



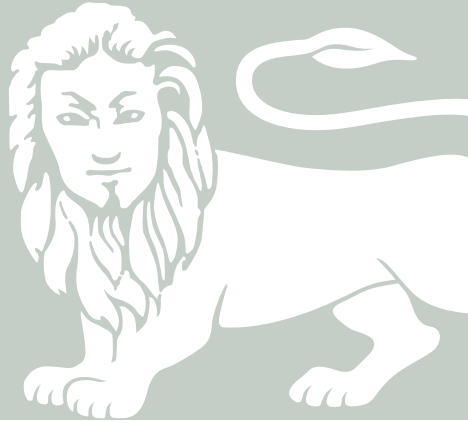
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**HABIB METROPOLITAN BANK**

[ 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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**HABIBMETRO**

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## Corporate Information

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### 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

Tariq Ikram

Wazir Ali Khoja

\* Executive Director

#### AUDIT COMMITTEE

Ali S. Habib

Kassim Parekh

Tariq Ikram

#### COMPANY SECRETARY

Fuzail Abbas

#### SHARE REGISTRAR

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

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our un-audited accounts for the half year ended June 30, 2012.

In the first half of 2012, Pakistan's economy continued to struggle to find a stable economic foothold. The outgoing fiscal year bequeathed an economy stunted by an ever-prevalent energy crisis, abating private investment and the entrenched structural predicaments of prevailing inflationary expectations, weak fiscal fundamentals and swelling domestic debt. The external front has provisionally posted a current account deficit of 2% of GDP for FY12, with export receipts declining by 3.2% due to fall in volumes and import payments spiking by 12.3% on the back of surging prices. Remittances inflows once again came to rescue the current account and provided a much needed funding cushion of USD 13.2 billion.

As the economy is marred by structural issues, and the regulator maintained its loose monetary stance to stimulate economic activity during the period under review, the banking sector found itself operating in a continued relaxed interest regime. Amidst these occurrences and challenges, the SBP further reduced the policy rate by 150 basis points to 10.5% in August 2012, with the objective of maintaining real interest rates close to zero.

Despite challenging conditions, by the Grace of Allah, HabibMetro continued its resilient growth trajectory while maintaining a conservative strategy, with a two-pronged focus in mobilization of current and low cost deposits and assets quality enhancement through recovery/control of NPLs.

The Bank's deposit base was augmented by a healthy rise of 12.5% as compared to December 2011 level and amounted to Rs. 208.56 billion at half-year ended June 2012. Meanwhile, gross advances increased marginally as compared to year-end 2011 level and are at Rs. 122.8 billion, while investments decreased by 18.4% to Rs. 120.42 billion as compared to year-end 2011 figures.

Meanwhile, profitability witnessed a significant year-on-year enhancement of 40% as the Bank posted a profit-before-tax of Rs. 2.76 billion at the end of June 2012, after meeting all provisioning requirement. The performance translates into post tax earnings per share (EPS) of Rs. 1.79

At June-end, Bank's net equity stands at Rs. 24.54 billion with a comfortable 14.7% capital adequacy level (Basel II) against the required 10%.

HabibMetro 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 11th consecutive year. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

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With the addition of 8 branches during the period, we now have a network of 171 branches, including 4 Islamic Banking branches, which provides the modern and technologically advanced services to our customers. Our call centre “HabibMetro Connect” is the Bank's centre point of contact and provides services round the clock.

As you may have already noticed, we recently launched our refreshed brand identity. This refreshed brand identity is made most prominent with its new, customer-friendly nomenclature, HABIBMETRO - an abbreviation of the bank's legal name and replacing the acronym, 'HMB.' HabibMetro now becomes the bank's name-graphic. HABIBMETRO being a historic brand with a legacy that has been at the forefront of Pakistan's banking industry and financial development. With this new brand identity, we are poised for exciting challenges and significant opportunities in the immediate and foreseeable future.

