institutions	112,367	121,472
iii) Others	2,536,411	2,896,002
	<u>17,284,076</u>	<u>15,788,390</u>
15.3 Trade-related contingent liabilities		
Letters of credit	<u>51,989,217</u>	<u>51,509,313</u>
Acceptances	<u>9,913,697</u>	<u>7,993,332</u>

	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
15.4 Commitments in respect of forward exchange contracts		
Purchase	<u>56,763,812</u>	<u>45,136,165</u>
Sale	<u>61,098,588</u>	<u>51,020,826</u>
15.5 Commitments in respect of operating leases		
Not later than one year	<u>9,324</u>	<u>6,542</u>
Later than one year and not later than five years	<u>9,880</u>	<u>6,417</u>
	<u>19,204</u>	<u>12,959</u>
15.6 Commitments for the acquisition of operating fixed assets	<u>95,505</u>	<u>35,018</u>
15.7 Claims against the Bank not acknowledged as debt	<u>2,332,580</u>	<u>2,332,580</u>

15.8 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.

15.9 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2008 (corresponding to the accounting year ended 31 December 2007). Certain appeals are pending for the tax years 2009, 2010, 2011 and 2012 (corresponding to the accounting years ended 31 December 2008, 2009, 2010 and 2011). However, adequate provisions are being held by the Bank.

16. BASIC EARNINGS PER SHARE

	30 June 2013 (Un-Audited)		30 June 2012	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
	(Restated)			
Profit after taxation	<u>1,022,972</u>	<u>1,780,904</u>	<u>1,037,042</u>	<u>1,876,438</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>1.70</u>	<u>0.99</u>	<u>1.79</u>

17. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiary, companies with common directorship, key management personnel, directors and 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 June 2013 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the period	91,390	126,923	4,934,306	24,338	151,459	1,830,080
Received during the period	8,606,958	28,477,651	386,943,579	103,578	374,690	2,795,804
Repaid during the period	(8,619,844)	(28,214,311)	(386,615,132)	(106,286)	(266,383)	(2,722,687)
At end of the period	78,504	390,263	5,262,753	21,630	259,766	1,903,197
Advances						
At beginning of the period	-	-	1,602,820	25,668	-	-
Disbursed during the period	-	-	21,161,987	16,725	-	-
Recovered during the period	-	-	(20,542,343)	(17,010)	-	-
At end of the period	-	-	2,222,464	25,383	-	-
Bank balances held by the Bank	72,114	-	369,272	-	-	-
Overdrawn bank balances held by the Bank	-	-	213,172	-	-	-
Mark-up/return/interest receivable	-	-	8,687	-	-	-
Mark-up/return/interest payable	-	478	73,634	719	1,758	85,483
Management fee payable for technical and consultancy services*	179,230	-	-	-	-	-
Prepayments /Advance deposits	-	-	8,787	-	-	-
Transaction-related contingent liabilities	-	-	1,677,149	-	-	-
Trade-related contingent liabilities	-	-	2,652,253	-	-	-
Advance received against prepaid card	-	-	7,291	-	-	-

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

	31 December 2012 (Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Deposits						
At beginning of the year	178,264	118,586	4,880,012	60,025	73,571	1,548,662
Received during the year	15,500,722	60,233,955	816,595,740	407,791	681,914	4,862,281
Repaid during the year	(15,587,596)	(60,225,618)	(816,541,446)	(443,478)	(604,026)	(4,580,863)
At end of the year	91,390	126,923	4,934,306	24,338	151,459	1,830,080
Advances						
At beginning of the year	-	-	1,776,952	30,896	-	-
Disbursed during the year	-	-	28,892,000	5,635	-	-
Recovered during the year	-	-	(29,066,132)	(10,863)	-	-
At end of the year	-	-	1,602,820	25,668	-	-
Investments	-	-	53,642	-	-	-
Bank balances held by the Bank	77,497	-	1,980,921	-	-	-
Overdrawn bank balances held by the Bank	-	-	246,158	-	-	-
Mark-up/return/interest receivable	-	-	11,330	-	-	-
Mark-up/return/interest payable	-	766	41,072	810	1,292	118,082
Management fee payable for technical and consultancy services*	159,288	-	-	-	-	-
Prepayments /Advance deposits	-	-	26,164	-	-	-
Transaction-related contingent liabilities	-	25,000	1,456,588	-	-	-
Trade-related contingent liabilities	-	-	1,814,176	-	-	-
Advance received against prepaid card	-	-	6,640	-	-	-
Advance received against insurance premium	-	-	316	-	-	-
Dividend receivable	-	21,000	-	-	-	-

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

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Transactions during the period	For the period ended 30 June 2013 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up/return/interest earned	-	133	64,227	1,095	-	-
Mark-up/return/interest expensed	-	3,295	294,524	286	6,382	74,119
Commission/brokerage/bank charges recovered	2,193	18	185,458	-	-	-
Commission/brokerage/bank charges paid	186	481	6,205	-	-	-
Rent income	-	600	495	-	-	-
Gain on sale of fixed assets	-	-	11,366	-	-	-
Salaries and allowances	-	-	-	84,897	-	-
Directors' fees	-	-	-	-	4,360	-
Contribution to defined benefit plan	-	-	-	-	-	52,800
Contribution to defined contribution plan	-	-	-	-	-	56,801
Rent expenses	-	-	9,258	-	-	-
Insurance premium expenses	-	-	26,355	-	-	-
Maintenance, electricity, stationery & entertainment expenses	-	-	22,118	-	-	-
Management fee expense for technical and consultancy services*	77,115	-	-	-	-	-
Donation paid	-	-	960	-	-	-
Professional / other charges paid	-	-	2,577	-	-	-

