[Subsidiary of Habib Bank AG Zurich]

HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Habib Metropolitan Bank Limited (the Bank) and its subsidiary company as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for eighteen branches, which have been audited by us. We have also expressed separate opinions on the financial statements of Habib Metropolitan Bank Limited and its subsidiary company namely Habib Metropolitan Financial Services Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Habib Metropolitan Bank Limited and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co
Chartered Accountants
Mazhar Saleem

Karachi: 26 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014	2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	18,640,853	21,208,774
Balances with other banks	9	1,870,331	3,552,694
Lendings to financial institutions	10	3,408,776	–
Investments	11	221,644,817	142,327,147
Advances	12	134,175,636	129,833,937
Operating fixed assets	13	3,025,426	3,035,526
Deferred tax assets	14	1,268,457	2,947,155
Other assets	15	13,640,521	8,490,404
		397,674,817	311,395,637
LIABILITIES			
Bills payable	16	5,201,482	3,982,213
Borrowings	17	24,883,982	23,057,002
Deposits and other accounts	18	319,948,274	247,507,718
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities	19	12,871,948	8,863,421
		362,905,686	283,410,354
NET ASSETS		34,769,131	27,985,283
REPRESENTED BY			
Share capital	20	10,478,315	10,478,315
Reserves		11,178,823	10,193,511
Unappropriated profit		8,559,839	6,693,745
		30,216,977	27,365,571
Surplus on revaluation of assets - net of tax	21	4,552,154	619,712
		34,769,131	27,985,283
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH	**SIRAJUDDIN AZIZ**	**MOHOMED BASHIR**	**TARIQ IKRAM**
Chairman	President & Chief Executive Officer	Director	Director

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		Rupees in '000	
Mark-up / return / interest earned	24	32,288,259	24,641,671
Mark-up / return / interest expensed	25	(21,078,626)	(15,569,764)
Net mark-up / interest Income		11,209,633	9,071,907
Provision against non-performing loans and advances	12.6	1,767,199	2,111,110
Provision for diminution in the value of investments	11.3	11,380	(1,880)
Bad debts written off directly	12.8.1	–	–
		(1,778,579)	(2,109,230)
Net mark-up / interest income after provisions		9,431,054	6,962,677
Non mark-up / interest income			
Fee, commission and brokerage income		2,458,011	2,266,951
Dividend income		51,889	44,594
Income from dealing in foreign currencies		1,039,545	864,966
Gain on sale / redemption of securities - net	26	1,875,712	1,338,894
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		–	–
Other income	27	341,063	304,320
Total non mark-up / interest income		5,766,220	4,819,725
		15,197,274	11,782,402
Non mark-up / interest expenses			
Administrative expenses	28	7,406,393	6,519,316
Other provisions / write offs	15.2	299,000	–
Other charges	29	155,742	145,792
Total non mark-up / interest expenses		(7,861,135)	(6,665,108)
		7,336,139	5,117,294
Extraordinary / unusual items		–	–
Profit before taxation		7,336,139	5,117,294
Taxation – Current	30	(2,764,846)	(1,979,748)
– Prior years		(100)	574,692
– Deferred	14.1	370,957	(185,470)
		(2,393,989)	(1,590,526)
Profit after taxation		4,942,150	3,526,768
Unappropriated profit brought forward		6,693,745	6,035,765
Profit available for appropriation		11,635,895	9,562,533
Basic and diluted earnings per share (Rupees)	31	4.72	3.37

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH	**SIRAJUDDIN AZIZ**	**MOHOMED BASHIR**	**TARIQ IKRAM**
Chairman	President & Chief Executive Officer	Director	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		Rupees in '000	
Profit after taxation for the year		4,942,150	3,526,768
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / (loss) on defined benefit plan	34.8	7,568	(104,448)
Related deferred tax (charge) / reversal		(2,649)	36,557
		4,919	(67,891)
Comprehensive income transferred to equity		4,947,069	3,458,877
Items not to be reflected in equity:			
Surplus / (deficit) arising on revaluation of available for sale securities		5,979,448	(2,350,722)
Related deferred tax (charge) / reversal		(2,047,006)	784,180
		3,932,442	(1,566,542)
Total comprehensive income		8,879,511	1,892,335

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH	**SIRAJUDDIN AZIZ**	**MOHOMED BASHIR**	**TARIQ IKRAM**
Chairman	President & Chief Executive Officer	Director	Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		7,336,139	5,117,294
Less: Dividend income		(51,889)	(44,594)
		7,284,250	5,072,700
Adjustments			
Depreciation and amortization	28	526,188	470,578
Provision against non-performing loans and advances - net	12.6	1,767,199	2,111,110
Provision against other assets	15.2	299,000	–
Provision for diminution in the value of investments - net		(30,804)	(83,258)
Net gain on sale of fixed assets	27	(17,447)	(56,698)
		2,544,136	2,441,732
		9,828,386	7,514,432
(Increase) / decrease in operating assets			
Lendings to financial institutions		(3,408,776)	–
Advances		(6,108,898)	(21,500,849)
Other assets (excluding current taxation)		(5,356,568)	(2,740,473)
		(14,874,242)	(24,241,322)
Increase / (decrease) in operating liabilities			
Bills payable		1,219,269	(110,055)
Borrowings		1,470,763	(21,926,525)
Deposits and other accounts		72,440,556	29,836,886
Other liabilities (excluding dividend payable)		4,013,776	151,093
		79,144,364	7,951,399
		74,098,508	(8,775,491)
Income tax paid		(2,855,147)	(2,055,360)
Net cash generated from / (used in) operating activities		71,243,361	(10,830,851)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(64,860,361)	25,763,677
Net investments in held-to-maturity securities		(8,447,057)	(9,624,973)
Dividend received		49,541	44,594
Investments in operating fixed assets		(551,730)	(559,052)
Proceeds from sale of fixed assets		53,089	110,471
Net cash (used in) / generated from investing activities		(73,756,518)	15,743,717
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,093,344)	(2,093,214)
Net cash used in financing activities		(2,093,344)	(2,093,214)
(Decrease) / increase in cash and cash equivalents		(4,606,501)	2,810,652
Cash and cash equivalents at the beginning of the year		23,673,692	20,585,253
Effect of exchange rate changes on cash and cash equivalents		568,478	846,265
Cash and cash equivalents at end of the year	32	19,635,669	24,242,170

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH	SIRAJUDDIN AZIZ	MOHOMED BASHIR	TARIQ IKRAM
Chairman	President & Chief Executive Officer	Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Reserves				Un-appropriated Profit	Total
		Share Premium	Statutory Reserve	Special Reserve	Revenue Reserve		
	Rupees in '000						
Balance as at 1 January 2013	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,035,765	26,002,357
Changes in equity for the year ended 31 December 2013							
Total comprehensive income for the year ended 31 December 2013 – profit for the year	–	–	–	–	–	3,526,768	3,526,768
Other comprehensive income – net of tax	–	–	–	–	–	(67,891)	(67,891)
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for year ended 31 December 2012	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	705,234	–	–	(705,234)	–
Balance as at 31 December 2013	10,478,315	2,550,985	5,902,165	240,361	1,500,000	6,693,745	27,365,571
Changes in equity for the year ended 31 December 2014							
Total comprehensive income for the year ended 31 December 2014 – profit for the year	–	–	–	–	–	4,942,150	4,942,150
Other comprehensive income – net of tax	–	–	–	–	–	4,919	4,919
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 2.00 per share) for year ended 31 December 2013	–	–	–	–	–	(2,095,663)	(2,095,663)
Transfer to statutory reserve	–	–	985,312	–	–	(985,312)	–
Balance as at 31 December 2014	10,478,315	2,550,985	6,887,477	240,361	1,500,000	8,559,839	30,216,977

The annexed notes 1 to 45 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH	**SIRAJUDDIN AZIZ**	**MOHOMED BASHIR**	**TARIQ IKRAM**
Chairman	President & Chief Executive Officer	Director	Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. STATUS AND NATURE OF BUSINESS

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

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all the three stock exchanges in Pakistan. the holding company operates 201 (2013: 174) branches, including 10 (2013: 6) Islamic banking branches and 39 (2013: 40) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the Bank) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

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

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements comprise the financial statements of the holding company and its subsidiary company. The financial statements of the subsidiary company have been prepared for the same reporting year as the holding company using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary company have been consolidated on a line by line basis. Intra-group balances and transactions have been eliminated for the purpose of consolidation.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the Group from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.3 The financial results of the Islamic Banking branches of the holding company have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 43 to these consolidated financial statements.

2.4 Basis of measurement

Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value and derivative financial instruments are carried at fair values as disclosed in notes 5.3 and 5.6 respectively.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading", the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as "held-to-maturity", the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

- The investments which are not classified as "held for trading" or held to maturity are classified as available for sale.

ii) Provision against non performing loans and advances and debt securities classified as investments

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances, debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the forced sale value of the securities, etc. as per the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer and small enterprise advances, the Group follows the general provision requirement set out in the Prudential Regulations. In addition the Group also maintain a general provision against its loan portfolio discussed in note 5.4.

iii) Valuation and impairment of available for sale equity investments

The Group determines that available-for-sale equity investments and held to maturity are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Impairment of non-financial assets (excluding deferred tax asset)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognized immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

v) Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Actuarial Cost Method, as fully disclosed in note 34 to these consolidated financial statements.

viii) Compensated Absences

The Group uses actuarial valuation for the determination of its compensated absences liability. This method makes certain assumptions, which may change, thereby effecting the profit and loss account of future period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Group are as follows:

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks less overdrawn nostros and local bank accounts.

5.2 Lendings to / borrowings from financial institutions

The holding company enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is amortized as an expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued as income over the term of the agreement.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark up on such borrowing is charged to the profit and loss account on a time proportion basis.

5.3 Investments

5.3.1 Investment in a subsidiary is stated at cost less provision for impairment, if any.

5.3.2 Other investments are classified as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the positive intention and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

5.3.3 Investments (other than held-for-trading) include transaction costs associated with the investments. In case of held for trading investments transaction costs are charged to profit and loss account.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity and investment in a subsidiary, are carried at market value. Investments classified as held to maturity are carried at amortized cost whereas investment in a subsidiary is carried at cost less impairment losses, if any.

Unrealized surplus / deficit arising on the revaluation of the Group's held for trading investment portfolio is taken to the profit and loss account. Surplus / deficit arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the Statement of Financial Position below equity. Surplus / deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent decreases in the carrying value are charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Provision for diminution in the value of term finance and Sukuk certificates are made as per the criteria prescribed under prudential regulation issued by State Bank of Pakistan.

Provision for impairment in the value of available for sale and held to maturity securities (other than bonds and term finance and Sukuk certificates) is made after considering objective evidence of impairment, if any, in their value (as a result of one or more events that may have an impact on the estimated future cash flows of the investments). A significant or prolonged decline in the fair value of an equity investment below its cost is also considered an objective evidence of impairment. Impairment losses are taken to profit and loss account.

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits the purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.4 Advances (including net investment in finance lease and ijarah arrangements)

Loans and advances

Loans and advances and net investments in finance lease are stated net of provision for loan losses against non-performing advances. Provision for loan losses is made in accordance with the Prudential Regulations issued by the SBP and is charged to profit and loss account. The holding company also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's assessment of credit risk characteristics and general banking risk such as nature of credit, collateral type, industry sector and other relevant factors. Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

Finance lease receivables

Leases, where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

Ijarah

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of "Ijarah", Ijarah arrangements by the Islamic Banking branches are accounted for as 'Assets held under Ijarah' and are stated at cost less accumulated depreciation, residual value and impairment losses, if any. Accordingly assets subject to Ijarahs have been reflected in note 12 to these consolidated financial statements under "Advances". Rental income on these Ijarahs is recognized in the Group's profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of Ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of Ijarah agreement and is charged to the profit and loss account. The classification and provisioning of Ijarah assets is done in line with the requirements laid down in the Prudential Regulations and are recognized in the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

5.5 Fixed assets

Tangible - owned (operating)

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which are stated at cost less accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 13.2. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal. Depreciation on ijarah assets referred to in note 12.3 is calculated on a straight line basis over the period of Ijarah from the date of delivery of respective assets to the mustajir (lessee) up to the date of maturity / termination of ijarah agreed.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each Statement of Financial Position date.

Intangible

These are stated at cost less accumulated amortization and impairment, if any. The cost of intangible assets are amortized from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method is reviewed and adjusted, if appropriate, at each Statement of Financial Position date.

Intangible includes Trading Rights Entitlement (TRE) Certificate acquired by subsidiary on surrender of stock exchange membership card. Since the fair value of the certificate can not be determined with reasonable accuracy, the entire carrying value of Stock Exchange Membership Card has been allocated to the shares of Karachi Stock Exchange Limited, and TRE Certificate has been stated at Nil value. This certificate has indefinite life.

Capital work-in-progress

These are stated at cost less impairment losses, if any.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

5.7 Provisions

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each Statement of Financial Position date and are adjusted to reflect the current best estimate.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gain / losses recognized in 'Other Comprehensive Income', which is adjusted against the related deficit / surplus.

5.9 Employees' benefits

5.9.1 Retirement benefits

Defined benefit plan

The holding company operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using "Projected Unit Credit Actuarial Cost Method".

All actuarial gains and losses are recognized in "Other Comprehensive Income" as they occur.

Past service cost resulting from changes to defined benefit plan is recognized in the profit and loss accounts.

Defined contribution plan

The holding company operates a recognized provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Group and its employees, to the fund at the rate of 10% of basic salary.

5.9.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the 'Projected Unit Credit Actuarial Cost Method' has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognized by the Group.

5.10 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. These are recognized as follows:

a) Advances and investments

Mark-up / return on regular loans / advances and debt securities investments is recognized on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

Dividend income is recognized when the Group's right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account on settlement date.

Income on bills discounted are recognized over the period of the bill.

b) Lease financing / Ijarah contracts

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Rental income on Ijarahs executed by the Islamic Banking branches and accounted for under IFAS 2 (refer note 5.4) is recognized in the profit and loss account on a time proportion basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

c) Fees, brokerage and commission

Fees, commission and brokerage except income from letters of guarantee is accounted for on receipt basis. Income from letter of guarantee is recognized on an accrual basis over the period of the guarantee.

5.11 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.12 Foreign currencies

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Exchange gains or losses are included in income currently.

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date.

5.13 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. the Group's primary format of reporting is based on the following business segments.

Business segments

a) Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

b) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

c) Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Geographical segments

The Group conducts all its operations in Pakistan.

5.14 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to statement of financial position date are considered as non-adjusting event and are not recorded in consolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

5.15 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.16 Impairment of assets (other than loans and advances and investments)

At each statement of financial position date, the Group reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.

5.17 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.18 Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. Profit on sale of a commodity not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account (and net against the receivable balance). Funds disbursed under Murabaha arrangements for purchase of goods are recorded as advance against Murabaha.

5.19 Diminishing Musharika

In Diminishing Musharika based financing, the holding company enters into a Musharika based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilization of the Group's Musharik share by the customer. Income from these transactions are recorded on accrual basis.

5.20 Istisna

In Istisna financing, the holding company places an order to purchase some specific goods / commodities from its customers to be delivered to the Group within an agreed time. The goods are then sold and the amount financed is paid back to the Group.

5.21 Assets acquired in satisfaction of claims

The holding company occasionally acquires assets in settlement of certain advances. These are recorded at the lower of carrying value of the related advances and the current fair value of such assets.

6. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to nearest thousand.

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning as specified below:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016. Management of the Group is currently assessing the likely impact of this IFRS on the Group's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on Group's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Group's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

  - Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The Group expects that the above mentioned improvements will not have a material impact on the Group's financial statements in the period of initial application.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
		Rupees in '000	
In hand			
Local currency		3,893,745	3,504,818
Foreign currencies		1,184,734	1,287,906
		5,078,479	4,792,724
With State Bank of Pakistan in			
Local currency current accounts	8.1	3,886,122	9,127,690
Foreign currency current account	8.2	102,111	134,530
Foreign currency deposit accounts			
– cash reserve accounts	8.3	2,330,002	1,740,700
– special cash reserve accounts	8.4	6,865,407	5,120,250
		13,183,642	16,123,170
With National Bank of Pakistan in			
Local currency current accounts		366,118	276,875
National Prize Bonds		12,614	16,005
		18,640,853	21,208,774

8.1 These accounts are maintained to comply with the statutory cash reserve requirements and include Rs. 1,191,445 thousand (2013: Rs. 974,408 thousand) in respect of the Islamic Banking branches of the holding company.