In July 2012, Mr. Ron V. Emerson resigned from the Board. The Board wishes to place on record their profound appreciation for the valuable contribution made by Mr. Emerson during his association as director with the Bank.

In the end, 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. Finally yet 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: August 27, 2012



### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited as at 30 June 2012 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the six-months then ended (herein after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of the 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 Standard 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.

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended 30 June 2012.

Karachi: August 27, 2012

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
**Amin Pirani**

## Unconsolidated Condensed Interim Statement of Financial Position (Un-audited)

As at 30 June 2012

	Note	30 June 2012 (Un-Audited)	31 December, 2011 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		16,251,322	14,233,690
Balances with other banks	5	3,516,370	3,551,591
Lendings to financial institutions	6	4,682,391	2,361,754
Investments	7	120,422,740	147,524,622
Advances	8	111,414,056	109,656,714
Operating fixed assets	9	3,023,680	3,195,886
Deferred tax assets	10	2,505,533	2,019,809
Other assets		5,359,836	5,675,292
		<b>267,175,928</b>	<b>288,219,358</b>
<b>LIABILITIES</b>			
Bills payable		5,300,733	3,733,794
Borrowings	11	20,520,742	66,641,226
Deposits and other accounts	12	208,557,790	185,399,802
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		8,082,724	7,871,028
		<b>242,461,989</b>	<b>263,645,850</b>
<b>NET ASSETS</b>		<b>24,713,939</b>	<b>24,573,508</b>
<b>REPRESENTED BY</b>			
Share capital		10,478,315	10,478,315
Reserves		9,182,718	8,807,718
Unappropriated profit		4,877,793	4,949,767
		<b>24,538,826</b>	<b>24,235,800</b>
Surplus on revaluation of assets - net of deferred tax	13	175,113	337,708
		<b>24,713,939</b>	<b>24,573,508</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director

**Unconsolidated Condensed Interim  
Profit and Loss Account (Un-audited)**  
For the half year and quarter ended 30 June 2012

**HABIBMETRO**

	30 June 2012 Quarter ended	Half year ended	30 June 2011 Quarter ended	Half year ended
	Rupees in '000			
<b>Mark-up / return / interest earned</b>	<b>6,373,351</b>	<b>13,260,862</b>	6,424,398	12,866,702
<b>Mark-up / return / interest expensed</b>	<b>(4,208,430)</b>	<b>(8,935,947)</b>	(4,529,494)	(9,247,791)
Net mark-up / interest income	2,164,921	4,324,915	1,894,904	3,618,911
Provision against non-performing loans and advances	682,275	1,396,170	833,430	1,640,165
Provision for diminution in the value of investments	11,410	16,188	52,829	50,427
Bad debts written-off directly	–	–	–	–
	(693,685)	(1,412,358)	(886,259)	(1,690,592)
Net mark-up / interest income after provisions	1,471,236	2,912,557	1,008,645	1,928,319
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	543,285	1,047,884	428,435	891,922
Dividend income	322,103	594,088	323,202	574,531
Income from dealing in foreign currencies	297,625	579,365	240,251	803,734
Gain on sale / redemption of securities	253,148	306,979	181,604	216,547
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	–	–	–	–
Other income	79,565	152,973	58,117	116,468
Total non mark-up / interest income	1,495,726	2,681,289	1,231,609	2,603,202
	2,966,962	5,593,846	2,240,254	4,531,521
<b>Non mark-up / interest expenses</b>				
Administrative expenses	1,369,289	2,755,487	1,306,763	2,503,011
Other provisions / write-offs	–	–	–	–
Other charges	41,051	79,177	30,275	60,548
Total non mark-up / interest expenses	(1,410,340)	(2,834,664)	(1,337,038)	(2,563,559)
	1,556,622	2,759,182	903,216	1,967,962
Extra ordinary / unusual items	–	–	–	–
<b>Profit before taxation</b>	<b>1,556,622</b>	<b>2,759,182</b>	<b>903,216</b>	<b>1,967,962</b>
Taxation – Current	655,599	1,233,757	574,267	1,028,652
– Prior years	–	–	–	–
– Deferred	(135,187)	(349,348)	(347,152)	(493,545)
	(520,412)	(884,409)	(227,115)	(535,107)
<b>Profit after taxation</b>	<b>1,036,210</b>	<b>1,874,773</b>	<b>676,101</b>	<b>1,432,855</b>
<b>Basic earnings per share (Rupees) - Note 15</b>	<b>0.99</b>	<b>1.79</b>	<b>0.65</b>	<b>1.37</b>

