



# **Habib Metropolitan Bank**

(Subsidiary of Habib Bank AG Zurich)

CONSOLIDATED ACCOUNTS  
FOR THE HALF YEAR ENDED  
30 JUNE 2011  
(UN-AUDITED)

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

AS AT 30 JUNE 2011

	Note	<b>30 June 2011</b> (Un-Audited)	31 December, 2010 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		14,127,433	13,923,393
Balances with other banks	5	3,273,118	3,123,094
Lendings to financial institutions	6	5,429,631	3,190,399
Investments	7	116,253,208	100,849,146
Advances	8	114,368,359	119,827,636
Operating fixed assets	9	3,387,041	3,387,452
Deferred tax assets - net	10	2,236,099	1,869,087
Other assets		5,156,333	5,960,674
		<b>264,231,222</b>	<b>252,130,881</b>
<b>LIABILITIES</b>			
Bills payable		4,574,088	2,572,954
Borrowings	11	48,674,422	62,529,729
Deposits and other accounts	12	182,131,243	160,314,211
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		6,985,618	6,403,670
		<b>242,365,371</b>	<b>231,820,564</b>
<b>NET ASSETS</b>		<b>21,865,851</b>	<b>20,310,317</b>
<b>REPRESENTED BY</b>			
Share capital		10,478,315	8,731,929
Reserves		8,438,443	8,151,443
Unappropriated profit		3,478,013	4,073,530
		<b>22,394,771</b>	<b>20,956,902</b>
Deficit on revaluation of assets - net of tax	13	(528,920)	(646,585)
		<b>21,865,851</b>	<b>20,310,317</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

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

**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**CONSOLIDATED CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2011



Note	30 June 2011		30 June 2010	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
<b>Mark-up / return / interest earned</b>	<b>6,427,738</b>	<b>12,873,101</b>	5,760,599	11,566,769
<b>Mark-up / return / interest expensed</b>	<b>(4,526,333)</b>	<b>(9,241,706)</b>	(3,987,520)	(8,116,900)
Net mark-up / interest income	<b>1,901,405</b>	<b>3,631,395</b>	1,773,079	3,449,869
Provision against non-performing loans and advances	<b>833,430</b>	<b>1,640,165</b>	800,161	1,358,524
Provision for diminution in the value of investments	<b>52,829</b>	<b>50,427</b>	84,583	84,583
Bad debts written-off directly	<b>—</b>	<b>—</b>	—	—
	<b>(886,259)</b>	<b>(1,690,592)</b>	(884,744)	(1,443,107)
Net mark-up / interest income after provisions	<b>1,015,146</b>	<b>1,940,803</b>	888,335	2,006,762
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	<b>430,755</b>	<b>897,433</b>	405,508	810,490
Dividend income	<b>323,202</b>	<b>574,531</b>	120,180	235,294
Income from dealing in foreign currencies	<b>240,251</b>	<b>803,734</b>	442,600	773,553
Gain on sale / redemption of securities	<b>184,032</b>	<b>219,034</b>	144,331	191,403
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	<b>—</b>	<b>—</b>	—	—
Other income	<b>57,897</b>	<b>116,050</b>	78,514	136,513
Total non mark-up / interest income	<b>1,236,137</b>	<b>2,610,782</b>	1,191,133	2,147,253
	<b>2,251,283</b>	<b>4,551,585</b>	2,079,468	4,154,015
<b>Non mark-up / interest expenses</b>				
Administrative expenses	<b>1,313,624</b>	<b>2,516,625</b>	995,866	2,003,826
Other provisions / write-offs	<b>—</b>	<b>—</b>	—	—
Other charges	<b>30,306</b>	<b>60,619</b>	27,009	57,081
Total non mark-up/interest expenses	<b>(1,343,930)</b>	<b>(2,577,244)</b>	(1,022,875)	(2,060,907)
	<b>907,353</b>	<b>1,974,341</b>	1,056,593	2,093,108
Extra ordinary / unusual items	<b>—</b>	<b>—</b>	—	—
<b>Profit before taxation</b>	<b>907,353</b>	<b>1,974,341</b>	1,056,593	2,093,108
Taxation – Current	<b>574,791</b>	<b>1,029,863</b>	438,984	874,400
– Prior years	<b>—</b>	<b>—</b>	309	309
– Deferred	<b>(347,074)</b>	<b>(493,391)</b>	(158,058)	(257,191)
	<b>(227,717)</b>	<b>(536,472)</b>	(281,235)	(617,518)
<b>Profit after taxation</b>	<b>679,636</b>	<b>1,437,869</b>	775,358	1,475,590
	Rupees (Restated)			
<b>Basic and diluted earnings per share (Rupees)</b> 15	<b>0.65</b>	<b>1.37</b>	0.74	1.41