8.2 Represents US Dollar collection / settlement account with SBP.

8.3 Represents cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 69,132 thousand (2013: Rs. 55,506 thousand) in respect of the Islamic banking Branches of the holding company.

8.4 Represents special cash reserve maintained with SBP against foreign currency deposits and include amount of Rs. 82,798 thousand (2013: Rs. 64,669 thousand) in respect of the Islamic Banking branches of the holding company.

9. BALANCES WITH OTHER BANKS

	Note	2014	2013
In Pakistan			
On current accounts		345,651	460,186
On deposit accounts	9.1	548,690	24,004
		894,341	484,190
Outside Pakistan			
On current accounts	9.2	975,990	1,488,635
On deposit accounts		–	1,579,869
		975,990	3,068,504
		1,870,331	3,552,694

9.1 These carry mark-up rates ranging from 6.50% to 9.00% (2013: 7.00%) per annum.

9.2 Include balances in current accounts of Rs. 33,711 thousand (2013: Rs. 99,480 thousand) with branches of the ultimate parent company.

10. Lendings to Financial institutions

	Note	2014	2013
		Rupees in '000	
Call money lendings	10.2	1,500,000	–
Repurchase agreement lendings (Reverse Repo)	10.3	1,908,776	–
		3,408,776	–

10.1 Particulars of lendings

In local currency	3,408,776	–

10.2 This carry mark-up rate 10.75% (2013: Nil) per annum, with maturity upto 14 January 2015.

10.3 Securities held as collateral against lending to financial institutions (Reverse repo)

	Note	2014			201 3		
		Held by Group	Further Given as collateral	Total	Held by Group	Further Given as collateral	Total
		(Rupees in'000)					
Market treasury bills	10.3.2	1,908,776	–	1,908,776	–	–	–

10.3.1 These lendings carry mark-up rates ranging from 9.75% to 10.00% (2013: Nil) per annum, with maturity upto 2 January 2015.

10.3.2 Market value of securities held as collateral against lendings to financial institutions amounted to Rs. 1,908,776 thousand (2013: Nil).

11. INVESTMENTS

11.1 Investments by types

	Note	2014 Held by Group	2014 Given as collateral	2014 Total	2013 Held by Group	2013 Given as collateral	2013 Total
		(Rupees in'000)					
Available-for-sale securities							
Market treasury bills	11.5	85,227,313	–	85,227,313	54,535,779	–	54,535,779
Pakistan investment bonds	11.6	77,516,593	–	77,516,593	45,828,229	–	45,828,229
Ordinary shares of listed companies		973,924	–	973,924	230,409	–	230,409
Ordinary shares of unlisted companies		138,955	–	138,955	138,955	–	138,955
Preference shares of listed company		–	–	–	40,000	–	40,000
Listed term finance certificates		1,094,653	–	1,094,653	866,305	–	866,305
Unlisted term finance certificates		440,395	–	440,395	582,963	–	582,963
Sukuk certificates and bonds		17,314,358	–	17,314,358	14,096,788	–	14,096,788
Open end mutual funds		9,856,828	–	9,856,828	11,415,046	–	11,415,046
Close end mutual funds		31,816	–	31,816	–	–	–
		192,594,835	–	192,594,835	127,734,474	–	127,734,474
Held-to-maturity securities							
Pakistan investment bonds	11.7	22,559,359	–	22,559,359	14,112,302	–	14,112,302
Investments at cost		215,154,194	–	215,154,194	141,846,776	–	141,846,776
Provision for diminution in the value of investments	11.3	(160,180)	–	(160,180)	(190,984)	–	(190,984)
Investments – net of provisions		214,994,014	–	214,994,014	141,655,792	–	141,655,792
Surplus / (deficit) on revaluation of available-for-sale securities - net	21	6,650,803	–	6,650,803	671,355	–	671,355
Investments after revaluation of available-for-sale securities		221,644,817	–	221,644,817	142,327,147	–	142,327,147

	Note	2014	2013
		Rupees in '000	
11.2 Investments by segments			
Federal government securities			
– Market treasury bills		85,227,313	54,535,779
– Pakistan investment bonds		100,075,952	59,940,531
– GOP ijarah sukuk		15,519,169	12,437,295
		200,822,434	126,913,605
Fully paid up ordinary shares			
– Listed companies		973,924	230,409
– Unlisted companies		138,955	138,955
		1,112,879	369,364
Fully paid up preference shares			
– Listed company		–	40,000
Term finance certificates, sukuk certificates and bonds			
– Listed term finance certificates		1,094,653	866,305
– Unlisted term finance certificates		440,395	582,963
– Sukuk certificates / bonds		1,795,189	1,659,493
		3,330,237	3,108,761
Mutual funds			
– Open end		9,856,828	11,415,046
– Close end		31,816	–
		9,888,644	11,415,046
Investments at cost		215,154,194	141,846,776
Provision for diminution in the value of investments	11.3	(160,180)	(190,984)
Investments - net of provisions		214,994,014	141,655,792
Surplus on revaluation of available-for-sale securities – net	21	6,650,803	671,355
Investments after revaluation of available-for-sale securities		221,644,817	142,327,147

	2014	2013
	Rupees in '000	

11.3 Particulars of provision for diminution in the value of investments

	2014	2013
– Opening balance	190,984	274,242
– Charge for the year	24,482	4,323
– Reversal for the year	(13,102)	(6,203)
– Net charge / (reversal) for the year	11,380	(1,880)
– Reversal of provision on disposal of investments	(42,184)	(81,378)
– Closing balance	160,180	190,984

11.3.1 Particulars of provision for diminution in respect of type and segment

	2014	2013
Available-for-sale securities		
Fully paid-up ordinary shares		
Unlisted companies	74,353	72,356
Fully paid-up preference shares		
Listed company	–	38,360
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	22,486	–
Unlisted term finance certificates	23,063	28,290
Sukuk certificates / bonds	40,278	51,978
	160,180	190,984

11.4 Information relating to investments in federal government securities, ordinary and preference shares of listed and unlisted companies, listed and unlisted term finance certificates and sukuk certificates / bonds and open and close end mutual funds required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4, dated 17 February 2006, is given in Annexure "I" and is an integral part of these unconsolidated financial statements.

11.5 These carry mark-up rates ranging from 9.43% to 10.10% (2013: 8.95% to 9.91%) per annum, with maturity upto 24 December 2015.

11.6 These carry mark-up rates ranging from 11.25% to 12.05% (2013: 11.25% to 12.05%) per annum and will mature up to 17 July 2024. These includes 158,500 thousand (2013: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand loan facilities.

11.7 These carry mark-up rates ranging from 11.25% to 12.00% (2013: 11.25% to 12.00%) per annum and will mature up to 19 July 2022.

	Note	2014	2013
		Rupees in '000	

12. ADVANCES

	Note	2014	2013
Loans, cash credits, running finances, etc.			
In Pakistan		114,971,053	118,698,461
Net investment in finance lease / ijarah financing			
In Pakistan	12.2	476,918	490,079
Assets held under Ijarah	12.3	247,988	174,511
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		8,089,663	5,511,266
Payable outside Pakistan		26,378,556	19,269,633
		34,468,219	24,780,899
Advances – gross		150,164,178	144,143,950
Provision against non-performing advances			
- specific		(15,661,846)	(13,455,861)
- general		(326,696)	(854,152)
	12.6	(15,988,542)	(14,310,013)
Advances – net of provisions		134,175,636	129,833,937

12.1 Particulars of advances – gross

		2014	2013
12.1.1	In local currency	109,531,066	115,692,349
	In foreign currencies	40,633,112	28,451,601
		150,164,178	144,143,950
12.1.2	Short term (for upto one year)	137,077,541	130,784,830
	Long term (for over one year)	13,086,637	13,359,120
		150,164,178	144,143,950

12.2 Net investment in finance lease / ijarah financing

	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	186,556	232,770	30,764	450,090	134,122	317,799	24,582	476,503
Residual value	32,066	64,487	476	97,029	20,399	68,171	995	89,565
Minimum lease payments	218,622	297,257	31,240	547,119	154,521	385,970	25,577	566,068
Financial charges for future periods	(25,419)	(36,127)	(8,655)	(70,201)	(16,497)	(45,920)	(13,572)	(75,989)
Present value of minimum lease payments	193,203	261,130	22,585	476,918	138,024	340,050	12,005	490,079

12.2.1 These finance lease receivables include the Ijarah contracts executed before the promulgation of IFAS 2 (and written up to 31 December 2008).

12.3 Net book value of investments in Ijarah under IFAS-2 is net of depreciation of Rs. 144,141 thousand (2013: Rs. 359,201 thousand).

12.4 Advances include Rs. 19,325,134 thousand (2013 : Rs. 16,973,536 thousand) which have been placed under non-performing status as detailed below:

	2014			2013		
Category of classification	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	593,749	89,580	89,580	14,053	386	386
Doubtful	1,408,214	664,454	664,454	134,771	29,102	29,102
Loss	17,323,171	14,907,812	14,907,812	16,824,712	13,426,373	13,426,373
	19,325,134	15,661,846	15,661,846	16,973,536	13,455,861	13,455,861

12.5 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

During the current year, the holding company decided to avail additional forced value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 594,668 thousand (2013 : Rs.176,772 thousand). Further, as of 31 December 2014, had the benefit of FSVs (including those availed into previous year) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 2,513,871 thousand (2013: Rs. 3,448,343 thousand) and accumulated profit would have been lower by Rs. 1,634,016 thousand (2013: Rs. 2,241,423 thousand). This amount of Rs. 1,634,016 thousand is not available for distribution of loan and stock dividend to the shareholders and bonus to employees.

12.6 Particulars of provision against non-performing advances

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		13,455,861	854,152	14,310,013	12,035,322	353,674	12,388,996
Charge for the year		3,244,544	–	3,244,544	2,182,078	500,478	2,682,556
Reversals		(949,889)	(527,456)	(1,477,345)	(571,446)	–	(571,446)
Net charge for the year		2,294,655	(527,456)	1,767,199	1,610,632	500,478	2,111,110
Amount written off	12.8	(88,670)	–	(88,670)	(190,093)	–	(190,093)
Closing balance	12.7	15,661,846	326,696	15,988,542	13,455,861	854,152	14,310,013

12.6.1 General provision includes provision of Rs. 2,178 thousand (2013: Rs. 2,894 thousand) made against consumer portfolio maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan. Moreover, general provision also includes provision of Rs. 31,041 thousand (2013: Rs. 37,450 thousand) made against small enterprises maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio.

12.7 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Against local currency exposure	15,257,998	326,696	15,584,694	13,245,598	854,152	14,099,750
Against foreign currencies exposure	403,848	–	403,848	210,263	–	210,263
	15,661,846	326,696	15,988,542	13,455,861	854,152	14,310,013

	Note	2014	2013
		Rupees in '000	
12.8 Particulars of write-offs			
12.8.1 Against provisions	12.6	88,670	190,093
Directly charged to profit and loss account		–	–
		88,670	190,093
12.8.2 Write-offs of Rs. 500,000/- and above		87,931	189,555
Write-offs of below Rs. 500,000/-		739	538
		88,670	190,093

12.9 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to the persons during the year ended 31 December 2014 is enclosed as Annexure II.

12.10 Particulars of loans and advances to directors, associated companies, subsidiary etc.

	Note	2014	2013
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,216,421	947,197
Loans granted during the year		953,395	626,888
Repayments		(410,989)	(357,664)
Balance at end of year		1,758,827	1,216,421
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		2,020,013	1,602,820
Loans granted during the year		38,405,253	37,133,684
Repayments		(38,584,881)	(36,716,491)
Balance at end of year	40	1,840,385	2,020,013

	Note	2014	2013
		Rupees in '000	

13. OPERATING FIXED ASSETS

	Note	2014	2013
Capital work-in-progress	13.1	6,996	40,100
Property and equipment	13.2	3,017,852	2,994,469
Intangible assets	13.3	578	957
		3,025,426	3,035,526

13.1 Capital work-in-progress

	Note	2014	2013
Civil works	13.1.1	6,996	16,635
Equipments, etc.		–	23,465
		6,996	40,100

13.1.1 This represents advance against renovation carried out at various locations of the holding company.

13.2 PROPERTY AND EQUIPMENT

	Cost			Depreciation			Book Value	Rate of depre-ciation %
	As at 01 January 2014	Additions / (deletions)	As at 31 December 2014	As at 01 January 2014	Charge for the year / (deletions)	As at 31 December 2014	As at 31 December 2014	
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,229	112	1,341	6,147	1.49
Buildings / office premises on freehold land	634,313	–	634,313	156,610	23,423	180,033	454,280	4
Buildings / office premises on leasehold land	1,922,797	–	1,922,797	547,502	68,788	616,290	1,306,507	4
Furniture and fixtures, office and computer equipment	1,245,663	336,344 (82,431)	1,499,576	782,924	209,381 (51,706)	940,599	558,977	15 & 25
Vehicles	16,873	845 (1,811)	15,907	12,212	1,800 (1,432)	12,580	3,327	20
Leasehold improvements	1,503,971	247,545 (4,538)	1,746,978	836,159	222,205 –	1,058,364	688,614	20
2014	5,331,105	584,734 (88,780)	5,827,059	2,336,636	525,709 (53,138)	2,809,207	3,017,852	

	Cost			Depreciation			Book Value	
	As at 01 January 2013	Additions/ (deletions)	As at 31 December 2013	As at 01 January 2013	Charge for the year/ (deletions)	As at 31 December 2013	As at 31 December 2013	Rate of depre-ciation %
	Rupees in '000							
Leasehold land	7,488	–	7,488	1,117	112	1,229	6,259	1.49
Buildings / office premises on freehold land	634,313	–	634,313	133,188	23,422	156,610	477,703	4
Buildings / office premises on leasehold land	1,981,032	– (58,235)	1,922,797	483,721	70,110 (6,329)	547,502	1,375,295	4
Furniture and fixtures, office and computer equipment	984,129	280,658 (19,124)	1,245,663	621,537	178,668 (17,281)	782,924	462,739	15 & 25
Vehicles	15,960	1,057 (144)	16,873	10,561	1,771 (120)	12,212	4,661	20
Leasehold improvements	1,243,751	260,221 (1)	1,503,971	640,121	196,039 (1)	836,159	667,812	20
2013	4,866,673	541,936 (77,504)	5,331,105	1,890,245	470,122 (23,731)	2,336,636	2,994,469	

13.2.1 The cost of fully depreciated assets still in use is Rs. 1,120,518 thousands (2013: Rs.894,427 thousands).

13.2.2 Carrying amount of idle property held as at 31 December 2014 is Rs. 278,386 thousands (2013: Rs. 291,560 thousands). These properties has been temporarily kept idle.

13.2.3 Details of fixed assets deleted with original cost or book value in excess of Rs. 1,000 thousand or Rs. 250 thousand respectively are as follows:

Particulars	Cost	Book Value	Sale Proceed	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Furniture and fixtures	350	311	311	As per the holding company policy	Muhammad Faraz Haider (Holding Company ex-employee)
	350	311	311		

13.3 Intangible assets

The cost of fully amortized intangible assets (computer software) still in use of holding company is Rs. 27,875 thousand (2013: Rs. 27,875 thousand) and intangible assets of subsidiary having cost and amortization of Rs. 1,622 thousand and Rs. 1,044 thousand respectively. Intangible assets of subsidiary includes Trading Entitlement (TRE) certificates at Nil value as further explained in note 5.5.