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director

## Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 30 June 2012

	30 June 2012		30 June 2011	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	1,036,210	1,874,773	676,101	1,432,855
Other comprehensive income	–	–	–	–
<b>Comprehensive income transferred to equity</b>	<b>1,036,210</b>	<b>1,874,773</b>	<b>676,101</b>	<b>1,432,855</b>
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / surplus on revaluation of investments	(178,169)	(298,971)	(68,694)	243,779
Deferred tax on revaluation of investments	66,177	136,376	(32,870)	(126,388)
	(111,992)	(162,595)	(101,564)	117,391
<b>Total comprehensive income</b>	<b>924,218</b>	<b>1,712,178</b>	<b>574,537</b>	<b>1,550,246</b>

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**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director

Unconsolidated Condensed Interim  
Cash Flow Statement (Un-audited)  
For the half year ended 30 June 2012

**HABIBMETRO**

	2012	30 June 2011
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,759,182	1,967,962
Less: Dividend income	(594,088)	(574,531)
	<u>2,165,094</u>	<u>1,393,431</u>
<b>Adjustments</b>		
Depreciation	223,602	192,333
Provision against non-performing loans and advances – net	1,396,170	1,640,165
Provision for diminution in the value of investments – net	13,622	49,440
Net (gain) / loss on sale of fixed assets	(12,562)	128
	<u>1,620,832</u>	<u>1,882,066</u>
	<u>3,785,926</u>	<u>3,275,497</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,320,637)	(2,239,232)
Advances	(3,153,512)	3,819,112
Other assets	315,456	817,652
	<u>(5,158,693)</u>	<u>2,397,532</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,566,939	2,001,134
Borrowings	(44,927,125)	(14,236,794)
Deposits and other accounts	23,157,988	21,794,934
Other liabilities (excluding taxation and dividend)	239,608	785,938
	<u>(19,962,590)</u>	<u>10,345,212</u>
	<u>(21,335,357)</u>	<u>16,018,241</u>
Income tax paid	(1,264,588)	(1,208,341)
<b>Net cash flows from operating activities</b>	<u>(22,599,945)</u>	<u>14,809,900</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	31,264,016	(16,269,255)
Net investments in held-to-maturity securities	(4,474,727)	1,050,000
Dividend received	594,088	574,531
Investments in operating fixed assets	(116,830)	(192,883)
Proceeds from sale of fixed assets	77,996	912
<b>Net cash flows from investing activities</b>	<u>27,344,543</u>	<u>(14,836,695)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,568,828)	(628)
<b>Net cash flows from financing activities</b>	<u>(1,568,828)</u>	<u>(628)</u>
<b>Increase/ (decrease) in cash and cash equivalents</b>	<u>3,175,770</u>	<u>(27,423)</u>
Cash and cash equivalents at beginning of the period	15,449,954	15,619,091
Effect of exchange rate changes on cash and cash equivalent	279,853	58,771
<b>Cash and cash equivalents at end of the period</b>	<u><u>18,905,577</u></u>	<u><u>15,650,439</u></u>