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Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director

**CONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2011

	30 June 2011		30 June 2010	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	679,636	1,437,869	775,358	1,475,590
Other comprehensive income	—	—	—	—
<b>Comprehensive income transferred to equity</b>	<b>679,636</b>	<b>1,437,869</b>	775,358	1,475,590
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / surplus on revaluation of investments	(69,942)	244,041	(73,837)	(37,132)
Deferred tax on revaluation of investments	(32,859)	(126,376)	25,843	12,996
	(102,801)	117,665	(47,994)	(24,136)
<b>Total comprehensive income</b>	<b>576,835</b>	<b>1,555,534</b>	727,364	1,451,454

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**CONSOLIDATED CONDENSED INTERIM  
CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2011



	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,974,341	2,093,108
Less: Dividend income	(574,531)	(235,294)
	<b>1,399,810</b>	<b>1,857,814</b>
<b>Adjustments</b>		
Depreciation	192,334	148,855
Provision against non-performing loans and advances – net	1,640,165	1,358,524
Provision for diminution in the value of investments – net	49,440	60,686
Net loss / (gain) on sale of fixed assets	128	(3,026)
	<b>1,882,067</b>	<b>1,565,039</b>
	<b>3,281,877</b>	<b>3,422,853</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,239,232)	(6,350,000)
Advances	3,819,112	(1,339,597)
Other assets	804,341	(939,413)
	<b>2,384,221</b>	<b>(8,629,010)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,001,134	491,935
Borrowings	(14,236,794)	(12,824,329)
Deposits and other accounts	21,817,032	8,827,647
Other liabilities (excluding taxation and dividend)	762,265	1,058,154
	<b>10,343,637</b>	<b>(2,446,593)</b>
	<b>16,009,735</b>	<b>(7,652,750)</b>
Income tax paid	(1,209,550)	(1,010,327)
<b>Net cash flows from operating activities</b>	<b>14,800,185</b>	<b>(8,663,077)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(16,259,461)	7,745,552
Net investments in held-to-maturity securities	1,050,000	(650,000)
Dividend received	574,531	235,294
Investments in operating fixed assets	(192,962)	(525,177)
Proceeds from sale of fixed assets	912	5,971
<b>Net cash flows from investing activities</b>	<b>(14,826,980)</b>	<b>6,811,640</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(628)	(750,302)
<b>Net cash flows from financing activities</b>	<b>(628)</b>	<b>(750,302)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(27,423)</b>	<b>(2,601,739)</b>
Cash and cash equivalents at beginning of the period	15,619,091	14,176,319
Effect of exchange rate changes on cash and cash equivalent	58,771	56,382
<b>Cash and cash equivalents at the end of the period</b>	<b>15,650,439</b>	<b>11,630,962</b>