	Note	2014	2013
		Rupees in '000	

14. DEFERRED TAX ASSETS

	Note	2014	2013
Deferred tax debits arising in respect of:			
– Provision against diminution in the value of investments		56,063	57,255
– Provisions against non-performing advances (including off-balance sheet obligations)	30.3	3,408,971	3,131,045
– Provision against other assets and leave encashment		201,080	96,250
– Deferred liability on defined benefit plan		69,549	105,333
		3,735,663	3,389,883
Deferred tax credits arising due to:			
– Surplus on revaluation of investment securities		(2,098,649)	(51,643)
– Accelerated depreciation		(368,557)	(391,085)
		(2,467,206)	(442,728)
Net deferred tax asset	14.1	1,268,457	2,947,155

14.1 Reconciliation of deferred tax

	Balance as at 01 January 2013	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2013	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2014
	Rupees in '000						
Deferred tax debits arising in respect of							
Provision against diminution in value of investments	66,050	(8,795)	–	57,255	(1,192)	–	56,063
Provision against non-performing advances (including off-balance sheet obligations) - note 30.3	3,424,087	(293,042)	–	3,131,045	277,926	–	3,408,971
Provision against other assets	96,250	–	–	96,250	104,830	–	201,080
Pre operating expenses of the subsidiary	152	(152)	–	–	–	–	–
Deferred liability on defined benefit plan	36,806	31,970	36,557	105,333	(33,135)	(2,649)	69,549
	3,623,345	(270,019)	36,557	3,389,883	348,429	(2,649)	3,735,663
Deferred tax credits arising due to							
Surplus on revaluation of investment securities	(835,796)	–	784,153	(51,643)	–	(2,047,006)	(2,098,649)
Accelerated depreciation	(475,634)	84,549	–	(391,085)	22,528	–	(368,557)
	(1,311,430)	84,549	784,153	(442,728)	22,528	(2,047,006)	(2,467,206)
Net deferred tax asset	2,311.915	(185,470)	820,710	2,947,155	370,957	(2,049,655)	1,268,457

	Note	2014	2013
		Rupees in '000	

15. OTHER ASSETS

	Note	2014	2013
Income / mark-up / profit accrued in local currency		8,569,870	4,870,280
Income / mark-up / profit accrued in foreign currencies		68,851	57,706
Advances, deposits, advance rent and other prepayments		485,721	415,164
Advance Tax (payments less provisions)		436,257	346,056
Branch adjustment account		11,550	4,468
Unrealized gain on forward foreign exchange contracts		2,029,943	1,224,538
Receivable from the SBP against encashment of government securities		146,833	103,318
Stationery and stamps on hand		33,783	36,821
Advance payments against ijarah		4,941	4,686
Advance payments against diminishing musharika		219,544	197,486
Advance payments against murabaha		245,789	70,980
Advance payment against istisna		85,000	–
Dividend receivable		2,348	–
Non-banking assets acquired in satisfaction of claims	15.1	1,211,976	1,110,031
Receivable from customer against brokerage services		324,409	40,831
Others		337,706	283,039
		14,214,521	8,765,404
Provision against other assets	15.2	(574,000)	(275,000)
		13,640,521	8,490,404

		2014	2013
15.1 Market value of non-banking assets acquired in satisfaction of claims		1,406,928	1,308,975

15.2 Provision held against other assets

		2014	2013
Opening balance		275,000	275,000
Charge for the year		299,000	–
Closing balance		574,000	275,000

16. BILLS PAYABLE

		2014	2013
In Pakistan		5,201,482	3,982,213

17. BORROWINGS

		2014	2013
In Pakistan		20,125,035	20,732,048
Outside Pakistan		4,758,947	2,324,954
		24,883,982	23,057,002

17.1 Particulars of borrowings

		2014	2013
In local currency		20,125,035	20,732,048
In foreign currencies		4,758,947	2,324,954
		24,883,982	23,057,002

	Note	2014	2013
		Rupees in '000	
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan			
– under export refinance scheme		17,605,949	18,679,476
– under long term financing - export oriented projects		63,689	136,751
– under long term financing facility - locally manufactured plant and machinery		1,394,143	1,796,348
	17.2.1	19,063,781	20,612,575
Due against bills re-discounting	17.2.2	4,032,088	1,925,129
		23,095,869	22,537,704
Unsecured			
Bai Muajjal	17.2.3	912,598	–
Overdrawn nostro accounts		726,859	399,825
Overdrawn local bank accounts		148,656	119,473
		1,788,113	519,298
		24,883,982	23,057,002

17.2.1 These carrying mark-up rates ranging between 5.00% to 11.00% (2013: 5.00% to 11.00%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

17.2.2 This represents the obligation to the corresponding banks on the discounting of foreign documentary bills purchased by the Group. The balance carries discount rates ranging from 1.00% to 1.25% (2013: 0.75% to 1.25%).

17.2.3 This represents unsecured borrowing from the financial institutions, carrying mark-up rates ranging between 9.35% to 9.40% (2013: Nil), with maturity upto 9 April 2015.

	Note	2014	2013
		Rupees in '000	

18. DEPOSITS AND OTHER ACCOUNTS

Customers			
Fixed deposits		130,176,879	100,894,176
Savings deposits		93,481,501	73,259,593
Current accounts (non-remunerative)		86,881,170	66,060,951
Others		2,268,708	3,085,411
		312,808,258	243,300,131
Financial institutions			
Remunerative deposits		5,702,486	3,660,137
Non-remunerative deposits		1,437,530	547,450
		7,140,016	4,207,587
		319,948,274	247,507,718

18.1 Particulars of deposits

In local currency		272,529,647	212,426,533
In foreign currencies		47,418,627	35,081,185
		319,948,274	247,507,718

19. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		7,523,095	4,785,771
Mark-up / return / interest payable in foreign currencies		246,452	108,035
Unearned commission and income on bills discounted		133,893	127,402
Accrued expenses		481,370	329,165
Provision against off-balance sheet obligation		98,727	98,727
Unclaimed dividend		8,781	6,462
Unrealized loss on forward foreign exchange contracts		2,140,816	1,180,240
Workers' welfare fund	29.1	215,291	326,990
Excise duty and sales tax payable		5,149	2,042
Locker deposits		541,928	492,477
Advance against diminishing musharika		88,987	55,040
Advance rental for ijarah		25,979	8,725
Security deposits against leases / ijarah		166,854	172,750
Sundry creditors		171,681	150,295
Withholding tax / duties		124,434	72,650
Provision for compensated absences		77,312	186,401
Deferred liability on defined benefit plan	34.3	198,712	297,624
Due to customers against brokerage transactions		93,448	71,295
Others		529,039	391,330
		12,871,948	8,863,421

20. SHARE CAPITAL

20.1 Authorised capital

2014	2013		2014	2013
(Number of shares)			Rupees in '000	
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	12,000,000	12,000,000

20.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs. 10/- each		
30,000,000	30,000,000	– issued for cash	300,000	300,000
92,500,000	92,500,000	– issued upon amalgamation	925,000	925,000
925,331,480	925,331,480	– issued as bonus shares	9,253,315	9,253,315
1,047,831,480	1,047,831,480		10,478,315	10,478,315

20.3 As of the date of statement of financial position, the ultimate parent company held 534,394 thousand (2013: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding).

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities

	2014	2013
Federal government securities		
Market treasury bills	138,859	(91,715)
Pakistan investment bonds	5,437,770	(92,551)
GOP ijarah sukuk	28,753	128,978
Fully paid-up ordinary shares and mutual funds		
Listed shares and mutual funds	1,016,261	726,604
Fully paid-up preference shares		
Listed company	–	6,720
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	(11,332)	(17,751)
Unlisted term finance certificates	9,554	16,512
Sukuk certificates / bonds	30,938	(5,442)
	6,650,803	671,355
Related deferred tax liability - net	(2,098,649)	(51,643)
	4,552,154	619,712

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

	2014	2013
	Rupees in '000	
Bank guarantees of indebtness in favour of		
– Banking companies and other financial institutions	16,472	31,670

	2014	2013
	Rupees in '000	

22.2 Transaction-related contingent liabilities

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

		2014	2013
i)	Government	14,820,687	16,417,161
ii)	Banking companies and other financial institutions	36,395	170,040
iii)	Others	6,035,569	3,566,742
		20,892,651	20,153,943

22.3 Trade-related contingent liabilities

	2014	2013
Letters of credit	58,279,685	60,413,234
Acceptances	12,513,947	10,821,099

22.4 Commitments in respect of forward exchange contracts

	2014	2013
Purchase	100,046,711	58,594,354
Sale	102,295,035	60,959,246

22.5 Commitments in respect of operating leases

	2014	2013
Not later than one year	18,884	20,293
Later than one year and not later than five years	21,354	25,019
	40,238	45,312

The Group has entered into non-cancellable lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijarah transactions. The monthly rental instalments are spread over a period of 36 months. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

	2014	2013
22.6 Commitments for the acquisition of operating fixed assets	9,972	19,791
22.7 Claims against bank not acknowledged as debt	2,184,916	2,154,916

22.8 Commitments in respect of forward lendings

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

23. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealized gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company`s customers to protect from unfavourable movements in foreign currencies. The Group hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the holding company's Asset and Liability Committee (ALCO).

24. MARK-UP / RETURN / INTEREST EARNED

	2014	2013
	Rupees in '000	
On loans and advances to:		
Customers	11,157,916	10,817,085
Financial institutions	204,330	82,577
	11,362,246	10,899,662
On investments in:		
Available-for-sale securities	17,756,220	11,626,156
Held-to-maturity securities	2,470,273	1,238,628
	20,226,493	12,864,784
On deposits with financial institutions	284,960	353,336
On securities purchased under resale agreements (reverse repo)	414,560	523,889
	32,288,259	24,641,671

25. MARK-UP / RETURN / INTEREST EXPENSED

	2014	2013
Deposits	16,631,718	11,655,297
Securities sold under repurchase agreements	1,334,443	1,163,232
Short term borrowings	2,977,392	2,592,238
Long term borrowings	135,073	158,997
	21,078,626	15,569,764

26. GAIN ON SALE / REDEMPTION OF SECURITIES – NET

	2014	2013
Federal government securities		
Market treasury bills	96,839	196,186
Pakistan investment bonds	448,634	13,662
GOP ijarah sukuk	4,017	–
Fully paid-up ordinary shares		
Listed companies	50,140	209,774
Term finance certificates, sukuk certificates and bonds	129,369	45,079
Mutual funds	1,146,713	874,193
	1,875,712	1,338,894

27. OTHER INCOME

	Note	2014	2013
		Rupees in '000	
Rent on properties		33,271	29,953
Net gain on sale of fixed assets		17,447	56,698
Recovery of charges from customers	27.1	196,715	151,200
Incidental and service charges		72,367	63,212
Gain on sale of ijarah assets		1,090	1,271
Gain on sale of other assets		830	–
Previously written off		18,200	–
Staff notice period and other recoveries		1,143	1,986
		341,063	304,320

27.1 Includes courier, telephone and swift charges etc. recovered from customers.

28. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		Rupees in '000	
Salaries, allowances etc.		3,528,039	3,186,958
Charge for defined benefit plan	34.5	132,810	91,344
Contribution to defined contribution plan		124,833	113,960
Non-executive directors' fees, allowances and other expenses		9,000	8,110
Brokerage and commission		102,028	59,313
Rent, taxes, insurance, electricity etc.		1,094,363	929,694
Legal and professional charges		124,176	111,240
Communication		233,094	228,886
Repairs and maintenance		248,242	204,011
Rentals of operating leases		20,587	12,219
Stationery and printing		137,166	96,647
Management fee		206,297	169,687
Advertisement and publicity		81,946	75,202
Donations	28.2	44,800	35,462
Auditors' remuneration	28.3	8,941	4,217
Depreciation and amortization	13.2	526,187	470,578
Security charges		265,673	214,920
Travelling and conveyance		136,713	138,452
Computer software maintenance		49,735	46,620
Subscriptions		103,594	127,961
Others		228,169	165,621
		7,406,393	6,519,316

28.1 The administrative expenses includes Rs. 7,454 thousand incurred for providing office premises and support staff to the Chairman for carrying out his duties as chairman of the Board.

28.2 Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

DONEE	2014	2013
	Rupees in '000	
The Citizens Foundation	**10,625**	9,900
Habib University Foundation	**6,000**	6,000
Memon Health and Education Foundation	**5,000**	500
Sindh Institute of Urology and Transplantation	**2,500**	2,000
Mohamedali Habib Welfare Trust	**2,000**	–
Abbas-e-Alamdar Hostel	**1,020**	300
Fatimiyah Education Network	**1,000**	1,000
Habib Charitable Trust	**1,000**	–
Habib Medical Trust	**960**	960
Habib Poor Fund	**960**	960
Al-Sayyeda Benevolent Trust	**960**	960
RahmatBai Habib Food & Clothing Trust	**960**	960
RahmatBai Habib Widows & Orphan Trust	**960**	960
The Society for the Rehabilitation of Special Children	**800**	–
Institute of Business Administration	**750**	–
Habib Education Trust	**700**	–
Pakistan Memon Educational & Welfare Society	**600**	600
Dhoraji Youth Services Foundation	**600**	–
Bait-ul-Sukoon	**500**	500
Abdul Sattar Edhi Foundation	**500**	500
Memon Educational Board	**500**	500
Pakistan Memon Women Educational Society	**500**	500
Child Aid Association	**500**	–
Patients' Aid Foundation	**300**	700
Dhoraji Association	**300**	300
Rotary Club of Karachi Continental	**300**	–
Ahmed E.H. Jaffer Foundation	**300**	–
Dow 86 Children Critical Care Foundation	**290**	–
Al-Umeed Rehabilitation Association	**250**	250
Anjuman Behbood-e-Samat-e-Atfal	**250**	250
Bantva Memon Jamat	**250**	250
Bantva Memon Rahat Committee	**250**	250
Dar-ul-Sukun	**250**	250
The Indus Hospital	**250**	250
Marie Adelaide Leprosy Centre	**250**	100
Publican Alumni Trust	**250**	–
Al-Mustafa Welfare Society Trust	**250**	–
Zehra Homes	**210**	750
Ahmed Abdullah Foundation (MA Ayesha Memorial Centre)	**200**	200
Kashmir Education Foundation	**200**	200
Bantva Anjuman Himayat-e-Islam	**150**	150
Academy of Quaranic Studies	**120**	120
Caravan of Life (Pak) Trust	**–**	500
The Kidney Centre	**–**	500

DONEE	2014	2013
	Rupees in '000	
Afzaal Memorial Thalassemia Foundation	–	500
Aziz Tabba Foundation (Tabba Heart Institute)	–	500
Developments in Literacy	–	350
Pak Medical and Welfare Trust	–	250
Shaukat Khanum Memorial Trust	–	250
Saylani Welfare International Trust	–	250
The Aman Foundation	–	250
IDA Rieu Poor Welfare Association	–	200
Sanjan Nagar Public Education Trust	–	200
Milestone Charitable Trust	–	162

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2014 and 2013, except for donations paid to :

Name of Donee	Directors	Interest in Donee as
Habib Charitable Trust	Mr. Ali S. Habib	Member of the Board of Trustees
Habib Education Trust	Mr. Ali S. Habib	Member of the Board of Trustees
	Mr. Mohamedali R. Habib	Member of the Board of Trustees
	Mr. Muhammad H. Habib	Member of the Board of Trustees
Habib Medical Trust	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib Poor Fund	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib University Foundation	Mr. Ali S. Habib	Member of the Board of Directors
	Mr. Mohomed Bashir	Member of the Board of Directors
	Mr. Mohamedali R. Habib	Member of the Board of Directors
	Mr. Muhammad H. Habib	Member of the Board of Directors
Mohamedali Habib Welfare Trust	Mr. Ali S. Habib	Member of the Board of Trustees
RahmatBai Habib Food & Clothing Trust	Mr. Mohamedali R. Habib	Member of the Board of Trustees
RahmatBai Habib Widows & Orphan Trust	Mr. Muhammad H. Habib	Member of the Board of Trustees
Shaukat Khanum Memorial Trust	Mr. Ali S. Habib	Member of the Board of Governors

28.3 Auditors' remuneration

	2014	2013
	Rupees in '000	
Audit fee	1,930	1,825
Review of half-yearly financial statements	640	608
Certifications and agreed upon procedures engagements	5,093	929
Out-of-pocket expenses	1,278	855
	8,941	4,217

29. OTHER CHARGES

	Note	2014	2013
		Rupees in '000	
Penalties imposed by the SBP		(14,734)	17,254
Workers' welfare fund	29.1	170,476	128,538
		155,742	145,792

29.1 Under the Workers' Welfare Fund Ordinance (WWF) 1971, the Group is liable to pay workers' welfare fund @ 2% of accounting profit before tax or taxable income, whichever is higher.

30. TAXATION

	Note	2014	2013
For the year			
Current		2,764,846	1,979,748
Deferred		(370,957)	(466,460)
		2,393,889	1,513,288
For prior years			
Current		100	(574,692)
Deferred		–	651,930
		100	77,238
	30.2	2,393,989	1,590,526

30.1 a) Habib Metropolitan Bank Limited (holding company)

Income tax assessments of the Bank have been finalised up to the tax year 2014 (corresponding to the accounting year ended 31 December 2013). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Inland Revenue (ATIR). However, adequate provisions are being held by the holding company.

b) Habib Metropolitan Financial Services Limited (subsidiary company)

The subsidiary company has filed returns of total income upto the tax year 2014 (financial year ended 31 December 2013) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

30.2 Relationship between tax expense and accounting profit

	2014	2013
	Rupees in '000	
Profit before tax	7,336,139	5,117,294
Tax at the applicable tax rate of 35% (2013: 35%)	2,567,649	1,791,053
Tax effect of income taxed at reduced rates	(180,617)	(229,926)
Prior years taxation	100	77,238
Others	6,857	(47,839)
Tax charge for the year	2,393,989	1,590,526

30.3 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 at period end 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. 3,408,971 thousand (2013: Rs. 3,131,045 thousand).