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director

## Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended 30 June 2012

		Reserves					
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappropriated profit	Total
	Rupees in '000						
Balance as at 1 January 2011	8,731,929	2,550,985	3,860,097	240,361	1,500,000	4,071,055	20,954,427
Changes in equity for the period ended 30 June 2011							
Total comprehensive income (profit for the period)	–	–	–	–	–	1,432,855	1,432,855
Transactions with owners, recorded directly in equity							
Issue of bonus shares in the ratio of 20 shares for every 100 shares held for the year ended 31 December 2010	1,746,386	–	–	–	–	(1,746,386)	–
Transferred to statutory reserve	–	–	287,000	–	–	(287,000)	–
Balance as at 30 June 2011	10,478,315	2,550,985	4,147,097	240,361	1,500,000	3,470,524	22,387,282
Changes in equity for the period ended 31 December 2011							
Total comprehensive income (profit for the period)	–	–	–	–	–	1,848,518	1,848,518
Transactions with owners, recorded directly in equity							
Transferred to statutory reserve	–	–	369,275	–	–	(369,275)	–
Balance as at 31 December 2011	10,478,315	2,550,985	4,516,372	240,361	1,500,000	4,949,767	24,235,800
Changes in equity for the period ended 30 June 2012							
Total comprehensive income (profit for the period)	–	–	–	–	–	1,874,773	1,874,773
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 1.5 per share)	–	–	–	–	–	(1,571,747)	(1,571,747)
Transferred to statutory reserve	–	–	375,000	–	–	(375,000)	–
Balance as at 30 June 2012	10,478,315	2,550,985	4,891,372	240,361	1,500,000	4,877,793	24,538,826

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

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2012

**HABIBMETRO**

### 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 138 (2011: 138) branches including 4 (2011: 4) Islamic banking branches and 27 (2011: 25) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) which is incorporated in Switzerland.

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

### 2. BASIS OF PREPARATION

**2.1** These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2011.

**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.

### 3. ACCOUNTING POLICIES AND ESTIMATES

**3.1** The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2011.

**3.2** The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2011.

### 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 2011.

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**5 BALANCES WITH OTHER BANKS**

**30 June  
2012**  
(Un-Audited)  
31 December  
2011  
(Audited)  
Rupees in '000

**In Pakistan**

Current accounts  
Deposit accounts

**331,090**  
**15,013**

309,526  
16,491

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**346,103**

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326,017

**Outside Pakistan**

Current accounts  
Deposit accounts

**1,941,133**  
**1,229,134**

976,932  
2,248,642

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**3,170,267**

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3,225,574

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**3,516,370**

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3,551,591

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings  
Repurchase agreement lendings (Reverse repo)

**1,500,000**  
**3,182,391**

1,000,000  
1,361,754

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**4,682,391**

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2,361,754



7. INVESTMENTS

7. INVESTMENTS		30 June 2012 (Un-Audited)			31 December 2011 (Audited)		
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
		Rupees in '000					
<b>Available-for-sale securities</b>							
Market treasury bills		50,334,729	–	50,334,729	56,882,058	35,529,021	92,411,079
Pakistan investment bonds		21,448,133	–	21,448,133	17,859,019	4,056,656	21,915,675
Ordinary shares of listed companies		520,290	–	520,290	581,500	–	581,500
Ordinary shares of unlisted companies		104,205	–	104,205	123,101	–	123,101
Preference shares of a listed company		40,000	–	40,000	40,000	–	40,000
Listed term finance certificates		1,911,678	–	1,911,678	2,049,093	–	2,049,093
Unlisted term finance certificates		248,098	–	248,098	248,097	–	248,097
Sukuk certificates and bonds		25,029,864	–	25,029,864	16,920,026	–	16,920,026
Open end mutual funds		16,126,852	–	16,126,852	12,740,730	–	12,740,730
Close end mutual funds		68,436	–	68,436	67,000	–	67,000
		115,832,285	–	115,832,285	107,510,624	39,585,677	147,096,301
<b>Held-to-maturity securities</b>							
Pakistan investment bonds		4,474,727	–	4,474,727	–	–	–
<b>Subsidiary</b>							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
<b>Investments at cost</b>		120,607,012	–	120,607,012	107,810,624	39,585,677	147,396,301
Less: Provision for diminution in the value of investments	7.1	(352,344)	–	(352,344)	(338,722)	–	(338,722)
<b>Investments – net of provisions</b>		120,254,668	–	120,254,668	107,471,902	39,585,677	147,057,579
Surplus / (deficit) on revaluation of available-for-sale securities – net	13	168,072	–	168,072	729,113	(262,070)	467,043
<b>Investments after revaluation of available-for-sale securities</b>		120,422,740	–	120,422,740	108,201,015	39,323,607	147,524,622