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**CONSOLIDATED CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Reserves						
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappro- priated profit	Total
	Rupees in '000						
<b>Balance as at 1 January 2010</b>	7,527,525	2,550,985	3,296,489	240,361	1,500,000	3,784,926	18,900,286
<b>Changes in equity for the period ended 30 June 2010</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,475,590	1,475,590
<b>Transactions with owners, recorded directly in equity</b>							
Issue of bonus shares in the ratio of 16 shares for every 100 shares held for the year ended 31 December 2009	1,204,404	-	-	-	-	(1,204,404)	-
Cash dividend (Re. 1 per share)	-	-	-	-	-	(752,753)	(752,753)
	1,204,404	-	-	-	-	(1,957,157)	(752,753)
Transferred to statutory reserve	-	-	294,000	-	-	(294,000)	-
<b>Balance as at 30 June 2010</b>	8,731,929	2,550,985	3,590,489	240,361	1,500,000	3,009,359	19,623,123
<b>Changes in equity for the period ended 31 December 2010</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,333,779	1,333,779
<b>Transactions with owners, recorded directly in equity</b>							
Transfer to statutory reserve	-	-	269,608	-	-	(269,608)	-
<b>Balance as at 31 December 2010</b>	8,731,929	2,550,985	3,860,097	240,361	1,500,000	4,073,530	20,956,902
<b>Changes in equity for the period ended 30 June 2011</b>							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,437,869	1,437,869
<b>Transactions with owners, recorded directly in equity</b>							
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)	-
<b>Balance as at 30 June 2011</b>	10,478,315	2,550,985	4,147,097	240,361	1,500,000	3,478,013	22,394,771

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Director

**NOTES TO THE CONSOLIDATED CONDENSED  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2011



**1. STATUS AND NATURE OF BUSINESS:**

The Group comprises of:

**Holding company**

Habib Metropolitan Bank Ltd.

**Subsidiary company**

Habib Metropolitan Financial Services Limited

Here-in-after referred to as "the Group" is engaged in providing Commercial Banking, financial services and equity brokerage services.

Habib Metropolitan Bank Ltd. (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 stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I. Chundrigar Road, Karachi. The Bank operates 135 (2010: 135) branches including 4 (2010: 4) Islamic Banking Branches and 8 (2010: 8) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG, Zurich which is incorporated in Switzerland.

**2. BASIS OF PREPARATION**

These consolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These consolidated condensed interim financial statements do not include all of the statements required for full financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2010.

**3. ACCOUNTING POLICIES AND ESTIMATES**

**3.1** The accounting policies and methods of computation followed in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2010.

**3.2** 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 2010.

#### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with that disclosed in the financial statements of the Group for the year ended 31 December 2010.

#### 5. BALANCES WITH OTHER BANKS

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
<b>In Pakistan</b>		
– Current accounts	328,560	414,336
– Deposit accounts	6,293	17,205
	<b>334,853</b>	431,541
<b>Outside Pakistan</b>		
– Current accounts	789,132	978,819
– Deposit accounts	2,149,133	1,712,734
	<b>2,938,265</b>	2,691,553
	<b>3,273,118</b>	3,123,094

#### 6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	1,750,000	2,100,000
Repurchase agreement lendings (Reverse repo)	3,679,631	640,399
Letter of placements	–	450,000
	<b>5,429,631</b>	3,190,399



## 7. INVESTMENTS

INVESTMENTS	Note	30 June 2011 (Un-Audited)			31 December 2010 (Audited)		
		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		41,616,449	19,741,523	61,357,972	20,327,803	24,133,119	44,460,922
Pakistan Investment Bonds		23,338,670	—	23,338,670	12,475,620	8,955,800	21,431,420
Ordinary shares of listed companies		452,712	—	452,712	274,300	—	274,300
Ordinary shares of unlisted companies		123,101	—	123,101	123,101	—	123,101
Preference shares of a listed company		40,000	—	40,000	40,000	—	40,000
Listed Term Finance Certificates		2,229,965	—	2,229,965	2,282,470	—	2,282,470
Unlisted Term Finance Certificates		3,871,472	—	3,871,472	4,060,056	—	4,060,056
Sukuk Certificates and Bonds		14,681,412	—	14,681,412	18,192,348	—	18,192,348
Open end mutual funds		11,226,606	—	11,226,606	10,197,832	—	10,197,832
Close end mutual funds		67,000	—	67,000	67,000	—	67,000
		97,647,387	19,741,523	117,388,910	68,040,530	33,088,919	101,129,449
<b>Held-to-maturity securities</b>							
Certificate of Investments		—	—	—	1,050,000	—	1,050,000
<b>Investments at cost</b>		97,647,387	19,741,523	117,388,910	69,090,530	33,088,919	102,179,449
Less: Provision for diminution in the value of investments	7.1	(305,372)	—	(305,372)	(255,932)	—	(255,932)
<b>Investments – net of provisions</b>		97,342,015	19,741,523	117,083,538	68,834,598	33,088,919	101,923,517
Deficit on revaluation of available-for-sale investments – net	13	(806,914)	(23,416)	(830,330)	(726,742)	(347,629)	(1,074,371)
<b>Investments after revaluation of available-for-sale investments</b>		96,535,101	19,718,107	116,253,208	68,107,856	32,741,290	100,849,146