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

Transactions during the period

	For the period ended 30 June 2012 (Un-Audited)					
	Holding company	Subsidiary	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Mark-up/return/interest earned	-	-	59,539	865	-	60,404
Mark-up/return/interest expensed	-	5,852	312,275	719	3,905	466,542
Commission/brokerage/bank charges recovered	-	208	5,368	-	-	5,576
Rent income	-	600	540	-	-	1,140
Gain on sale of fixed assets	-	-	-	820	-	820
Salaries and allowances	-	-	-	60,182	-	60,182
Directors' fees	-	-	-	-	3,060	3,060
Contribution to defined benefit plan	-	-	-	-	-	39,000
Contribution to defined contribution plan	-	-	-	-	-	51,103
Bank charges paid	1,097	101	685	-	-	1,883
Rent expenses	-	-	8,977	-	-	8,977
Insurance premium expenses	-	-	23,880	-	-	23,880
Maintenance, electricity, stationery & entertainment expenses	-	-	19,592	-	-	19,592
Management fee expense for technical and consultancy services*	79,300	-	-	-	-	79,300
Donation paid	-	-	960	-	-	960
Professional / other charges paid	-	-	4,349	-	-	4,349

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

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

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

	30 June 2012 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income*	7,840,724	4,074,106	7,162,959	19,077,789
Total expenses*	(6,637,718)	(3,638,621)	(6,040,603)	(16,316,942)
Net Income	<u>1,203,006</u>	<u>435,485</u>	<u>1,122,356</u>	<u>2,760,847</u>
Segment assets (gross)	<u>137,893,317</u>	<u>1,100,533</u>	<u>128,187,534</u>	<u>267,181,384</u>
Segment liabilities	<u>41,180,931</u>	<u>103,425,601</u>	<u>97,916,971</u>	<u>242,523,503</u>

* Includes inter-segment income and expenses

19. KEY ISLAMIC BANKING OPERATIONS

- 19.1 The Bank is operating 4 (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 June 2013 are as follows:

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		841,703	1,071,902
Balances with other banks		—	—
Due from financial institutions		—	—
Investments		14,298,898	16,401,280
Islamic financing and related assets	A-2	5,717,638	5,312,433
Operating fixed assets		12,943	13,358
Deferred tax assets		—	—
Other assets		729,540	862,624
		<u>21,600,722</u>	<u>23,661,597</u>
LIABILITIES			
Bills payable		62,685	141,298
Due to financial institutions		247,830	348,600
Deposits and other accounts			
- Current accounts		2,425,766	1,764,052
- Saving accounts		5,600,694	4,534,734
- Term deposits		9,890,820	10,240,495
- Others		106,320	106,287
- Deposits from financial institutions - remunerative		1,328,063	3,930,165
- Deposits from financial institutions - non remunerative		3,023	1,607
		<u>19,354,686</u>	<u>20,577,340</u>
Due to head office		—	—
Other liabilities		673,392	905,466
		<u>20,338,593</u>	<u>21,972,704</u>
NET ASSETS		<u>1,262,129</u>	<u>1,688,893</u>
REPRESENTED BY			
Islamic banking fund		1,002,491	1,002,429
Reserves		—	—
Unappropriated profit		243,240	546,851
		<u>1,245,731</u>	<u>1,549,280</u>
Surplus on revaluation of assets		16,398	139,613
		<u>1,262,129</u>	<u>1,688,893</u>

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PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	Rupees in '000	
Profit / return on financing, investments and placements earned	953,472	1,040,427
Profit / return on deposit and other dues expensed	(686,699)	(774,559)
Net spread earned	266,773	265,868
Provision against non performing financing	2,447	6,497
Provision for diminution in the value of investments	—	—
Provision for customer financing ljarah	—	—
Bad debts written off directly	—	—
	2,447	6,497
Net spread after provisions	264,326	259,371
OTHER INCOME		
Fee, commission and brokerage income	10,833	12,376
Dividend income	—	—
Income from dealing in foreign currencies	6,128	4,855
Gain on sale / redemption of securities	—	—
Unrealized gain /(loss) on revaluation of investments classified as 'held-for-trading'	—	—
Other income	18,629	22,006
Total other income	35,590	39,237
	299,916	298,608
OTHER EXPENSES		
Administrative expenses	56,676	47,768
Other provisions / write-offs	—	—
Other charges	—	—
Total other expenses	56,676	47,768
	243,240	250,840
Extra ordinary / unusual items	—	—
PROFIT BEFORE TAXATION	243,240	250,840

19.2 CHARITY FUND

Opening balance	—	10
Additions during the period	—	211
Payments / utilization during the period	—	(221)
Closing Balance	—	—

	30 June 2013 (Un-Audited)	30 June 2012 (Un-Audited)
	Rupees in '000	
19.3 REMUNERATION TO SHARIAH ADVISOR / BOARD	536	918
	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	Rupees in '000	
A-2 ISLAMIC FINANCING AND RELATED ASSETS		
Financings / investments / receivables		
- Murabaha	4,544,429	3,811,939
- Ijarah	306,674	422,920
- Diminishing musharaka	503,636	614,446
- Export refinance murabaha	247,830	343,176
- Receivable from customer against murabaha	-	14,784
	5,602,569	5,207,265
Advances		
- Advance against murabaha	78,043	100,657
- Advance against ijarah	2,909	4,511
- Advance against diminishing musharika	34,117	-
	115,069	105,168
	5,717,638	5,312,433
A-2.1 Islamic mode of financing		
Financings / investments / receivables	5,602,569	5,207,265
Advances	115,069	105,168
	5,717,638	5,312,433

20. GENERAL

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

21. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 22 August 2013.

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

SOHAIL HASAN
Director