	Notes	30 June 2012 (Un-Audited)	31 December 2011 (Audited)
Rupees in '000			
<b>7.1 Particulars of provision for diminution in the value of investments</b>			
Opening balance		338,722	255,932
Charge for the period / year		16,188	94,640
Reversal of provision upon disposal of investments		(2,566)	(11,850)
Closing balance		<u>352,344</u>	<u>338,722</u>
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		101,104,828	98,115,904
Net investments in finance lease / ijarah financing			
In Pakistan		529,339	561,970
Net assets in ijarah under IFAS 2		566,318	825,452
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,497,366	5,489,601
Payable outside Pakistan		15,067,717	14,686,721
		<u>20,565,083</u>	<u>20,176,322</u>
Advances - gross		122,765,568	119,679,648
Provision against non-performing advances			
- specific		(11,166,456)	(9,928,671)
- general		(185,056)	(94,263)
	8.3	<u>(11,351,512)</u>	<u>(10,022,934)</u>
Advances - net of provisions		<u>111,414,056</u>	<u>109,656,714</u>

**8.1** Advances include Rs. 16,770,771 thousand (31 December 2011: Rs 15,427,848 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2012 (Un-Audited)		
	Classified advances	Provision Required	Provision Held
	Rupees in '000's		
Substandard	370,735	55,037	55,037
Doubtful	1,122,702	226,643	226,643
Loss	15,277,334	10,884,776	10,884,776
	<u>16,770,771</u>	<u>11,166,456</u>	<u>11,166,456</u>

Category of Classification	31 December 2011 (Audited)		
	Classified advances	Provision Required	Provision Held
	Rupees in '000's		
Substandard	435,122	84,115	84,115
Doubtful	2,081,269	583,816	583,816
Loss	12,911,457	9,260,740	9,260,740
	<u>15,427,848</u>	<u>9,928,671</u>	<u>9,928,671</u>

**8.2** In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the State Bank of Pakistan, during the half year, the Bank has further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances for the half year would have been higher by Rs. 630.315 million (30 June 2011: Rs. 98.812 million) and profit after taxation for the half year ended 30 June 2012 would have been lower by approximately Rs. 409.705 million (30 June 2011: Rs. 64.228 million). As of 30 June 2012, had the benefit of FSVs not taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 4,658.503 million (31 December 2011: Rs. 4,028.188 million) and accumulated profit would have been lower by Rs. 3,028.027 million (31 December 2011: Rs. 2,618.322 million). This amount of Rs. 3,028.027 million is not available for the distribution of cash and stock dividend to the shareholders.

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

	30 June 2012 (Un-Audited)			31 December 2011 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	9,928,671	94,263	10,022,934	7,463,452	58,919	7,522,371
Charge for the period / year	1,575,518	90,793	1,666,311	3,840,767	35,344	3,876,111
Reversals	(270,141)	-	(270,141)	(1,216,149)	-	(1,216,149)
Net charge for the period / year	1,305,377	90,793	1,396,170	2,624,618	35,344	2,659,962
Amount written off	(67,592)	-	(67,592)	(159,399)	-	(159,399)
Closing balance	<u>11,166,456</u>	<u>185,056</u>	<u>11,351,512</u>	<u>9,928,671</u>	<u>94,263</u>	<u>10,022,934</u>

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**8.4** General provision includes provision of Rs. 8,101 million (31 December 2011: Rs. 19,610 million) 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. 97,129 million (30 June 2011: Rs. 97,347 million) and Rs. 65,434 million (30 June 2011: Rs. 1,040 million) respectively.