### 7.1 Particulars of provision for diminution in the value of investments

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
Rupees in '000		
Opening balance	255,932	227,022
Charge for the period / year	50,427	103,785
Reversal of provision upon disposal of investments	(987)	(74,875)
Closing balance	305,372	255,932

## 8. ADVANCES

	Note	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
		Rupees in '000	
Loans, cash credits, running finances, etc. In Pakistan		97,462,479	100,914,709
Net investments in finance lease / ijarah financing In Pakistan		699,762	906,984
Net assets in ijarah under IFAS 2		975,474	901,886
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,455,178	6,344,275
Payable outside Pakistan		18,799,886	18,282,153
		24,255,064	24,626,428
Advances - gross		123,392,779	127,350,007
Provision against non-performing advances			
– specific		(8,954,290)	(7,463,452)
– general		(70,130)	(58,919)
	8.3	(9,024,420)	(7,522,371)
Advances - net of provisions		114,368,359	119,827,636

8.1 Advances include Rs. 12,947,460 thousand (2010: Rs 10,961,145 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2011 (Un-Audited) in Pakistan		
	Classified advances	Provision Required	Provision Held
	Rupees in '000		
Substandard	657,365	152,202	152,202
Doubtful	2,744,338	978,658	978,658
Loss	9,545,757	7,823,430	7,823,430
	12,947,460	8,954,290	8,954,290
31 December 2010 (Audited) in Pakistan			
Category of Classification	Classified advances	Provision Required	Provision Held
	Rupees in '000		
Substandard	348,017	73,725	73,725
Doubtful	2,417,408	836,356	836,356
Loss	8,195,720	6,553,371	6,553,371
	10,961,145	7,463,452	7,463,452

**8.2** In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the State Bank of Pakistan, during the 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 would have been higher by Rs. 98.812 million and profit after taxation for the half year ended 30 June 2011 would have been lower by approximately Rs. 64.228 million. As of 30 June 2011, had the benefit of FSVs not taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 2,079.031 million and accumulated profit would have been lower by Rs. 1,351.370 million. This amount of Rs. 1,351.370 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 2011 (Un-Audited)			31 December 2010 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	7,463,452	58,919	7,522,371	4,204,731	424,745	4,629,476
Charge for the period	1,984,880	11,211	1,996,091	3,826,217	–	3,826,217
Reversals	(355,926)	–	(355,926)	(522,628)	(365,826)	(888,454)
Net charge for the period / year	1,628,954	11,211	1,640,165	3,303,589	(365,826)	2,937,763
Amount written off	(138,116)	–	(138,116)	(44,868)	–	(44,868)
Closing balance	8,954,290	70,130	9,024,420	7,463,452	58,919	7,522,371

**8.4** General provision includes provision of Rs. 22.130 million (2010: Rs. 22.117 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. 97.347 million (30 June 2010: Rs. 194.738 million) and Rs. 1.040 million (30 June 2010: Rs. 2.945 million) respectively.