	Note	2014	2013
		Rupees in '000	
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		4,942,150	3,526,768
		(Number in '000)	
Weighted average number of ordinary shares		1,047,831	1,047,831
		(Rupees)	
Basic and diluted earnings per share		4.72	3.37
32. CASH AND CASH EQUIVALENTS		Rupees in '000	
Cash and balances with treasury banks	8	18,640,853	21,208,774
Balances with other banks	9	1,870,331	3,552,694
Overdrawn nostro accounts	17.2	(726,859)	(399,825)
Overdrawn local bank accounts	17.2	(148,656)	(119,473)
		19,635,669	24,242,170
33. STAFF STRENGTH			
		(Number)	
Permanent		3,006	2,678
Temporary / on contractual basis		303	310
Group's own staff strength at end of the year		3,309	2,988
Outsourced		625	593
Total staff strength		3,934	3,581

34. DEFINED BENEFIT PLAN

34.1 General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 years last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

34.2 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2014 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2014	2013
Discount rate - percent (per annum)	11.50	13.00
Expected rate of return on plan assets - percent (per annum)	11.50	13.00
Long term rate of salary increase - percent (per annum)	10.50	12.00

	Note	2014	2013
		Rupees in '000	
34.3 Reconciliation of payable to defined benefit plan			
Fair value of plan assets	34.6	762,904	518,394
Present value of defined benefit obligations	34.7	(961,616)	(816,018)
Amount payable to the plan (deficit)		(198,712)	(297,624)

The above balance includes actuarial gain of Rs. 7,568 thousand (2013: acturial loss of Rs. 104,448 thousand).

34.4 Movement in payable to defined benefit plan

	Note	2014	2013
Opening balance (acutarial losses)		297,624	101,832
Defined benefit charge to profit and loss	34.5	132,810	91,344
Defined benefit charged to other comprehensive income - actuarial (gain) / loss for the year	34.8	(7,568)	104,448
Contribution to the fund	34.6	(224,154)	–
Closing balance		198,712	297,624

34.5 Charge for defined benefit plan

	Note	2014	2013
Current service cost	34.7	100,056	79,634
Net interest	34.7	103,419	69,056
Expected return on plan assets	34.6	(70,665)	(57,346)
Total charge recognised in the profit and loss account		132,810	91,344

	Note	2014	2013
		Rupees in '000	

34.6 Movement in fair value of plan assets

	Note	2014	2013
Opening balance		518,394	512,140
Expected return on plan assets	34.5	70,665	57,346
Actuarial loss recognised in 'Other Comprehensive Income'	34.8	(9,327)	(24,126)
Benefits paid	34.7	(40,982)	(26,966)
Contribution to the fund	34.4	224,154	–
Closing balance		762,904	518,394

34.7 Movement in present value of defined benefit obligation

	Note	2014	2013
Opening balance		816,018	613,972
Current service cost	34.5	100,056	79,634
Interest cost	34.5	103,419	69,056
Actuarial (gain) / loss recognised in 'Other Comprehensive Income'	34.8	(16,895)	80,322
Benefit paid	34.6	(40,982)	(26,966)
Closing balance		961,616	816,018

	Note	2014	2013
		Rupees in '000	

34.8 Annual actuarial loss recognised in 'Other Comprehensive Income'

	Note	2014	2013
Experience (gain) / loss on obligation	34.7	(16,895)	80,322
Experience loss on plan assets	34.6	9,327	24,126
Total (gain) / loss recognised during the year	34.4	(7,568)	104,448

		2014	2013
34.9 Actual return on plan assets		61,338	33,220

34.10 Plan assets comprise the following:

	Note	2014		2013	
		(Rupees in '000)	%	(Rupees in '000)	%
Bank deposits	34.10.1	450,404	59%	250,923	48%
Federal government securities (Pakistan Investment Bonds)		312,500	41%	267,471	52%
		762,904	100%	518,394	100%

34.10.1 The amount represents balance which is deposited with the branches of the holding company.

34.11 Re-measurements recognised in 'Other Comprehensive Income' during the year

	Note	2014	2013
		Rupees in '000	
Actuarial gain / loss on obligation			
– Demographic assumption		–	(9,313)
– Financial assumptions		(9,613)	(91,931)
– Experience adjustment		(7,282)	181,566
Return on plan assets over interest income		(61,338)	(33,220)
Adjustment for mark-up		70,665	57,346
Total re-measurements recognised in Other Comprehensive Income	34.8	(7,568)	104,448

34.12 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2014
	Rupees in '000
Increase in Discount Rate by 1 %	(88,992)
Decrease in Discount Rate by 1 %	104,737
Increase in expected future increment in salary by 1%	107,009
Decrease in expected future increment in salary by 1%	(92,333)
Increase in expected withdrawal rate by 10%	973
Decrease in expected withdrawal rate by 10%	(1,002)
Increase in expected mortality rate by 1%	342
Decrease in expected mortality rate by 1%	(343)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

34.13 Historical information

	2014	2013	2012	2011	2010
			Rupees in '000		
Present value of defined benefit obligation	961,616	816,018	613,972	506,845	420,087
Fair value of plan assets	(762,904)	(518,394)	(512,140)	(436,189)	(337,025)
Deficit	198,712	297,624	101,832	70,656	83,062
Actuarial (gain) / loss on obligation	(16,895)	80,322	27,416	(2,470)	1,390
Actuarial loss / (gain) on assets	9,327	24,126	7,089	(4,071)	(14,060)

35. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for permanent employees. The employer and employee each contributes 10% of the basic salary to the funded scheme every month.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	Rupees in '000					
Fees	–	–	9,000	8,110	–	–
Managerial remuneration	55,500	52,399	–	–	1,998,870	1,604,004
Charge for defined benefit plan	2,718	1,884	–	–	91,361	57,009
Contribution to defined contribution plan	2,760	2,760	–	–	80,500	73,138
Utilities	5,868	363	1,832	1,756	7,507	1,592
Bonus	6,900	3,135	–	–	230,750	204,372
Others	–	–	6,675	5,775	–	–
	73,746	60,541	17,507	15,641	2,408,988	1,940,115
Number of persons	2	2	7	7	1,069	929

36.1 The Chief Executive, Executive Director and certain executives are provided with free use of car in accordance with their terms of employment. The Chief Executive is also provided with leave fare assistance.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices except for tradable securities classified by the holding company as "held to maturity". These securities are being carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004, and have been disclosed in "Annexure I".

Fair values of unlisted equity investments is determined on the basis of breakup value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group`s accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 42.5 and 42.4 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

37.1 Off-balance sheet financial instruments

	2014		2013	
	Contracted Value	Fair Value	Contracted Value	Fair Value
	Rupees in '000			
Forward purchase of foreign exchange contracts	100,046,711	97,978,022	58,594,354	57,878,184
Forward sale of foreign exchange contracts	102,295,035	100,337,219	60,959,246	60,198,778

38. Trust activities

The holding company is currently not engaged in any trust activities.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:

	2014			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	21,397,239	6,317,928	22,457,425	50,172,592
Total expenses *	(17,182,353)	(5,324,416)	(20,329,684)	(42,836,453)
Net income	4,214,886	993,512	2,127,741	7,336,139
Segment assets	235,288,770	1,881,161	160,504,886	397,674,817
Segment non performing loans	–	4,385	19,320,749	19,325,134
Segment provision required	–	4,106	15,657,740	15,661,846
Segment liabilities	6,096,507	95,126,419	261,682,760	362,905,686
Segment return on net assets (%)	9.09%	6.64%	8.58%	
Segment cost of funds (%)	7.30%	5.60%	7.77%	

	2013			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	14,275,745	7,728,160	13,930,419	35,934,324
Total expenses *	(11,045,441)	(6,456,666)	(13,314,923)	(30,817,030)
Net income	3,230,304	1,271,494	615,496	5,117,294
Segment assets	150,449,952	1,391,052	159,554,633	311,395,637
Segment non performing loans	–	4,106	16,969,430	16,973,536
Segment provision required	–	4,106	13,451,755	13,455,861
Segment liabilities	2,384,912	121,372,644	159,652,798	283,410,354
Segment return on net assets (%)	9.49%	6.37%	8.73%	
Segment cost of funds (%)	7.34%	5.32%	8.34%	

* Includes Rs. 12,118,113 thousand (2013: Rs. 6,472,928 thousand) of inter-segment revenues and expenses.

40. TRANSACTIONS WITH RELATED PARTIES

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

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

	31 December 2014					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	179,325	5,220,156	49,351	306,775	1,077,055	6,832,662
Received during the year	22,255,937	1,046,264,405	401,490	1,368,482	3,990,102	1,074,280,416
Repaid during the year	(22,140,393)	(1,031,808,025)	(401,661)	(1,290,007)	(3,968,637)	(1,059,608,723)
At end of the year	294,869	19,676,536	49,180	385,250	1,098,520	21,504,355
Advances						
At beginning of the year	–	2,020,013	108,546	–	–	2,128,559
Disbursed during the year	–	38,405,253	64,962	–	–	38,470,215
Recovered during the year	–	(38,584,881)	(9,984)	–	–	(38,594,865)
At end of the year	–	1,840,385	163,524	–	–	2,003,909
Bank balances held by the Group	33,711	33,719	–	–	–	67,430
Over drawn bank balances held by the Group	34,661	–	–	–	–	34,661
Mark-up / return / interest receivable	–	8,617	–	–	–	8,617
Mark-up / return / nterest payable	–	295,011	1,309	3,136	159,094	458,550
Management fee payable for technical and consultancy services *	213,255	–	–	–	–	213,255
Prepayments / Advance deposits	–	4,797	–	–	–	4,797
Insurance premium and other payables	30,200	470	–	–	–	30,670
Transaction-related contingent liabilities	–	2,479,183	–	–	–	2,479,183
Trade-related contingent liabilities	–	5,637,701	–	–	–	5,637,701
Receivable/ payables against purchase / (sale) of securities	7,103	(269)	(526)	–	–	6,308

	31 December 2013					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	91,390	6,010,887	24,338	151,459	1,830,080	8,108,154
Received during the year	17,604,101	752,573,987	389,590	1,036,460	6,186,611	777,790,749
Repaid during the year	(17,516,166)	(753,364,718)	(364,577)	(881,144)	(6,939,636)	(779,066,241)
At end of the year	179,325	5,220,156	49,351	306,775	1,077,055	6,832,662
Advances						
At beginning of the year	–	1,602,820	25,668	–	–	1,628,488
Disbursed during the year	–	37,133,684	105,337	–	–	37,239,021
Recovered during the year	–	(36,716,491)	(22,459)	–	–	(36,738,950)
At end of the year	–	2,020,013	108,546	–	–	2,128,559
Bank balances held by the Group	99,480	208,512	–	–	–	307,992
Over drawn bank balances held by the Group	–	72,336	–	–	–	72,336
Mark-up / return / interest receivable	6	13,088	–	–	–	13,094
Mark-up / return / interest payable	–	131,865	3,099	2,097	96,065	233,126
Management fee payable for technical and consultancy services *	164,350	–	–	–	–	164,350
Prepayments / Advance deposits	–	4,715	–	–	–	4,715
Insurance Premium and other payable	24,200	989	–	–	–	25,189
Transaction-related contingent liabilities	–	2,123,093	–	–	–	2,123,093
Trade-related contingent liabilities	–	5,195,352	–	–	–	5,195,352
Advance received against prepaid card	–	152	–	–	–	152
Receivable/ payables against purchase / (sale) of securities	9,839	–	(251)	–	–	9,588

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

Transactions during the year

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	For the year ended 31 December 2014					
	Rupees in '000					
Mark-up / return / interest earned	–	126,371	10,685	–	–	137,056
Mark-up / return / interest expensed	–	1,111,616	2,879	30,031	118,182	1,262,708
Commission / brokerage / bank charges recovered	14,412	120,580	200	–	–	135,192
Commission / brokerage / bank charges paid	419	1,240	–	–	–	1,659
Rent income	–	–	–	–	–	–
Salaries and allowances	–	–	296,538	–	–	296,538
Directors' fees	–	–	–	9,000	–	9,000
Contribution to defined benefit plan	–	–	–	–	132,810	132,810
Contribution to defined contribution plan	–	–	–	–	124,833	124,833
Rent expenses	–	16,613	–	–	–	16,613
Insurance premium expenses	6,000	6,470	–	–	–	12,470
Maintenance, electricity, stationery & entertainment expenses	–	47,887	–	–	–	47,887
Management fee expense for technical and consultancy services*	206,297	–	–	–	–	206,297
Donation paid	–	13,540	–	–	–	13,540
Professional / other charges paid	–	1,881	–	–	–	1,881

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

Transactions during the year

	For the year ended 31 December 2013					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up / return / interest earned	6	128,747	6,429	–	–	135,182
Mark-up / return / interest expensed	–	573,788	1,074	15,798	123,239	713,899
Commission / brokerage / bank charges recovered	9,289	395,694	140	–	–	405,123
Commission / brokerage / bank charges paid	361	29,163	–	–	–	29,524
Rent income	–	495	–	–	–	495
Dividend income	–	–	–	–	–	–
Gain on sale / redemption of securities	–	11,366	–	–	–	11,366
Salaries and allowances	–	–	247,051	–	–	247,051
Directors' fees	–	–	–	8,110	–	8,110
Contribution to defined benefit plan	–	–	–	–	91,344	91,344
Contribution to defined contribution plan	–	–	–	–	113,960	113,960
Rent expenses	–	18,493	–	–	–	18,493
Insurance premium expenses	24,200	17,785	–	–	–	41,985
Maintenance, electricity, stationery & entertainment expenses	–	43,535	–	–	–	43,535
Management fee expense for technical and consultancy services*	169,687	–	–	–	–	169,687
Donation paid	–	8,170	–	–	–	8,170
Professional / other charges paid	–	3,644	–	–	–	3,641

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

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31. 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31. 2019. This Capital Adequacy framework is applicable to the Group.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirement of SBP that measure the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigates are also applied against the Bank's exposures based on eligible collateral.