## **10. DEFERRED TAX ASSETS**

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items are allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs are allowed upto 1% of such total gross advances. Further 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. 2,863,272 thousand. (31 December 2011: Rs. 2,549,617 thousand).

## HABIBMETRO

	30 June 2012 (Un-Audited)	31 December 2011 (Audited)
	Rupees in '000	
<b>11. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	17,078,378	20,573,018
– under long term financing – export oriented projects	496,600	701,047
– under long term financing facility – locally manufactured plant and machinery	1,989,100	1,908,929
	19,564,078	23,182,994
Repurchase agreement borrowings	–	39,270,858
	19,564,078	62,453,852
<b>Unsecured</b>		
Call borrowings	–	2,041,954
Overdrawn nostro accounts	761,447	2,032,902
Overdrawn local bank accounts	100,668	22,572
Other short term borrowing	94,549	89,946
	956,664	4,187,374
	20,520,742	66,641,226
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	91,180,096	82,159,532
Saving deposits	53,896,098	44,166,722
Current accounts (non-remunerative)	49,637,119	45,008,091
Others	2,125,459	2,200,862
	196,838,772	173,535,207
<b>Financial Institutions</b>		
Remunerative deposits	11,275,578	11,588,193
Non-remunerative deposits	443,440	276,402
	11,719,018	11,864,595
	208,557,790	185,399,802

	30 June 2012 (Un-Audited)	31 December 2011 (Audited)
	Rupees in '000	
<b>13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Available-for-sale securities:		
<b>Federal Government Securities</b>		
Market Treasury Bills	50,324	324,026
Pakistan Investment Bonds	(135,427)	(32,953)
GOP Ijarah Sukuk	3,864	66,457
<b>Fully paid-up ordinary shares – Listed</b>	114,289	27,926
<b>Term Finance Certificates</b>		
Listed	(4,736)	(17,787)
Sukuk Certificates / Bonds	(9,418)	(9,219)
<b>Mutual funds</b>		
Open end	118,271	83,801
Close end	30,905	24,792
	<u>168,072</u>	<u>467,043</u>
Related deferred tax asset / (liability) - net	7,041	(129,335)
	<u>175,113</u>	<u>337,708</u>
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	65,177	71,012
<b>14.2 Transaction-related contingent liabilities</b>		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	10,912,948	10,115,047
ii) Banking companies and other financial institutions	37,571	51,928
iii) Others	2,449,122	3,193,794
	<u>13,399,641</u>	<u>13,360,769</u>
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit	42,845,218	50,815,273
Acceptances	11,324,407	12,360,730

## HABIBMETRO

	30 June 2012 (Un-Audited)	31 December 2011 (Audited)
	Rupees in '000	
<b>14.4 Commitments in respect of forward exchange contracts</b>		
Purchase	55,200,001	54,377,083
Sale	63,081,561	62,519,824
<b>14.5 Commitments in respect of operating leases</b>		
Not later than one year	10,648	36,841
Later than one year and not later than five years	4,813	23,831
	15,461	60,672
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	41,012	9,105
<b>14.7 Claims against the Bank not acknowledged as debt</b>	2,498,831	2,424,410
<b>14.8 Commitments in respect of forward lendings</b>		

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

## 15. BASIC EARNINGS PER SHARE

	30 June 2012 Quarter ended	30 June 2012 Half year ended	30 June 2011 Quarter ended	30 June 2011 Half year ended
	(Un-Audited) Rupees in '000			
Profit after taxation	1,036,210	1,874,773	676,101	1,432,855
	Number in '000			
Weighted average number of ordinary shares	1,047,831	1,047,831	1,047,831	1,047,831
	Rupees			
Basic earnings per share	0.99	1.79	0.65	1.37