**10. DEFERRED TAX ASSETS – NET**

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. 2,258.141 million.

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
<b>11. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	21,470,029	25,710,819
– under long term financing – export oriented projects	938,907	1,300,872
– under long term financing facility – locally manufactured plant and machinery	1,829,872	1,418,938
	24,238,808	28,430,629
Repurchase agreement borrowings	19,568,554	32,630,475
	43,807,362	61,061,104
<b>Unsecured</b>		
Call borrowings	2,988,000	100,000
Overdrawn nostro accounts	1,740,514	1,357,698
Overdrawn local bank accounts	9,598	10,927
Other short term borrowing	128,948	–
	4,867,060	1,468,625
	48,674,422	62,529,729
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	85,765,389	69,954,427
Saving deposits	42,759,877	38,873,120
Current accounts (non-remunerative)	45,315,926	37,316,518
Others	2,015,765	1,818,566
	175,856,957	147,962,631
<b>Financial Institutions</b>		
Remunerative deposits	5,913,953	11,975,440
Non-remunerative deposits	360,333	376,140
	6,274,286	12,351,580
	182,131,243	160,314,211



**30 June**      **31 December**  
**2011**              **2010**  
(Un-Audited)      (Audited)  
Rupees in '000

### 13. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

#### Available-for-sale securities:

##### Federal Government Securities

Market Treasury Bills	1,521	(132,003)
Pakistan Investment Bonds	(871,752)	(1,140,910)
GOP Ijarah Sukuk	22,709	73,714

Fully paid-up ordinary shares – Listed 40,770 (775)

Preference shares of a listed company 2,080 –

##### Term Finance Certificates

Listed	(23,621)	(46,592)
Unlisted	(107)	(4,915)

Sukuk Certificates and Bonds (2,251) (30,806)

##### Mutual funds

Open end	(26,187)	189,476
Close end	26,508	18,440

(830,330)      (1,074,371)

Related deferred tax asset - net 301,410 427,786

(528,920)      (646,585)

### 14. CONTINGENCIES AND COMMITMENTS

#### 14.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of:

– Banking companies and other financial institutions 226,686 238,522

#### 14.2 Transaction-related contingent liabilities

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

i) Government	11,068,557	9,351,603
ii) Banking companies and other financial institutions	6,922	261,415
iii) Others	2,320,181	3,711,022

13,395,660      13,324,040

#### 14.3 Trade-related contingent liabilities

Letters of credit 43,546,698 49,231,412

Acceptances 12,813,296 10,313,588

#### 14.4 Commitments in respect of forward exchange contracts

Purchase 68,132,428 55,991,653

Sale 85,093,001 68,631,860

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
<b>14.5 Commitments in respect of operating leases</b>		
Not later than one year	50,392	59,698
Later than one year and not later than five years	24,974	30,291
	<u>75,366</u>	<u>89,989</u>
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	<u>82,114</u>	<u>62,154</u>
<b>14.7 Claims against bank not acknowledged as debt</b>	<u>2,401,910</u>	<u>2,229,910</u>
<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.		
<b>14.9 Commitments in respect of syndicate financing</b>	<u>150,000</u>	<u>253,691</u>
<b>14.10 Commitments in respect of investment in sukuk certificates and term finance certificates</b>	<u>-</u>	<u>48,572</u>

#### 14.11 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 and 2010 (corresponding to the accounting years ended 31 December 2008 and 31 December 2009). However, adequate provisions are being held by the Bank.