41.1.1 Capital management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return.

Statutory minimum capital requirement and capital adequacy ratio

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2014 stood at Rs. 10,478 million (2013: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.50% and 7.00%, respectively. As at 31 December 2014 the Group was fully compliant with prescribed ratios as the Group's CAR was 17.39% whereas CET 1 and Tier 1 ratios both stood at 15.86%. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net un-appropriated profits meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly;

i) Book value of goodwill / intangibles;
ii) Deficit on revaluation of available for sale investments,;
iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
iv) Investment in mutual funds above a prescribed ceiling;
v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
vi) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of assets - net of tax, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
ii) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

41.2 Capital Structure

	Note	31 December 2014	31 December 2013	Source based on reference number from Note 41.3.2
		Rupees in '000		
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Fully Paid-up Capital / Capital deposited with SBP		10,478,315	10,478,315	(s)
Balance in Share Premium Account		2,550,985	2,550,985	
Reserve for issue of Bonus Shares		–	–	
Discount on Issue of shares		–	–	
General / Statutory Reserves		8,627,838	7,642,526	(u)
Gain / (losses) on derivatives held as Cash Flow Hedge		–	–	
Unappropriated / unremitted profits / (losses)		8,559,839	6,693,745	(w)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–	(x)
CET 1 before Regulatory Adjustments		30,216,977	27,365,571	
Total regulatory adjustments applied to CET1	41.2.1	285,922	337,414	
Common Equity Tier 1		29,931,055	27,028,157	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium		–	–	
of which: Classified as equity		–	–	(t)
of which: Classified as liabilities		–	–	(m)
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		–	–	(y)
of which: instrument issued by subsidiaries subject to phase out		–	–	
AT1 before regulatory adjustments		–	–	
Total regulatory adjustment applied to AT1 capital	41.2.2	–	–	
Additional Tier 1 capital after regulatory adjustments		–	–	
Additional Tier 1 capital recognized for capital adequacy		–	–	
Tier 1 Capital (CET1 + admissible AT1) (A)		29,931,055	27,028,157	
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		–	–	(n)
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III Rules		–	–	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)				(z)
of which: instruments issued by subsidiaries subject to phase out		–	–	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		326,696	854,152	(g)

	Note	31 December 2014	31 December 2013	Source based on reference number from Note 41.3.2
		Rupees in '000		
Revaluation Reserves (net of taxes)				
of which: Revaluation reserves on fixed assets		–	–	portion of
of which: Unrealized Gains / Losses on AFS		2,549,206	278,870	(aa)
Foreign Exchange Translation Reserves		–	–	(v)
Undisclosed / Other Reserves (if any)		–	–	
T2 before regulatory adjustments		2,875,902	1,133,022	
Total regulatory adjustment applied to T2 capital	41.2.3	–	–	
Tier 2 capital (T2) after regulatory adjustments		2,875,902	1,133,022	
Tier 2 capital recognized for capital adequacy		2,875,902	1,133,022	
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–	
Total Tier 2 capital admissible for capital adequacy (B)		2,875,902	1,133,022	
TOTAL CAPITAL (T1 + admissible T2) (A+B)		32,806,957	28,161,179	
Total Risk Weighted Assets (RWA)	41.5	188,668,194	172,883,713	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA		15.86%	15.63%	
Tier-1 capital to total RWA		15.86%	15.63%	
Total capital to total RWA		17.39%	16.29%	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		5.50%	5.00%	
of which: capital conservation buffer requirement		–	–	
of which: countercyclical buffer requirement		–	–	
of which: D-SIB or G-SIB buffer requirement		–	–	
CET1 available to meet buffers (as a percentage of risk weighted assets)		10.36%	10.63%	
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		5.50%	5.00%	
Tier 1 minimum ratio		7.00%	6.50%	
Total capital minimum ratio		10.00%	10.00%	

41.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	31 December 2014	31 December 2013	Source based on reference number from Note 41.3.2
	Rupees in '000		
Goodwill (net of related deferred tax liability)	-	-	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	535	-	(k) - (p)
Shortfall in provisions against classified assets	-	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	{(h) - (r} * x%
Defined-benefit pension fund net assets	-	-	{(l) - (q)} * x%
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	285,387	337,414	(d)
Cash flow hedge reserve	-	-	
Investment in own shares / CET1 instruments	-	-	
Securitization gain on sale	-	-	
Capital shortfall of regulated subsidiaries	-	-	
Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	-	(ab)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	(a)-(ac)-(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	(b)-(ad)-(af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	(i)
Amount exceeding 15% threshold	-	-	
of which: significant investments in the common stocks of financial entities	-	-	
of which: deferred tax assets arising from temporary differences	-	-	
National specific regulatory adjustments applied to CET1 capital	-	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	-	
Any other deduction specified by SBP	-	-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	
Total regulatory adjustments applied to CET1	285,922	337,414	

41.2.2 Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	
Investment in own AT1 capital instruments	-	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	(ad)

	31 December 2014	31 December 2013	Source based on reference number from Note 41.3.2
	Rupees in '000		
Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital l based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	–	–	
Adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	
Total of Regulatory Adjustment applied to AT1 capital	–	–	

41.2.3 Tier 2 Capital: regulatory adjustments

	31 December 2014	31 December 2013	Source based on reference number from Note 41.3.2
Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	–	
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities			
Investment in own Tier 2 capital instrument	–	–	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	(af)
Amount of Regulatory Adjustment applied to T2 capital	–	–	

41.2.4 Additional Information

	31 December 2014	31 December 2013
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
of which: deferred tax assets	–	–
of which: defined-benefit pension fund net assets	–	–
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	–	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	–	–
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	1,775,729	947,063
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	1,268,457	2,947,155
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	326,696	854,152
Cap on inclusion of provisions in Tier 2 under standardized approach	1,873,357	1,773,666
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

41.3 Capital Structure Reconciliation

41.3.1 Step 1

The accounting consolidation is identical to the scope of regulatory consolidation.

41.3.2 Step 2

	31 December 2014		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	Rupees in '000		
ASSETS			
Cash and balances with treasury banks	18,640,853	18,640,853	
Balances with other banks	1,870,331	1,870,331	
Lendings to financial institutions	3,408,776	3,408,776	
Investments	221,644,817	221,644,817	
of which: Non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	–	–	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	–	–	b
of which: Mutual Funds exceeding regulatory threshold	–	–	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	285,387	285,387	d
of which: others	–	–	e
Advances	134,175,636	134,175,636	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	–	–	f
general provisions reflected in Tier 2 capital	326,696	326,696	g
Fixed Assets	3,025,426	3,025,426	
Deferred Tax Assets	1,268,457	1,268,457	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	–	–	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	1,268,457	1,268,457	i
Other assets	13,640,521	13,640,521	
of which: Goodwill	–	–	j
of which: Intangibles	–	–	k
of which: Defined-benefit pension fund net assets	–	–	l
Total assets	397,674,817	397,674,817	

	31 December 2014		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	Rupees in '000		
LIABILITIES & EQUITY			
Bills payable	5,201,482	5,201,482	
Borrowings	24,883,982	24,883,982	
Deposits and other accounts	319,948,274	319,948,274	
Sub-ordinated loans	–	–	m
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	–	
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	–	–	o
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	–	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	
Other liabilities	12,871,948	12,871,948	
Total liabilities	362,905,686	362,905,686	
Share capital	13,029,300	13,029,300	s
of which: amount eligible for CET1	13,029,300	13,029,300	t
of which: amount eligible for AT1	–	–	
Reserves	8,627,838	8,627,838	u
of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)	8,627,838	8,627,838	v
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profit / (losses)	8,559,839	8,559,839	w
Minority Interest	–	–	x
of which: portion eligible for inclusion in CET1	–	–	y
of which: portion eligible for inclusion in AT1	–	–	z
of which: portion eligible for inclusion in Tier 2	–	–	
Surplus on revaluation of assets	4,552,154	4,552,154	aa
of which: Revaluation reserves on Fixed Assets			
of which: Unrealized Gains / Losses on AFS-Recognised	2,549,206	2,549,206	aaa
of which: Unrealized Gains / Losses on AFS-Unrecognised	2,002,948	2,002,948	
In case of Deficit on revaluation (deduction from CET1)	–	–	
Total Equity	34,769,131	34,769,131	
Total liabilities and Equity	397,674,817	397,674,817	

41.4 Main features template of regulatory capital instruments

1	Issuer	Habib Metropolitan Bank Ltd.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	HMB
3	Governing law(s) of the instrument	Capital Market Law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Group & standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousand, as of reporting date)	32,806,957
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	1992
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend / coupon	Not Applicable
18	Coupon rate and any related index / benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

41.5 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy is as follows:

Credit risk	Capital Requirements		Risk Weighted Assets	
Portfolios subject to standardised approach (Simple)	2014	2013	2014	2013
	Rupees in '000			
On-balance sheet				
Cash and cash equivalents	–	–	–	–
Government of Pakistan and SBP	–	–	–	–
Public sector entities	123,341	62,867	1,233,414	628,674
Banks	667,438	480,519	6,674,383	4,805,187
Corporate	9,025,235	9,384,717	90,252,345	93,847,169
Retail	315,192	24,343	3,151,916	243,426
Residential mortgage finance	49,234	32,662	492,344	326,624
Past due loans	347,433	294,733	3,474,325	2,947,334
Operating Fixed Assets	302,485	303,553	3,024,850	3,035,526
Others asseets	597,952	489,397	5,979,521	4,893,969
	11,428,310	11,072,791	114,283,098	110,727,909
Off-balance sheet				
Non market related	3,124,160	2,926,180	31,241,595	29,261,802
Market related	174,474	97,942	1,744,740	979,416
	3,298,634	3,024,122	32,986,335	30,241,218
Equity Exposure Risk Under simple risk weight method	259,915	92,412	2,599,149	924,115
	14,986,859	14,189,325	149,868,582	141,893,242
Total Credit Risk				
Market risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk	371,785	522,036	4,647,313	6,525,448
Equity position risk	552,266	43,999	6,903,325	549,988
Foreign exchange risk	161,439	21,049	2,017,988	263,117
Total Market risk	1,085,490	587,084	13,568,626	7,338,553
Operational risk				
Capital requirement for operational risks subject to Basic Indicator Approach	2,018,479	1,892,153	25,230,987	23,651,918
Total Risk Weighted Assets	18,090,828	16,668,562	188,668,194	172,883,713

Capital adequacy ratio	31 December 2014		31 December 2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	15.86%	5.00%	15.63%
Tier-1 capital to total RWA	7.00%	15.86%	6.50%	15.63%
Total capital to total RWA	10.00%	17.39%	10.00%	16.29%

41.6 Credit risk: General disclosures

The Group uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Group credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numericalscale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of exposures and ECAI's used

	2014				
Exposures	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	–
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–
Securitisation	–	–	–	–	–
Others	–	–	–	–	–

41.7 Credit Exposures subject to Standardised Approach

		2014			2013		
Exposures	Rating category	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		Rupees in '000					
Corporate	1	4,981,054	747,080	4,233,974	1,365,493	11,404	1,354,089
	2	4,532,043	47,104	4,484,939	6,465,864	2,412	6,463,452
	3,4	968,327	–	968,327	–	–	–
	5,6	–	–	–	89,793	–	89,793
Claims on banks with original maturity of 3 months or less		9,287,755	786,811	8,500,944	4,454,666	–	4,454,666
Retail		8,099,938	1,855,982	6,243,956	2,199,834	1,449,551	750,283
Public sector entities	1	14,567,858	5,744,866	8,822,992	14,162,359	6,337,272	7,825,087
	2,3	–	–	–	7,273	–	7,273
Others		259,933,029	–	259,933,029	178,276,327	–	178,276,327
Unrated		125,491,115	9,828,968	115,662,148	130,068,727	7,792,235	122,276,499

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

The Group applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Group's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel reporting.

42. RISK MANAGEMENT

Risk management aspects are embedded in the Group`s strategy, organization structure and processes. The Group has adopted a cohesive risk management structure for credit, operations, liquidity and market risk to strengthen the process and system from the foundation as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Group. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Group`s system and organization.

42.1 Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the Group.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 149,868,582 thousand (2013: Rs. 141,893,242 thousand) as depicted in note 41.5.

The holding company`s strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Group, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the Group`s credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

The Group`s credit policy / instructions defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy

The Group continually assesses and monitors credit exposures. The Group follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgement with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

42.1.1 Segmental information

	2014					
Segment by class of business	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Agriculture, forestry, hunting and fishing	449,376	0.30	9,147,361	2.86	140,679	0.05
Automobile and transportation equipment	1,937,026	1.29	9,422,745	2.95	12,788,201	4.32
Cement	1,229,738	0.82	8,091,076	2.53	4,051,494	1.37
Chemicals and pharmaceuticals	5,375,977	3.58	12,823,889	4.01	6,496,734	2.19
Construction	1,673,707	1.11	12,779,307	3.99	1,284,972	0.43
Electronic and electrical appliances	3,758,028	2.50	11,144,341	3.48	3,413,214	1.15
Exports / imports	6,641,837	4.42	8,451,378	2.64	16,924,426	5.71
Financial	2,133,158	1.42	6,384,855	2.00	144,622,990	48.81
Footwear and leather garments	782,412	0.52	6,555,651	2.05	417,983	0.14
Individuals	1,884,694	1.26	81,781,171	25.56	172,000	0.06
Insurance	–	–	756,762	0.24	–	–
Mining and quarrying	473,605	0.32	21,736,268	6.79	156,890	0.05
Power (electricity), gas, water, sanitary	12,491,729	8.32	11,847,180	3.70	13,020,748	4.39
Services	2,338,740	1.56	15,148,566	4.73	2,765,921	0.93
Sugar	1,994,133	1.33	1,359,855	0.43	373,033	0.13
Textile	71,925,664	47.90	20,691,034	6.47	65,033,788	21.95
Transport, storage and communication	5,144,968	3.43	10,529,251	3.29	849,664	0.29
Wholesale and retail trade	3,792,105	2.53	6,187,098	1.93	3,371,924	1.14
Others	26,137,281	17.41	65,110,486	20.35	20,394,966	6.88
	150,164,178	100.00	319,948,274	100.00	296,279,627	100.00

Segment by sector	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Public / Government	20,238,825	13.48	36,993,459	11.56	14,058,016	4.74
Private	129,925,353	86.52	282,954,815	88.44	282,221,611	95.26
	150,164,178	100.00	319,948,274	100.00	296,279,627	100.00

Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Automobile and transportation equipment	1,436,203	1,139,178	85,688	69,222
Cement	–	–	25,000	22,312
Chemical and pharmaceuticals	238,577	147,854	33,789	3,204
Construction	219,894	13,851	24,006	12,944
Electronics and electrical appliances	659,520	655,150	837,821	718,649
Exports / imports	1,185,080	1,024,221	1,120,010	907,354
Footwear and leather garments	11,907	11,907	17,365	17,365
Individuals	4,779	4,779	22,442	4,942
Power (electricity), gas, water, sanitary	245,504	41,136	72,920	27,311
Services	139,254	73,360	240,250	136,116
Textile	12,671,379	11,112,778	12,796,622	10,309,430
Transport, storage and communication	4,782	1,883	12,335	5,794
Wholesale and retail trade	897,911	492,034	455,954	347,322
Others	1,610,344	943,715	1,229,334	873,896
	19,325,134	15,661,846	16,973,536	13,455,861

Details of non-performing advances and specific provisions by sector

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Private	19,325,134	15,661,846	16,973,536	13,455,861

Geographical segment anlaysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	7,336,139	397,674,817	34,769,131	296,279,627

Total assets employed include intra group items of Rs. 33,711 thousand.

42.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

The Board of Directors oversees the Group's strategy for market risk exposures. Asset and Liability Committee (ALCO) which comprises of senior management oversees the statement of financial position of the Group, assesses the impact of interest rate change on Bank's investment portfolio through stress testing, and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy amongst other aspects covers the Group asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the Group has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system and a middle office function oversees limit adherence. Market risk can be categorised into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

42.3 Foreign exchange risk

Foreign exchange risk is the probability of loss resulting from adverse movement in exchange rates.

The Group's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Group is not in the business of actively trading and market making activities. A conservative risk approach and the Group business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs.

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	345,563,620	310,676,496	74,452	34,961,576
United States Dollar	48,374,408	47,571,178	(9,030)	794,200
Euro	2,241,468	1,252,992		980,503
Great Britain Pound	1,015,506	2,645,638	(7,973)	(1,619,679)
Asian Currency Unit	365,732	721,289	10,453	(355,557)
Japanese Yen	63,184	835	–	(6,121)
Arab Emirates Dirham	16,859	58	(68,470)	16,801
Canadian Dollar	–	1,909	–	(1,780)
Australian Dollar	2,666	–	129	2,666
Saudi Riyal	6,357	–	–	6,357
Other currencies	25,017	35,291	439	(9,835)
	52,111,197	52,229,190	(74,452)	(192,445)
	397,674,817	362,905,686	–	34,769,131

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	271,592,146	245,892,289	2,261,317	27,961,174
United States Dollar	35,712,134	33,233,542	(2,674,220)	(195,628)
Euro	2,666,198	1,349,864	(1,294,347)	21,987
Great Britain Pound	651,484	2,558,940	1,920,008	12,552
Asian Currency Unit	568,463	372,900	–	195,563
Japanese Yen	126,302	1,006	(168,678)	(43,382)
Arab Emirates Dirham	3,239	128	–	3,111
Canadian Dollar	3,016	–	–	3,016
Australian Dollar	3,308	–	–	3,308
Saudi Riyal	10,383	–	(7,045)	3,338
Other currencies	58,964	1,685	(37,035)	20,244
	39,803,491	37,518,065	(2,261,317)	24,109
	311,395,637	283,410,354	–	27,985,283

42.4 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group`s interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Group`s investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Group are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Group based on the earlier of contractual repricing or maturity date is as follows:

	2014											
	Effective yield/ interest rate %		Exposed to yield / interest risk									
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial insruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	18,640,853	–	–	–	–	–	–	–	–	–	18,640,853
Balances with other banks	6.50% to 9.00%	1,870,331	48,690	500,000	–	–	–	–	–	–	–	1,321,641
Lendings to financial institutions	9.75% to 10.75%	3,408,776	3,408,776	–	–	–	–	–	–	–	–	–
Investments	8.00% to 14.07%	221,644,817	1,012,067	14,533,454	37,558,377	56,096,093	35,587,570	3,846,350	14,890,620	46,176,857	–	11,943,429
Advances	1.00% to 23.00%	134,175,636	11,962,073	101,032,761	14,104,975	2,129,241	1,162,832	1,264,066	1,332,317	881,311	306,060	–
Other assets	–	11,185,224	–	–	–	–	–	–	–	–	–	11,185,224
		390,925,637	16,431,606	116,066,215	51,663,352	58,225,334	36,750,402	5,110,416	16,222,937	47,058,168	306,060	43,091,147
Liabilities												
Bills payable	–	5,201,482	–	–	–	–	–	–	–	–	–	5,201,482
Borrowings	1.00% to 11.00%	24,883,982	3,242,790	11,969,757	7,442,074	214,575	420,973	265,278	357,926	95,094	–	875,515
Deposits and other accounts	0.25% to 16.67%	319,948,274	85,814,365	41,360,615	71,890,097	17,288,321	2,185,331	2,270,893	5,614,188	2,875,590	–	90,648,874
Other liabilities	–	12,110,359	–	–	–	–	–	–	–	–	–	12,110,359
		362,144,097	89,057,155	53,330,372	79,332,171	17,502,896	2,606,304	2,536,171	5,972,114	2,970,684	–	108,836,230
On-balance sheet gap		28,781,540	(72,625,549)	62,735,843	(27,668,819)	40,722,438	34,144,098	2,574,245	10,250,823	44,087,484	306,060	(65,745,083)
Off-balance sheet financial instruments												
Forward purchase		100,046,711	–	–	–	–	–	–	–	–	–	100,046,711
Forward sale		(102,295,035)	–	–	–	–	–	–	–	–	–	(102,295,035)
Off-balance sheet gap		(2,248,324)	–	–	–	–	–	–	–	–	–	(2,248,324)
Total yield / interest risk sensitivity gap		26,533,216	(72,625,549)	62,735,843	(27,668,819)	40,722,438	34,144,098	2,574,245	10,250,823	44,087,484	306,060	(67,993,407)
Cumulative yield / interest risk sensitivity gap		26,533,216	(72,625,549)	(9,889,706)	(37,558,525)	3,163,913	37,308,011	39,882,256	50,133,079	94,220,563	94,526,623	26,533,216

	Effective yield / interest rate %	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial insruments
		2013										
		Exposed to yield/interest risk										
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	21,208,774	–	–	–	–	–	–	–	–	–	21,208,774
Balances with other banks	0.11% to 7.00%	3,552,694	1,603,873	–	–	–	–	–	–	–	–	1,948,821
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	8.83% to 15.50%	142,327,147	356,935	50,736,474	18,981,779	143,477	22,335,479	2,118,823	8,805,519	26,481,911	–	12,366,750
Advances	1.00% to 23.00%	129,833,937	10,769,866	93,339,428	17,947,387	2,297,046	1,120,125	1,216,225	1,815,808	1,197,370	130,682	–
Other assets	–	6,377,881	–	–	–	–	–	–	–	–	–	6,377,881
		303,300,433	12,730,674	144,075,902	36,929,166	2,440,523	23,455,604	3,335,048	10,621,327	27,679,281	130,682	41,902,226
Liabilities												
Bills payable	–	3,982,213	–	–	–	–	–	–	–	–	–	3,982,213
Borrowings	5.00% to 11.00%	23,057,002	1,430,949	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	–	519,298
Deposits and other accounts	0.25% to 16.67%	247,507,718	67,356,865	29,630,741	56,579,232	14,986,688	2,005,012	2,047,271	4,598,773	572,096	–	69,731,040
Other liabilities	–	7,861,815	–	–	–	–	–	–	–	–	–	7,861,815
		282,408,748	68,787,814	38,747,444	65,701,075	16,357,204	2,439,826	2,497,298	5,037,283	746,438	–	82,094,366
On-balance sheet gap		20,891,685	(56,057,140)	105,328,458	(28,771,909)	(13,916,681)	21,015,778	837,750	5,584,044	26,932,843	130,682	(40,192,140)
Off-balance sheet financial instruments												
Forward purchase		58,594,354	–	–	–	–	–	–	–	–	–	58,594,354
Forward sale		(60,959,246)	–	–	–	–	–	–	–	–	–	(60,959,246)
Off-balance sheet gap		(2,364,892)	–	–	–	–	–	–	–	–	–	(2,364,892)
Total yield / interest risk sensitivity gap		18,526,793	(56,057,140)	105,328,458	(28,771,909)	(13,916,681)	21,015,778	837,750	5,584,044	26,932,843	130,682	(42,557,032)
Cumulative yield / interest risk sensitivity gap		18,526,793	(56,057,140)	49,271,318	20,499,409	6,582,728	27,598,506	28,436,256	34,020.300	60,953,143	61,083,825	18,526,793

42.4.1 Reconciliation of assets and liabilities exposed to yield/interest rate risk with total assets and liabilities

Reconciliation to total assets	2014	2013
	(Rupees in '000)	
Total financial assets	390,925,637	303,300,433
Add: non financial assets		
Operating fixed assets	3,025,426	3,035,526
Deferred tax assets	1,268,457	2,947,155
Other assets	2,455,297	2,112,523
	6,749,180	8,095,204
Balance as per Statement of Financial Position	397,674,817	311,395,637

Reconciliation to total liabilities	2014	2013
	(Rupees in '000)	
Total financial liabilities	362,144,097	282,408,748
Add: non financial liabilities		
Other liabilities	761,589	1,001,606
Balance as per Statement of Financial Position	362,905,686	283,410,354

42.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to raise funds to meet its commitments. ALCO manages the liquidity position on a continuous basis.

The Group`s liquidity model is based on "self-reliance" with an extensive branch network to diversify the Group deposit base. The Group`s liquidity profile generally comprises of short-term, secured assets, in line with the Group`s credit strategy. Long term investments and loans are generally kept at an amount lower than the Group`s capital / reserves.

The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date. Assets and liabilities that do not have contractual time / payable on demand have been classified in the first bucket, except that investments in equity securities, certain other liabilities and other assets are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

42.5.1 Maturities of assets and liabilities - based on contractual maturity of assets and liabilities of the Group

The maturity profile set out below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the manner as explained above.

	2014									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	18,640,853	18,640,853	-	-	-	-	-	-	-	-
Balances with other banks	1,870,331	1,370,331	500,000	-	-	-	-	-	-	-
Lendings to financial institutions	3,408,776	3,408,776	-	-	-	-	-	-	-	-
Investments	221,644,817	12,064,236	1,203,172	34,428,700	63,475,985	43,188,593	5,316,241	15,299,230	46,633,910	34,750
Advances	134,175,636	43,724,625	43,365,026	23,069,478	10,929,870	4,177,285	3,170,807	3,457,941	1,974,545	306,059
Operating fixed assets	3,025,426	54,731	109,462	164,192	328,520	375,197	103,488	206,975	517,439	1,165,422
Deferred tax assets	1,268,457	1,282,954	959,697	178,451	(184,675)	(360,084)	9,018	(91,637)	(390,411)	(134,856)
Other assets	13,640,521	5,632,811	1,067,881	5,301,891	1,468,977	41,336	9,977	19,664	9,957	88,027
	397,674,817	86,179,317	47,205,238	63,142,712	76,018,677	47,422,327	8,609,531	18,892,173	48,745,440	1,459,402
Liabilities										
Bills payable	5,201,482	5,201,482	-	-	-	-	-	-	-	-
Borrowings	24,883,982	4,118,305	11,969,757	7,442,074	214,575	420,973	265,278	357,926	95,094	-
Deposits and other accounts	319,948,274	225,166,036	41,360,615	23,187,299	17,288,324	2,185,331	2,270,893	5,614,187	2,875,589	-
Other liabilities	12,871,948	6,951,330	2,290,756	1,146,342	1,043,030	105,583	112,558	809,163	413,186	-
	362,905,686	241,437,153	55,621,128	31,775,715	18,545,929	2,711,887	2,648,729	6,781,276	3,383,869	-
Net assets / (liabilities)	34,769,131	(155,257,836)	(8,415,890)	31,366,997	57,472,748	44,710,440	5,960,802	12,110,897	45,361,571	1,459,402
Share capital	10,478,315									
Reserves	11,178,823									
Unappropriated profit	8,559,839									
Surplus on revaluation of assets - net of tax	4,552,154									
	34,769,131									

2013

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	21,208,774	21,208,774	–	–	–	–	–	–	–	–
Balances with other banks	3,552,694	3,552,694	–	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	142,327,147	12,444,148	39,134,952	16,322,621	664,525	26,417,736	10,315,783	9,530,885	27,461,747	34,750
Advances	129,833,937	25,051,846	47,484,298	29,467,950	14,470,723	3,935,522	3,624,496	3,693,658	1,974,762	130,682
Operating fixed assets	3,035,526	46,899	93,798	140,697	281,394	561,066	353,048	222,995	523,627	812,002
Deferred tax assets	2,947,155	116,451	98,825	163,353	435,050	452,945	484,202	1,042,861	259,515	(106,047)
Other assets	8,490,404	5,569,422	1,933,907	376,896	483,007	69,311	17,112	23,702	1,396	15,651
	311,395,637	67,990,234	88,745,780	46,471,517	16,334,699	31,436,580	14,794,641	14,514,101	30,221,047	887,038
Liabilities										
Bills payable	3,982,213	3,982,213	–	–	–	–	–	–	–	–
Borrowings	23,057,002	1,950,247	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	–
Deposits and other accounts	247,507,718	180,377,732	29,630,741	13,289,406	14,986,689	2,005,011	2,047,271	4,598,773	572,095	–
Other liabilities	8,863,421	4,109,122	1,578,241	723,390	1,074,053	93,778	98,163	676,354	510,320	–
	283,410,354	190,419,314	40,325,685	23,134,639	17,431,258	2,533,603	2,595,461	5,713,637	1,256,757	–
Net assets	27,985,283	(122,429,080)	48,420,095	23,336,878	(1,096,559)	28,902,977	12,199,180	8,800,464	28,964,290	887,038

Share capital	10,478,315
Reserves	10,193,511
Unappropriated profit	6,693,745
Surplus on revaluation of assets - net of tax	619,712
	27,985,283

42.5.2 Maturities of assets and liabilities - based on historical pattern of assets and liabilities of the Bank

The maturity profile set out below has been prepared as determined by the assets and liabilities committee (ALCO), keeping in view the historical pattern of those current and saving deposit accounts which do not have contractual maturity.

	2014									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	18,640,853	18,640,853	–	–	–	–	–	–	–	–
Balances with other banks	1,870,331	1,370,331	500,000	–	–	–	–	–	–	–
Lendings to financial institutions	3,408,776	3,408,776	–	–	–	–	–	–	–	–
Investments	221,644,817	12,064,236	1,203,172	34,428,700	63,475,985	43,188,593	5,316,241	15,299,230	46,633,910	34,750
Advances	134,175,636	43,724,625	43,365,026	23,069,478	10,929,870	4,177,285	3,170,807	3,457,941	1,974,545	306,059
Operating fixed assets	3,025,426	54,731	109,462	164,192	328,520	375,197	103,488	206,975	517,439	1,165,422
Deferred tax assets	1,268,457	1,282,954	959,697	178,451	(184,675)	(360,084)	9,018	(91,637)	(390,411)	(134,856)
Other assets	13,640,521	5,632,811	1,067,881	5,301,891	1,468,977	41,336	9,977	19,664	9,957	88,027
	397,674,817	86,179,317	47,205,238	63,142,712	76,018,677	47,422,327	8,609,531	18,892,173	48,745,440	1,459,402
Liabilities										
Bills payable	5,201,482	5,201,482	–	–	–	–	–	–	–	–
Borrowings	24,883,982	4,118,305	11,969,757	7,442,074	214,575	420,973	265,278	357,926	95,094	–
Deposits and other accounts	319,948,274	37,415,911	60,135,467	41,962,299	111,163,608	30,347,826	30,433,388	5,614,187	2,875,588	–
Other Liabilities	12,871,948	6,951,330	2,290,756	1,146,342	1,043,030	105,583	112,558	809,163	413,186	–
	362,905,686	53,687,028	74,395,980	50,550,715	112,421,213	30,874,382	30,811,224	6,781,276	3,383,868	–
Net assets / (liabilities)	34,769,131	32,492,289	(27,190,742)	12,591,997	(36,402,536)	16,547,945	(22,201,693)	12,110,897	45,361,572	1,459,402
Share capital	10,478,315									
Reserves	11,178,823									
Unappropriated profit	8,559,839									
Surplus on revaluation of assets - net of tax	4,552,154									
	34,769,131									

2013

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	21,208,774	21,208,774	–	–	–	–	–	–	–	–
Balances with other banks	3,552,694	3,552,694	–	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	142,327,147	12,627,613	39,134,952	16,322,621	664,525	26,269,021	10,315,783	9,530,885	27,461,747	–
Advances	129,833,937	25,051,846	47,484,298	29,467,950	14,470,723	3,935,522	3,624,496	3,693,658	1,974,762	130,682
Operating fixed assets	3,035,526	46,899	93,798	140,697	281,394	561,066	353,048	222,995	523,627	812,002
Deferred tax assets	2,947,155	116,451	98,825	163,353	435,050	452,945	484,202	1,042,861	259,515	(106,047)
Other assets	8,490,404	5,569,422	1,933,907	376,896	483,007	69,311	17,112	23,702	1,396	15,651
	311,395,637	68,173,699	88,745,780	46,471,517	16,334,699	31,287,865	14,794,641	14,514,101	30,221,047	852,288
Liabilities										
Bills payable	3,982,213	3,982,213	–	–	–	–	–	–	–	–
Borrowings	23,057,002	1,950,247	9,116,703	9,121,843	1,370,516	434,814	450,027	438,510	174,342	–
Deposits and other accounts	247,507,718	34,609,497	44,207,564	27,866,229	87,870,803	23,870,249	23,912,508	4,598,773	572,095	–
Other Liabilities	8,863,421	4,109,122	1,578,241	723,390	1,074,053	93,778	98,163	676,354	510,320	–
	283,410,354	44,651,079	54,902,508	37,711,462	90,315,372	24,398,841	24,460,698	5,713,637	1,256,757	–
Net assets / (liabilities)	27,985,283	23,522,620	33,843,272	8,760,055	(73,980,673)	6,889,024	(9,666,057)	8,800,464	28,964,290	852,288

Share capital	10,478,315
Reserves	10,193,511
Unappropriated profit	6,693,745
Surplus on revaluation of assets - net of tax	619,712
	27,985,283

42.6 Operational risk

The Group operates in a controlled manner and operational risk is generally managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Group`s strategy is to further strengthen risk management system along new industry standards.

The Group`s operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Tread way Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and I.T. security.

While broadening risk awareness and assuring regulatory compliance, Internal Audit department of the Group is an important pillar of the Group`s risk management and controls infrastructure, performing continuous reviews to improve the quality of the Group`s internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the Group`s risk mitigation endeavours.

The Group`s business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Group`s operational risk management infrastructure has been further strengthened through the establishment of a separate operational and risk control unit.

42.7 Operational risk - Disclosures Basel specific

The Group uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Group over the past three years. Figures of capital charge of operation risk for the year is Rs. 2,011,081 thousand (2013: Rs. 1,892,153 thousand).