## 16. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiary, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

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

	30 June 2012 (Un-Audited)						
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors'	Retirement Benefit Plans	Total
	Rupees in '000						
<b>Deposits</b>							
At beginning of the period	178,264	118,586	4,880,012	60,025	73,571	1,548,662	6,859,120
Received during the period	7,619,833	29,676,470	406,534,460	173,194	172,397	2,139,319	446,315,673
Repaid during the period	(7,672,727)	(29,683,832)	(404,606,233)	(166,793)	(144,033)	(2,007,906)	(444,281,524)
At end of the period	125,370	111,224	6,808,239	66,426	101,935	1,680,075	8,893,269
<b>Advances</b>							
At beginning of the period	-	-	1,776,952	30,896	-	-	1,807,848
Disbursed during the period	-	-	18,209,964	128	-	-	18,210,092
Recovered during the period	-	-	(18,374,117)	(9,521)	-	-	(18,383,638)
At end of the period	-	-	1,612,799	21,503	-	-	1,634,302
Bank balances held by the Bank	324,550	-	2,059,669	-	-	-	2,384,219
Overdrawn bank balances held by the Bank	-	-	(223,518)	-	-	-	(223,518)
Mark-up/return/interest receivable	-	-	21,441	-	-	-	21,441
Mark-up/return/interest payable	-	840	63,657	552	880	96,093	162,022
Management fee payable for technical and consultancy services*	222,800	-	-	-	-	-	222,800
Prepayments /Advance deposits	-	-	56,707	-	-	-	56,707
Transaction-related contingent liabilities	-	-	1,449,297	-	-	-	1,449,297
Trade-related contingent liabilities	-	-	1,622,128	-	-	-	1,622,128
Advance received against prepaid card	-	-	10,112	-	-	-	10,112
Advance received against insurance premium	-	-	316	-	-	-	316

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



31 December 2011 (Audited)

	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors'	Retirement Benefit Plans	Total
	Rupees in '000						
<b>Deposits</b>							
At beginning of the period	93,074	143,544	3,220,383	60,493	64,546	1,233,885	4,815,925
Received during the period	14,870,118	63,730,517	593,595,088	279,750	946,006	3,443,040	676,864,519
Repaid during the period	(14,784,928)	(63,755,475)	(591,935,459)	(280,218)	(936,981)	(3,128,263)	(674,821,324)
At end of the period	178,264	118,586	4,880,012	60,025	73,571	1,548,662	6,859,120
<b>Advances</b>							
At beginning of the period	–	–	2,198,466	22,276	–	–	2,220,742
Disbursed during the period	–	–	63,913,349	14,468	–	–	63,927,817
Recovered during the period	–	–	(64,334,863)	(5,848)	–	–	(64,340,711)
At end of the period	–	–	1,776,952	30,896	–	–	1,807,848
Bank balances held by the Bank	197,044	–	31,097	–	–	–	228,141
Overdrawn bank balances held by the Bank	–	–	(1,049,728)	–	–	–	(1,049,728)
Mark-up/return/interest receivable	–	–	10,937	–	–	–	10,937
Mark-up/return/interest payable	–	983	60,039	922	694	109,396	172,034
Management fee payable for technical and consultancy services*	143,500	–	–	–	–	–	143,500
Prepayments /Advance deposits	–	–	18,190	–	–	–	18,190
Transaction-related contingent liabilities	–	25,000	1,402,878	–	–	–	1,427,878
Trade-related contingent liabilities	–	–	1,706,015	–	–	–	1,706,015
Advance received against prepaid card	–	–	1,957	–	–	–	1,957
Advance received against insurance premium	–	–	363	–	–	–	363

\* 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	Total
	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	39,000
Contribution to defined contribution plan	-	-	-	-	51,103	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, Stationary & Entertainment	-	-	19,592	-	-	19,592
Management fee expense for technical and consultancy services*	79,300	-	-	-	-	79,300
Donation	-	-	960	-	-	960
Professional / other charges	-	-	4,349	-	-	4,349