### 15. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended 30 June 2011	Half year ended	Quarter ended 30 June 2010	Half year ended
	(Un-Audited)			
	Rupees in '000			
Profit after taxation	<u>679,636</u>	<u>1,437,869</u>	<u>775,358</u>	<u>1,475,590</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 and diluted earnings per share	<u>0.65</u>	<u>1.37</u>	<u>0.74</u>	<u>1.41</u>

**15.1** The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

## 16. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, companies with common directorship, key management personnel, directors and employee 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 2011 (Un-Audited)				
	Holding Company	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000				
<b>Deposits</b>					
At beginning of the year	93,074	3,220,383	60,493	1,233,885	4,607,835
Received during the period	6,169,120	252,960,710	139,461	1,618,900	260,888,191
Repaid during the period	(6,110,444)	(250,289,881)	(134,105)	(1,491,579)	(258,026,009)
At the end of the period	151,750	5,891,212	65,849	1,361,206	7,470,017
<b>Advances</b>					
At the beginning of the year	-	2,198,466	22,276	-	2,220,742
Disbursed during the period	-	22,326,914	7,175	-	22,334,089
Recovered during the period	-	(22,925,145)	(2,348)	-	(22,927,493)
At the end of the period	-	1,600,235	27,103	-	1,627,338
Bank balances held by the Bank	219,047	4,840	-	-	223,887
Overdrawn bank balances held by the Bank	-	(1,232,971)	-	-	(1,232,971)
Management fee payable for technical and consultancy services*	232,259	-	-	-	232,259
Prepayments	-	32,093	-	-	32,093
Transaction-related contingent liabilities	-	1,069,984	-	-	1,069,984
Trade-related contingent liabilities	-	1,606,549	-	-	1,606,549
Advance received against prepaid card	-	1,534	-	-	1,534
Advance received against insurance premium	-	28	-	-	28

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

31 December 2010 (Audited)				
	Holding Company	Associates	Key Management Personnel	Retirement Benefit Plans
	Rupees in '000			
<b>Deposits</b>				
At the beginning of the year	19,450	3,531,415	46,038	850,526
Received during the year	10,155,609	401,599,525	192,382	4,451,142
Repaid during the year	(10,081,985)	(401,910,557)	(177,927)	(4,067,783)
At the end of the year	93,074	3,220,383	60,493	1,233,885
<b>Advances</b>				
At the beginning of the year	–	1,740,927	15,540	–
Disbursed during the year	–	30,558,362	12,331	–
Recovered during the year	–	(30,100,823)	(5,595)	–
At the end of the year	–	2,198,466	22,276	–
Bank balances held by the bank	164,431	57,588	–	–
Overdrawn bank balances held by the bank	(48,942)	(763,041)	–	–
Management fee payable for technical and consultancy services*	137,100	–	–	–
Prepayments	–	14,789	–	–
Transaction-related contingent liabilities	–	1,023,991	–	–
Trade-related contingent liabilities	–	2,002,067	–	–
Advance received against prepaid card	–	1,609	–	–
Advance received against insurance premium	–	54	–	–

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



**Transactions during  
the period**
**For the period ended 30 June 2011 (Un-Audited)**

	Holding Company	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plans	Total
	Rupees in '000					
Mark-up/return/interest earned	-	59,111	703	-	-	59,814
Mark-up/return/interest expensed	-	279,399	4,263	-	122,080	405,742
Commission/brokerage/bank charges recovered	-	5,160	-	-	-	5,160
Rent income	-	491	-	-	-	491
Salaries and allowances	-	-	56,931	-	-	56,931
Directors' fees	-	-	-	2,550	-	2,550
Contribution to defined benefit plan	-	-	-	-	36,000	36,000
Contribution to defined contribution plan	-	-	-	-	43,327	43,327
Bank charges paid	1,131	7,738	-	-	-	8,869
Rent expenses	-	8,389	-	-	-	8,389
Insurance premium expenses	-	16,132	-	-	-	16,132
Maintenance, Electricity, Stationary & Entertainment	-	15,998	-	-	-	15,998
Management fee expense for technical and consultancy services*	95,159	-	-	-	-	95,159
Donation	-	960	-	-	-	960
Share registration charges	-	699	-	-	-	699