43. KEY ISLAMIC BANKING OPERATIONS

43.1 The Bank is operating 10 (2013: 6) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2014 and for the year are as follows:

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014	Note	2014	2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		1,491,819	1,150,981
Balances with other banks		500,000	–
Due from financial institutions		7,896,317	–
Investments		16,233,976	14,042,730
Islamic financing and related assets	A-2	6,729,141	7,429,012
Operating fixed assets		39,502	18,940
Deferred tax assets		–	–
Other assets		654,199	2,738,851
		33,544,954	25,380,514
LIABILITIES			
Bills payable		147,596	148,884
Due to financial institutions		373,400	165,900
Deposits and other accounts			
– Current accounts		4,721,766	2,975,339
– Saving deposits		8,793,428	6,872,578
– Term deposits		15,077,307	11,231,401
– Others		64,145	154,578
– Deposits from financial institutions - remunerative		1,940,922	1,541,006
– Deposits from financial institutions - non - remunerative		122,495	9,957
		30,720,063	22,784,859
Due to head office		175,989	–
Other liabilities		678,791	649,396
		32,095,839	23,749,039
NET ASSETS		1,449,115	1,631,475
REPRESENTED BY			
Islamic banking fund		1,002,512	1,002,633
Reserves		–	–
Unappropriated profit		387,874	505,306
		1,390,386	1,507,939
Surplus on revaluation of assets		58,729	123,536
		1,449,115	1,631,475

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	Rupees in '000	
Profit / return on financing, investments and placements earned	2,305,636	1,918,823
Profit / return on deposit and other dues expensed	(1,800,022)	(1,338,506)
Net spread earned	505,614	580,317
Provision against non performing financing	145,932	15,405
Provision for diminution in the value of investments	–	–
Provision for consumer financing Ijarah	–	(64)
Bad debts written off directly	–	–
	(145,932)	(15,341)
Net spread after provisions	359,682	564,976
OTHER INCOME		
Fee, commission and brokerage income	30,883	22,808
Dividend income	–	–
Income from dealing in foreign currencies	13,127	12,413
Gain on sale / redemption of securities	139,370	–
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	–	–
Other income	45,395	37,085
Total other income	228,775	72,306
	588,457	637,282
OTHER EXPENSES		
Administrative expenses	200,583	131,976
Other provisions / write offs	–	–
Other charges	–	–
Total other expenses	(200,583)	(131,976)
	387,874	505,306
Extra-ordinary / unusual items	–	–
PROFIT BEFORE TAXATION	387,874	505,306

	2014	2013
43.2 Remuneration to Shariah Advisor / Board	2,494	1,749

43.3 Charity Fund

	2014	2013
Opening balance	–	–
Additions during the year	23	–
Payments / utilization during the year	(23)	–
Closing balance	–	–

	Note	2014	2013
		Rupees in '000	
A–2 Islamic financing and related assets			
Financings / investments / receivables			
– Murabaha	A-2.2	4,214,607	5,669,333
– Ijarah		271,260	198,293
– Diminishing musharika		1,271,564	1,122,334
– Export refinance murabaha		396,700	165,900
		6,154,131	7,155,860
Advances			
– Advance against murabaha		245,789	70,980
– Advance against ijarah		4,941	4,686
– Advance against diminishing musharika		219,544	197,486
– Advacne against Istisna		85,000	–
		555,274	273,152
Assets / Inventories			
– Istisna Goods and other assets		19,736	–
		6,729,141	7,429,012
A–2.1 Islamic mode of financing			
Financings / investments / receivables		6,154,131	7,155,860
Advances		555,274	273,152
Assets / Inventories		19,736	–
		6,729,141	7,429,012
A–2.2 Murabaha financing			
Murabaha receiveable - gross		4,590,152	6,009,883
Less: Deferred murabaha income		(197,427)	(309,189)
Provision against murabaha financing		(178,118)	(31,361)
		4,214,607	5,669,333

43.4 Following pools are maintained by the Bank's Islamic Banking Division (IBD)

- General pool - local currency,
- General pool - foreign currencies,
- Specific pool and
- Islamic Export Refinance Scheme musharika pool

43.4.1 Nature of general / specific pools local and foreign currencies.

a) Consideration attached with risk and reward

- Period, return, safety, security and liquidity of investment
- All financing proposals under process at various stages and likely to be extended in near future
- Expected withdrawal of deposits according to the maturities affecting the deposit base
- Maturities of funds obtained under modaraba arrangement from Head Office, Islamic Banking financial institutions
- Element of risk associated with different kind of investments
- Regulatory requirement
- Sharia'h compliance

b) Priority of utilization of funds

- Depositor funds
- Equity funds
- Placement / investments of other IBI
- Mudaraba placement of HabibMetro (Head Office)

c) Weightages for distribution of profits

Profits are calculated on the basis of weightages assigned to different tiers and tenors (General pool). These weightages are announced at the beginning of the period, while considering weightages emphasis were given to the quantum, type and the period of risk assessed by applying following factors.

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next month (where applicable).

d) Identification and allocation of pool related income and expenditure:

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by HabibMetro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; HabibMetro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.

43.4.2 Islamic Export Refinance Scheme musharaka pool

All the features and other details of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

43.5 Avenues / sectors of economy / business where mudaraba based deposits have been deployed.

- Agriculture, foresting, hunting and fishing
- Automobile and transportation equipment
- Chemical and pharmaceuticals
- Electronic and electrical appliances
- Financials
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Others

43.6 Parameters used for allocation of profit, charging expenses and provisions etc.

a) Basis of profit allocation

	From January 01, 2014 to December 31, 2014	
	Local Currency	Foreign Currency
– Rabbul Maal	50%	10%
– Mudarib	50%	90%

b) Charging expenses

The direct expenses are charged to respective pool, while indirect expenses including the establishment cost shall be borne by IBD as Mudarib.

c) Provisions

Specific provision amounting to Rs. 274,912 thousand has been made during the year 2014.

43.7 Mudarib share (in amount and percentage of distributable income)

	2014		2013	
	Rupees in '000	%	Rupees in '000	%
Rabbul Maal	1,067,958	42.32%	833,283	42.18%
Mudarib	1,455,796	57.68%	1,142,466	57.82%
Distributable Income	2,523,754	100.00%	1,975,749	100.00%

43.8 Amount and percentage of mudarib share transferred to depositors through Hiba (if any)

	2014	2013
	Rupees in '000	
Mudarib share	1,455,796	1,142,466
Hiba	661,152	463,454
Hiba percentage of mudarib share	45.42%	40.57%

43.9 Profit rate earned vs. profit rate distributed to the depositors during the year

	2014	2013
	(Percentage)	
Profit rate earned (per annum)	9.10%	9.81%
Profit rate distributed to depositors (per annum)	6.80%	6.86%

44 GENERAL

44.1 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 26 February 2015 has proposed a cash dividend of Rs. 2.50 per share amounting to Rs. 2,619,579 thousand (2013: cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand) for approval by the members of the Bank in forthcoming Annual General Meeting.

44.2 These financial statements have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated 17 February 2006.

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 February 2015 by the Board of Directors of the Bank.

KASSIM PAREKH	SIRAJUDDIN AZIZ	MOHOMED BASHIR	TARIQ IKRAM
Chairman	President & Chief Executive Officer	Director	Director

ANNEXURE "I" AS REFERRED TO IN NOTE 11.4 OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. MARKET TREASURY BILLS

These securities have a maturity period of upto 1 year, with yield ranging between 9.43% to 10.10% (2013: 8.95% to 9.91%) per annum.

2. PAKISTAN INVESTMENT BONDS

These securities have a maturity period of 3 to 10 years with interest rates ranging between 11.25% to 12.00% (2013: 11.25% to 12.00%) per annum.

3. FULLY PAID-UP ORDINARY SHARES - LISTED

	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	No. of shares of Rs. 10/- each		Paid up value		Market Value		Cost		Rating	
			Rupees in '000							
Allied Bank Limited	665,000	–	6,650	–	75,531	–	76,045	–	AA+	–
Bank Al Habib Limited	1,135,737	137,034	11,357	1,370	55,140	5,694	46,987	3,007	AA+	AA+
Bank Alfalah Limited	2,233,000	1,743,000	22,330	17,430	77,887	47,131	60,030	45,541	AA	AA
Cherat Cement Company Limited	354,660	–	3,547	–	24,358	–	22,571	–	–	–
DGK Cement Limited	908,000	639,000	9,080	6,390	100,361	54,781	75,569	50,352	**	**
Engro Food Limited	342,400	–	3,424	–	37,164	–	35,586	–	**	–
EFU Life Insurance Limited	–	89,760	–	898	–	7,334	–	6,943	–	AA
Engro Polymer Limited	1,174,500	–	11,745	–	14,094	–	17,532	–	A	–
Fatima Fertilizers Company Limited	1,785,000	400,000	17,850	4,000	63,849	11,424	50,352	6,205	AA-	A+
Fauji Fertilizers Bin Qasim Limited	1,744,500	–	17,445	–	78,869	–	74,916	–	**	–
Fauji Fertilizers Company Limited	652,200	245,000	6,522	2,450	76,379	27,430	72,798	26,867	**	**
HUB Power Company Limited	1,177,125	1,240,625	11,771	12,406	92,240	75,331	74,563	73,343	AA+	AA+
Kot Addu Power Company Limited	933,500	–	9,335	–	73,690	–	60,632	–	AA+	–
MCB Bank Limited	191,100	–	1,911	–	58,410	–	50,179	–	AAA	–
Meezan Bank Limited	387,000	–	3,870	–	18,189	–	15,844	–	AA	–
Oil and Gas Development Corporation Limited	414,700	–	4,147	–	85,374	–	105,592	–	AAA	–
Pakistan Petroleum Limited	250,000	85,000	2,500	850	44,130	18,187	56,024	18,151	**	**
Pak Gen Power Limited	200,000	–	2,000	–	5,406	–	4,369	–	**	–
United Bank Limited	466,115	–	4,661	–	82,367	–	74,335	–	AA+	–
					1,063,438	247,312	973,924	230,409		

**Ratings are not available

4. FULLY PAID-UP ORDINARY SHARES - UNLISTED

	Percentage of holding	Number of shares held	Cost	Breakup value of investment	Based on audited financial statements	Name of Chief Executive	Credit rating
			Rupees in '000	Rupees in '000			
Pakistan Export Finance Guarantee Limited	5.26%	1,136,088	11,361	–	–	Under liquidation	**
DHA Cogen Limited	1.77%	5,000,000	50,000	78,800	December 31, 2010	Mr. Nazoor Baig	**
Dawood Family Takaful Limited	4.67%	3,500,000	35,000	22,008	December 31, 2013	Mr. Nasir Mehmood	**
Society for World Wide Inter Bank Fund Transfer (SWIFT)	0.00%	36	7,844	12,906	December 31, 2013	Mr. Gottfried Liebbrandt	**
Karachi Stock Exchange Limited	0.50%	4,007,383	34,750	40,378	June 30, 2014	Mr. Nadeem Naqvi	**
			138,955				

** Ratings are not available

5. FULLY PAID-UP PREFERENCE SHARES - LISTED

	2014	2013	2014	2013
	No. of shares		Rupees in '000	
Chenab Limited Preference shares of Rs. 10/- each	–	4,000,000	–	40,000

These are non-voting, cumulative preference shares and carry preferred dividend of Nil (2013: 9.25%) per annum on cumulative basis and have a market value of Nil (2013: 8,360 thousand) as at 31 December 2014.

6. TERM FINANCE CERTIFICATES - LISTED

	2014	2013	2014	2013	2014	2013	2014	2013
	No. of certificates of Rs. 5,000/- each		Market Value		Cost		Rating	
			Rupees in '000					
Allied Bank Limited I	–	10,000	–	25,055	–	24,940	–	**
Allied Bank Limited II	59,839	59,839	292,087	286,290	298,597	298,716	AA	AA
Askari Bank Limited III	15,000	15,000	73,413	76,003	74,850	74,880	AA-	AA-
Askari Bank Limited V	50,000	–	250,000	–	250,000	–	AA-	–
Bank Al Habib Limited II	10,000	10,000	24,950	50,129	24,930	49,870	AA	AA
Bank Alfalah Limited V	7,350	7,350	36,471	37,544	36,728	36,743	AA-	AA-
Engro Fertilizer Limited - IPO	–	20,000	–	99,760	–	99,760	**	**
Engro Fertilizer Limited - Perpetual	24,000	24,000	119,400	111,864	119,708	119,630	AA-	A+
Faysal Bank Limited II	–	7,994	–	20,048	–	19,906	–	AA-
Financial Receivables Securitization Limited	–	5,000	–	2,083	–	2,083	–	A+
NIB Bank Limited	40,000	–	197,121	–	199,960	–	A+	–
Pakistan Mobile Communication (Private) Limited	–	8,333	–	41,667	–	41,667	–	AA-
United Bank Limited III	–	5,000	–	8,318	–	8,317	–	**
World Call Telecom Limited III	41,996	41,996	89,880	89,793	89,880	89,793	D	D
			1,083,322	848,554	1,094,653	866,305		

**Ratings are not available

6.1 Other particulars of listed term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
Allied Bank Limited II	6 months KIBOR plus 85 bps	Semi annually	28-Aug-19
Askari Bank Limited III	6 months KIBOR plus 250 bps	Semi annually	18-Nov-19
Askari Bank Limited V	6 months KIBOR plus 120 bps	Semi annually	30-Sep-21
Bank Al Habib Limited II	6 months KIBOR plus 195 bps	Semi annually	7-Feb-15
Bank Alfalah Limited V	6 months KIBOR plus 125 bps	Semi annually	20-Feb-21
Engro Fertilizer Limited - Perpetual	6 months KIBOR plus 170 bps	Semi annually	18-Nov-18
NIB Bank Limited	6 months KIBOR plus 115 bps	Semi annually	19-Jun-22
World Call Telecom Limited III	6 months KIBOR plus 160 bps	Semi annually	7-Oct-15

7. TERM FINANCE CERTIFICATES - UNLISTED

	2014	2013	2014	2013	2014	2013
	No. of certificates of Rs. 5,000/- each		Cost Rupees in '000		Rating	
Avari Hotels Limited (Chief Executive: Mr. Brayan Dinshawji Avari)	–	20,000	–	37,230	–	A-
Bunny's Limited (Chief Executive: Mr. Rafaqat)	–	1,020	–	5,100	**	**
New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)	10,000	10,000	21,139	21,138	**	**
Pakistan International Airlines Corporation Limited (Managing Director: Mr. Shahnawaz Rehman)	27,411	27,411	136,945	136,945	**	**
Bank Al Falah Limited IV (Chief Executive: Mr. Atif Bajwa)	15,000	15,000	74,850	74,880	AA-	AA-
Bank Al Habib Limited III (Chief Executive: Mr. Abbas D. Habib)	–	20,000	–	99,640	–	AA
Faysal Bank Limited III (Chief Executive: Mr. Nauman Ansari)	30,000	30,000	149,760	149,820	AA-	AA-
Security Leasing Corporation Limited (Chief Executive: Mr. M. Khalid Ali)	10,000	10,000	7,701	8,210	**	**
Standard Chartered Bank Limited II (Chief Executive: Mr. Shahzad Dada)	10,000	10,000	50,000	50,000	AAA	AAA
			440,395	582,963		

**Ratings are not available

7.1 Other particulars of unlisted term finance certificates are as follows:

	Coupon rate	Payment	Maturity date
New Allied Electronics Industries (Private) Limited	3 months KIBOR plus 275 bps	Quarterly	–
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 85 bps	Semi annually	19-Feb-15
Bank Al Falah Limited IV	6 months KIBOR plus 250 bps	Semi annually	2-Dec-17
Faysal Bank Limited III	6 months KIBOR plus 225 bps	Semi annually	27-Dec-17
Security Leasing Corporation Limited	Fixed @ 6% per annum	Monthly	28-Jan-22
Standard Chartered Bank Limited II	6 months KIBOR plus 75 bps	Semi annually	18-May-22

8. SUKUK CERTIFICATES AND BONDS

	2014	2013	2014	2013	2014	2013
	No. of certificates of Rs. 5,000/- each		Cost Rupees in '000		Rating	
Al-Barka Bank Limited (Sukuk Rs 1,000,000/- each)	250	-	250,000	-	**	**
Amreli Steel (Private) Limited	16,000	16,000	60,800	67,200	A-	A-
Engro Chemical Pakistan Limited I	20,000	20,000	100,000	100,000	**	**
Engro Chemical Pakistan Limited II	10,000	10,000	29,885	45,000	**	**
Engro Foods Limited	20,000	20,000	100,000	100,000	**	**
GOP Ijarah Sukuk - 8th Issue	-	180,000	-	900,000	**	**
GOP Ijarah Sukuk - 9th Issue	60,000	60,259	300,000	301,295	**	**
GOP Ijarah Sukuk - 10th Issue	745,453	45,000	3,727,264	225,000	**	**
GOP Ijarah Sukuk - 11th Issue	200,000	200,000	1,000,000	1,000,000	**	**
GOP Ijarah Sukuk - 13th Issue	450,000	450,000	2,250,000	2,250,000	**	**
GOP Ijarah Sukuk - 14th Issue	1,452,200	1,552,200	7,261,000	7,761,000	**	**
GOP Ijarah Sukuk - 15th Issue	200,000	-	980,905	-	**	**
K.S.Sulemanji Esmailji & Sons (Private) Limited	-	30,000	-	25,523	**	**
Liberty Power Technology Limited	109,942	109,942	435,994	464,707	**	**
Maple Leaf Cement Limited I	21,000	21,000	55,810	89,832	A-	BB+
Pakistan Mobile Communication	17,391	-	86,957	-	AA	-
Sitara Energy Limited	-	11,273	-	21,136	**	**
Sitara Per Oxide Limited	20,000	20,000	66,243	78,262	**	**
Three Star Hosiery Mills Limited	1,900	1,900	9,500	9,500	**	**
WAPDA Sukuk Bonds 2nd Issue	70,000	70,000	175,000	233,333	**	**
WAPDA Sukuk Bonds 3rd Issue	85,000	85,000	425,000	425,000	**	**
			17,314,358	14,096,788		

**Ratings are not available

8.1 Other particulars of Sukuk certificates / bonds are as follows:

	Coupon rate	Payment	Maturity date
Al-Barka Bank Limited	6 months KIBOR plus 125 bps	Semi annually	26-Sep-24
Amreli Steel (Private) Limited	3 months KIBOR plus 250 bps	Quarterly	9-Dec-16
Engro Chemical Pakistan Limited I	6 months KIBOR plus 150 bps	Semi annually	6-Sep-15
Engro Chemical Pakistan Limited II	6 months KIBOR plus 211 bps	Semi annually	30-Jun-17
Engro Foods Limited	6 months KIBOR plus 69 bps	Semi annually	13-Jan-17
GOP Ijarah Sukuk - 9th Issue	*6 months T Bills Weighted Average	Semi annually	21-Nov-15
GOP Ijarah Sukuk - 10th Issue	*6 months T Bills Weighted Average	Semi annually	21-Nov-15
GOP Ijarah Sukuk - 11th Issue	*6 months T Bills Weighted Average	Semi annually	21-Nov-15
GOP Ijarah Sukuk - 13th Issue	*6 months T Bills Weighted Average	Semi annually	21-Nov-15
GOP Ijarah Sukuk - 14th Issue	*6 months T Bills Weighted Average	Semi annually	28-Mar-16
GOP Ijarah Sukuk - 15th Issue	*6 months T Bills Weighted Average	Semi annually	25-Jun-17
Liberty Power Technology Limited	3 months KIBOR plus 300 bps	Quarterly	18-Mar-21
Maple Leaf Cement Limited I	3 months KIBOR plus 100 bps	Quarterly	3-Dec-18
Pakistan Mobile Communication	3 months KIBOR plus 210 bps	Quarterly	22-Dec-19
Sitara Per Oxide Limited	3 months KIBOR plus 100 bps	Quarterly	19-Feb-20
Three Star Hosiery Mills Limited	6 months KIBOR plus 325 bps	Semi annually	4-Aug-15
WAPDA Sukuk Bonds 2nd Issue	6 months KIBOR minus 25 bps	Semi annually	13-Jul-17
WAPDA Sukuk Bonds 3rd Issue	6 months KIBOR plus 100 bps	Semi annually	14-Oct-21

*These rates are based on reuters sheet applicable for next six months.