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

## HABIBMETRO

Transactions during the period	For the period ended 30 June 2011 (Un-Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors'	Retirement Benefit Plans
	Rupees in '000					
Mark-up/return/interest earned	-	-	59,111	703	-	-
Mark-up/return/interest expensed	-	6,085	279,399	4,263	3,074	122,080
Commission/brokerage/bank charges recovered	-	233	5,160	-	-	-
Rent income	-	600	491	-	-	-
Loss on sale of fixed assets	-	-	-	(4)	-	-
Salaries and allowances	-	-	-	56,931	-	-
Directors' fees	-	-	-	-	2,550	-
Contribution to defined benefit plan	-	-	-	-	-	36,000
Contribution to defined contribution plan	-	-	-	-	-	43,327
Bank charges paid	1,131	93	7,738	-	-	-
Rent expenses	-	-	8,389	-	-	-
Insurance premium expenses	-	-	16,132	-	-	-
Maintenance, Electricity, Stationary & Entertainment	-	-	15,998	-	-	-
Management fee expense for technical and consultancy services*	95,159	-	-	-	-	-
Donation	-	-	960	-	-	-
Professional / other charges	-	-	6,680	-	-	-

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

## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

	30 June 2012 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Revenues*	7,706,714	4,234,910	7,277,401	19,219,025
Expenses*	(6,259,078)	(3,824,383)	(6,376,382)	(16,459,843)
Net Income	1,447,636	410,527	901,019	2,759,182
Segment assets (gross)	137,893,317	1,100,533	128,182,078	267,175,928
Segment liabilities	4,457,746	107,504,601	130,499,642	242,461,989
	30 June 2011 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Revenues*	7,047,278	4,238,740	7,159,302	18,445,320
Expenses*	(5,954,968)	(4,090,335)	(6,432,055)	(16,477,358)
Net Income	1,092,310	148,405	727,247	1,967,962
Segment assets (gross)	131,421,974	1,201,119	131,684,187	264,307,280
Segment liabilities	24,435,614	101,669,105	116,344,182	242,448,901

\*Includes inter-segment revenues and expenses.

## 18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 4 (2011: 4) Islamic banking branches in Pakistan. The balance sheet of these branches as at 30 June 2012 is as follows:

<b>BALANCE SHEET</b>	<b>30 June 2012</b> (Un-Audited)	<b>31 December 2011</b> (Audited)
	Rupees in '000	
<b>ASSETS</b>		
Cash and balances with treasury banks	857,561	865,436
Balances with and due from financial institutions	—	—
Investments	14,630,839	10,050,774
Financing and receivables		
- Murabaha	3,573,940	4,377,344
- Ijara	659,672	932,855
- Diminishing Musharaka	693,541	560,639
- Export Refinance Murabaha	450,000	564,352
- Foreign Documentary Bills Purchased	—	10,935
	5,377,153	6,446,125
Other assets	734,755	1,247,975
	<b>21,600,308</b>	<b>18,610,310</b>
<b>LIABILITIES</b>		
Bills payable	112,922	123,105
Deposits and other accounts		
- Current accounts	1,527,418	1,635,512
- Saving deposits	3,580,408	3,108,458
- Fixed deposits	8,618,694	6,999,909
- Deposits from financial institutions - remunerative	4,727,099	2,996,860
- Deposits from financial institutions - non-remunerative	2,366	6,735
	18,455,985	14,747,474
Borrowings	480,000	564,352
Due to head office	466,348	597,648
Other liabilities	842,909	1,008,498
	<b>20,358,164</b>	<b>17,041,077</b>
<b>NET ASSETS</b>	<b>1,242,144</b>	<b>1,569,233</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	1,002,364	1,002,249
Unappropriated profit	249,862	538,933
	<b>1,252,226</b>	<b>1,541,182</b>
(Deficit)/Surplus on revaluation of assets	(10,082)	28,051
	<b>1,242,144</b>	<b>1,569,233</b>

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**19. GENERAL**

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

**20. DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 27 August 2012.

**KASSIM PAREKH**  
Chairman

**SIRAJUDDIN AZIZ**  
President &  
Chief Executive Officer

**BASHIR ALI MOHAMMAD**  
Director

**TARIQ IKRAM**  
Director