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

Transactions during the period	For the period ended 30 June 2010 (Un-Audited)					
	Holding Company	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plan	Total
	Rupees in '000					
Mark-up/return/interest earned	—	57,422	693	—	—	58,115
Mark-up/return/interest expensed	—	283,620	3,083	—	97,093	383,796
Commission/brokerage/bank charges recovered	—	4,649	—	—	—	4,649
Rent income	—	447	—	—	—	447
Salaries and allowances	—	—	55,997	—	—	55,997
Directors' fees	—	—	—	3,070	—	3,070
Contribution to defined benefit plan	—	—	—	—	24,000	24,000
Contribution to defined contribution plan	—	—	—	—	35,792	35,792
Bank charges paid	2,011	4,516	—	—	—	6,527
Rent expenses	—	8,113	—	—	—	8,113
Insurance premium expensed	—	15,086	—	—	—	15,086
Maintenance, Electricity, Stationary & Entertainment	—	11,197	—	—	—	11,197
Management fee expense for technical and consultancy services*	50,608	—	—	—	—	50,608
Donation	—	960	—	—	—	960
Share registration charges	—	745	—	—	—	745

## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

	30 June 2011 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Revenues*	7,068,268	4,238,740	7,159,302	18,466,310
Expenses*	(5,969,579)	(4,090,335)	(6,432,055)	(16,491,969)
Net Income	1,098,689	148,405	727,247	1,974,341
Segment assets (gross)	131,345,916	1,201,119	131,684,187	264,231,222
Segment liabilities	24,352,084	101,669,105	116,344,182	242,365,371

  

	30 June 2010 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Revenues*	6,391,625	3,861,955	6,277,721	16,531,301
Expenses*	(5,313,054)	(3,752,620)	(5,372,519)	(14,438,193)
Net Income	1,078,571	109,335	905,202	2,093,108
Segment assets (gross)	119,202,457	1,156,151	115,251,909	235,610,517
Segment liabilities	32,317,664	92,869,751	90,972,744	216,160,159

\* Includes inter-segment revenues and expenses

## 18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 4 (2010: 4) Islamic banking branches in Pakistan. The balance sheet of these branches as at 30 June 2011 is as follows:

<b>BALANCE SHEET</b>	<b>30 June 2011 (Un-Audited)</b>	<b>31 December 2010 (Audited)</b>
	Rupees in '000	
<b>ASSETS</b>		
Cash and balances with treasury banks	735,973	713,721
Balances with and due from financial institutions	—	—
Investments	8,412,989	8,949,438
Financing and receivables		
- Murabaha	4,862,009	2,955,742
- Ijara	1,222,740	1,340,624
- Diminishing Musharaka	614,274	495,831
- Export Refinance Murabaha	439,772	443,775
- Foreign Documentary Bills Purchased	8,023	229,866
	7,146,818	5,465,838
Other assets	504,003	936,743
	<b>16,799,783</b>	<b>16,065,740</b>
<b>LIABILITIES</b>		
Bills payable	130,274	91,025
Deposits and other accounts		
- Current deposits	1,096,783	1,089,391
- Saving deposits	3,211,464	3,132,614
- Term deposits	6,226,992	5,120,843
- Deposits from financial institutions - remunerative	3,476,183	3,922,899
- Deposits from financial institutions - non-remunerative	1,315	2,946
	14,012,737	13,268,693
Borrowings	439,772	468,775
Due to head office	136,786	198,331
Other liabilities	858,146	898,358
	<b>15,577,715</b>	<b>14,925,182</b>
<b>NET ASSETS</b>	<b>1,222,068</b>	<b>1,140,558</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	1,002,149	802,141
Unappropriated profit	220,793	313,875
	<b>1,222,942</b>	<b>1,116,016</b>
(Deficit) / surplus on revaluation of assets	(874)	24,542
	<b>1,222,068</b>	<b>1,140,558</b>



#### **19. GENERAL**

The figures have been rounded off to nearest thousand rupees.

#### **20. DATE OF AUTHORISATION FOR ISSUE**

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 19 August 2011.

**KASSIM PAREKH**  
Chairman

**ANJUM IQBAL**  
Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**MOHAMEDALI R. HABIB**  
Director



## NOTES

HIMB