9. OPEN END MUTUAL FUNDS

	Number of Units		Net Asset Value		Cost		Rating	
	2014	2013	2014	2013	2014	2013	2014	2013
			Rupees in '000					
ABL Cash Fund	33,248,169	73,752,002	347,912	737,881	312,272	699,228	AA(f)	AA (f)
ABL Income Fund	7,974,800	16,871,242	85,916	168,844	80,000	159,087	A+(f)	A + (f)
ABL Islamic Principal Preservation Fund	2,592,098	2,500,000	28,119	25,048	25,000	25,000	**	**
ABL Stock Fund	7,041,262	3,929,242	91,688	49,805	80,000	50,000	**	5 Star
ABL Government Securities Fund	34,748,516	14,323,302	378,700	143,332	339,783	137,813	AA(f)	A + (f)
ABL AMC Capital Protected Fund	–	2,862,273	–	29,850	–	25,000	–	A + (f)
ABL Islamic Principal Preservation Fund II	4,053,840	–	43,789	–	40,000	–	**	–
AKD Cash Fund	–	501,798	–	25,108	–	25,000	–	**
AKD Opportunity Fund	911,504	–	59,840	–	50,000	–	AA(f)	-
Alfalah GHP Cash Fund	24,363	499,945	12,769	250,233	11,454	244,227	AAA(f)	**
Alfalah GHP Income Multiplier Fund	3,332,029	511,174	171,940	25,380	160,000	25,000	BBB+(f)	**
Askari Sovereign Cash Fund	2,515,395	5,336,093	263,599	537,875	237,463	503,715	AAA(f)	AAA (f)
Askari High Yield Scheme	3,313,812	200,822	353,488	20,764	325,287	20,000	A(f)	**
Atlas Money Market Fund	651,460	754,203	341,704	379,176	315,072	357,161	AA+(f)	AA (f)
Atlas Income Fund	397,336	–	213,822	–	200,000	–	AA+(f)	–
BMA Empress Cash Fund	–	3,183,113	–	32,193	–	31,444	–	AA + (f)
BMA Chundrigar Road Saving Fund	–	3,563,553	–	28,657	–	24,596	–	A + (f)
Faysal Savings Growth Fund	421,652	819,368	45,682	84,034	40,794	78,494	AA-(f)	AA - (f)
First Habib Cash Fund	2,634,152	70,262	275,164	7,034	256,941	6,030	AA(f)	AA (f)
First Habib Income Fund	–	498,024	–	49,843	–	46,461	–	AA (f)
HBL Money Market Fund	667,952	8,331,879	69,916	842,272	61,991	810,135	AA(f)	AA (f)
Lakson Equity Fund	996,197	–	127,180	–	103,063	–	AA(f)	–
IGI Aggressive Income Fund	–	589,023	–	25,287	–	25,000	–	AAA(cp)
IGI Income Fund	1,110,802	1,730,742	118,654	174,019	111,481	167,041	A+(f)	A + (f)
IGI Money Market Fund	1,329,972	3,131,620	140,057	314,855	125,119	298,186	AA+(f)	AA + (f)
JS Cash Fund	1,208,843	715,705	129,104	73,202	120,874	66,268	AA+(f)	AA + (f)
Lakson Asset Allocation Global Commodities Fund	–	381,910	–	39,595	–	38,419	–	**
Lakson Asset Allocation Developed Market Fund	432,266	499,585	47,556	56,120	46,977	52,895	**	**
Lakson Asset Allocation Emerging Market Fund	–	164,745	–	17,439	–	16,759	–	**
Lakson Income Fund	997,978	1,079,046	106,577	108,440	100,000	102,301	A+(f)	A + (f)
Lakson Money Market Fund	4,034,155	7,832,039	421,269	783,913	374,444	729,312	AA(f)	AA (f)
MCB Cash Management Optimizer	2,250,296	5,229,794	234,746	523,248	206,856	481,568	AA(f)	AA (f)
MCB Dynamic Cash Fund	7,213,238	8,741,127	781,052	883,501	698,696	822,894	A+(f)	A + (f)
Meezan Cash Fund	5,779,233	6,818,857	300,000	341,544	300,000	315,960	AA(f)	AA (f)
Meezan Islamic Income Fund	–	5,489,329	–	278,748	–	260,000	–	A - (f)
Meezan Sovereign Fund	3,861,749	10,060,352	200,000	507,042	200,000	469,385	AA(f)	AA (f)

	Number of Units 2014	Number of Units 2013	Net Asset Value 2014	Net Asset Value 2013	Cost 2014	Cost 2013	Rating 2014	Rating 2013
			Rupees in '000					
MSF Perpetual	4,425,947	3,065,171	241,214	153,350	214,726	130,655	AA-(f)	**
NAFA Asset Allocation Fund	12,573,661	2,079,071	169,358	25,091	150,000	25,000	**	3 Star
NAFA Income Opportunity Fund	37,074,336	–	413,931	–	373,589	–	AA(f)	–
NAFA Financial Sector Income Fund	18,617,449	27,564,123	199,255	289,503	175,923	264,855	A+(f)	A + (f)
NAFA Government Securities Liquid Fund	35,203,445	40,015,853	369,386	401,851	337,514	381,691	AAA(f)	AAA (f)
NAFA Stock Fund	14,063,538	–	171,242	–	151,408	–	4 Star	–
NAFA Money Market Fund	83,166,187	88,522,152	869,627	886,266	809,069	836,489	AA(f)	AA (f)
NAFA Multi Asset Fund	8,116,751	1,982,255	114,968	25,125	100,000	25,000	4 Star	4 Star
National Investment Trust	1,519,295	–	100,319	–	100,000	–	**	–
NIT Government Bond	–	20,349,796	–	211,906	–	194,575	–	AA (f)
NIT Income Fund	–	10,974,059	–	115,996	–	104,466	–	A + (f)
Pakistan Stock Market Fund	1,231,866	–	90,591	–	76,400	–	3 Star	–
Pakistan Income Enhancement Fund	1,960,784	–	107,843	–	100,000	–	A+(f)	–
PICIC Cash Fund	1,534,980	2,952,762	160,765	297,236	142,959	282,207	AA(f)	AA + (f)
PICIC Energy Fund	1,214,607	5,765,859	13,585	77,709	12,726	75,000	**	**
PICIC Income Fund	949,212	1,488,204	101,535	149,547	91,719	138,652	A+(f)	A + (f)
PIML Income Fund (Formerly: Primus Cash Fund)	4,897,806	2,640,321	532,587	264,160	507,958	260,868	A+(f)	AAA (f)
Primus Daily Reserve Fund	1,086,884	5,192,978	113,938	519,730	101,228	500,000	AA+(f)	**
UBL Asset Allocation Fund	361,566	917,485	44,004	92,650	37,927	90,000	**	**
UBL Liquidity Plus Fund	7,559,093	7,431,209	791,327	747,391	724,870	700,899	AA(f)	**
UBL Money Market Fund (Formerly: UBL Savings Income Fund)	1,283,887	2,477,295	134,457	249,483	123,470	240,310	AA(f)	AA-(f)
UBL Islamic Sovereign Fund (Formerly: UBL Islamic Savings Fund)	–	529,648	–	53,471	–	50,000	–	**
UBL Islamic Income Fund (Formerly: UBL Islamic Income Fund)	281,314	–	27,935	–	25,000	–	**	–
UBL Government Securities Fund	4,517,821	–	492,285	–	450,915	–	A+(f)	–
United Stock Fund	2,550,598	–	140,997	–	125,860	–	**	–
			10,791,392	12,124,747	9,856,828	11,415,046		

**Ratings are not available

10. CLOSE END MUTUAL FUNDS

	No. of Units 2014	No. of Units 2013	Market Value 2014	Market Value 2013	Cost 2014	Cost 2013	Rating 2014	Rating 2013
			Rupees in '000					
PICIC Growth Fund	973,500	–	23,997	–	31,816	–	**	**
			23,997	–	31,816	–		

**Ratings are not available

ANNEXURE "II" AS REFERRED TO IN NOTE 12.9 OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2014

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
1	Super Fashion (Pvt) Limited 907, Kashif Centre, Shahrah-e-Faisal, Karachi	Maj. (R) Atique Ahmed 42301-1086266-5 Faisal Atique 42301-8772647-7 Sajida Atique 42301-7960806-4	Muhammad Yaseen Atique Ahmed Atique Ahmed	44,487	5,104	49,591	27,987	6,559	34,546
2	Dadabhoy Cement Industry Ltd. 5th Floor, Maqbool Commercial Complex, JCHS Block 7/8, Shahrah-e-Faisal, Karachi.	Muhammad Amin Dadabhoy 42301-0915215-7 Muhammad Hussain Dadabhoy 42301-0923094-5 Fazal Karim Dadabhoy 42301-0923093-3 Yasmeen 42301-0852905-4 Noor bakht 17301-1335946-6	Muhammad Hussain Dadabhoy Abdul Ghani Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Fazal Karim Dadabhoy	25,000	5,005	30,005	25,000	14,267	39,267

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
3	G. G. Garments L 13/3, Block 22, F.B. Industrial Area, Karachi.	Saleem Yousuf 42201-6967461-1 M. Sohail Yousuf 42201-5212107-1	Late Muhammad Yousuf Late Muhammad Yousuf	11,940	1,354	13,294	11,940	9,299	21,239
4	Waleed Junaid Industries 16-KM, Sheikhupura Road, Lahore.	Saeed Ahmed 35201-0721923-9 Shabana Saeed 35201-7870756-8	Rehmat Khan Saeed Ahmed	10,205	2,983	13,188	10,205	9,599	19,804
5	Winds International 161-H Commercial Area DHA, Lahore.	Muhammad Shahzad 35201-6947983-3	Muhammad Ali	5,777	1,279	7,056	5,777	6,597	12,374
6	Dawood Fiber Mills Ltd. (Aaisha Cotton Mills Ltd.) A-57, SITE, Manghopir Road, Karachi	Aziz A. Dawood 42201-0548132-3 Uzair A. Dawood 42201-0631521-9 M. Kashif Fazlani 42301-2097674-7 Malik Awan 42201-5097851-1 Syed Furqan Ahmed 42401-8820599-1 Farooq Hashmat Abbasi 42101-1632784-9	Ahmed Dawood Aziz Ahmed M. Younus Fazlani Abbas Jan Syed A. Razzak Hashmat Abbasi	4,343	1,248	5,591	4,343	4,114	8,457

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
7	Sunflower International Plot No. ST, 2/2, Sector No. 17, Korangi Industrial Area, Karachi	Intikhab Saeed 42201-4084616-9 Azra Intikhab 42201-6404943-8 Ahad Ahmed 42201-4093261-9	Shaikh Muhammad Saeed Intikhab Saeed Intikhab Saeed	1,922	1,100	3,022	1,922	1,176	3,098
8	Ashrafi Enterprises 2-CB, 16-A, Al-Society, Shah Faisal Colony Gate, Karachi	Iqbal Ahmed 42201-8256992-1	Dildar Ahmed	1,757	1,105	2,862	757	1,375	2,132
9	Mian Abdul Jabbar Gihllin & Mst. Siddiqa Jabbar Gihllin House # 43/2-A, Block 6, Shah Latif Road, P.E.C.H.S, Karachi	Mian Abdul Jabbar Gihllin 42000-0431450-3 Mst. Siddiqa Jabbar Gihllin 42000-0401696-2	Mian Ibrahim Gihllin Mian Abdul Jabbar Gihllin	90,000	13,252	103,252	–	51,060	51,060
10	Zeb Rice (Pvt.) Ltd., 2-KM, Marowal Road, Muridke, Lahore	Makhdoom Abbas 35202-9786080-9 Nadeem Abbas 35202-0964542-3 M. Naeem Amanat 35401-1726310-1 Kashif Amanat Ali 35202-4798929-1	Amanat Ali Amanat Ali Amanat Ali Amanat Ali	49,443	19,900	69,343	–	36,128	36,128

S. No.	Name and address of the borrower	Name of Individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal written-off	Interest / mark-up written-off	Total
				Principal	Interest / mark-up	Total			
1	2	3	4	5	6	7	8	9	10
				Rupees in '000					
11	Hashim Muhammad Shamim 16/A, Golf Course Road, Phase IV, DHA, Karachi	Hashim Muhammad Shamim 42201-9823011-5	Muhammad Khamisa Maskatia	42,500	17,598	60,098	–	10,307	10,307
12	Hanif Rajput Industrial & Field Management Services Office # 4, Society Appartments Mezzanine Floor, Kashmir Road, Karachi	Naveed Hanif Rajput 42501-1459074-7	Muhammad Hanif Rajput	38,000	3,913	41,913	–	2,475	2,475
13	Syed Mazhar Ali Shah Panama Centre Flat-312-B Bl 13-D Gulshan-E-Iqbal Karachi	Syed Mazhar Ali Shah 42201-5233013-9	Syed Altaf Hussain Shah	4,000	3,353	7,353	–	2,806	2,806
14	Zeeshan Footwear 29-C, Sheikh Colony, Faisalabad	Muhammad Shahid 33100-0682138-7	Bashir Ahmad	9,497	1,402	10,899	–	1,796	1,796
15	Mariam International 40-Khaliq Manzil ST# 2, Mohammadabad Sultanpura Road, Lahore.	Khawar Saleem 35202-2561688-3	Abdul Majid	3,028	1,269	4,297	–	1,181	1,181
16	Basit Brothers House No. H-49, Block-6, PECHS, Karachi.	Danial Mahmood 42201-5214266-5	Sheikh Mahmood Hussain	5,434	951	6,385	–	1,053	1,053
				347,333	80,816	428,149	87,931	159,792	247,723

BRANCH NETWORK

Registered Office and Head Office

Ground Floor, Spencer's Building, G.P.O. Box 1289,
I.I. Chundrigar Road, Karachi-74200, Pakistan
U.A.N.: (92-21) 111-14-14-14 Fax: (92-21) 32630404-05

HMB Connect: 0800HABIB (42242)
For information / query: info@habibmetro.com

SOUTHERN REGION

KARACHI

Main Branch

Abul Hassan Isphani
(Sub Branch of University Road)

Aisha Manzil
(Sub Branch of Hussainabad)

Alamgir Road Branch

Allama Iqbal Road Branch

Bahadurabad Branch

Bilal Chowrangi
(Sub Branch of Korangi)

Block M
(Sub Branch of Hyderi)

Block N
(Sub Branch of UP More)

Boat Basin Branch

Bohri Bazar Branch

Bombay Bazar
(Sub Branch of Jodia Bazar)

Business Avenue Branch

Ceramic Market Branch

Chandni Chowk Branch

Chartered Accountant Avenue
(Sub Branch of Gizri)

City Court Branch

Civil Lines Branch

Clifton Block 2 Branch

Clifton Branch

Cloth Market Branch

D.H.A Branch

Dalmia Road Branch

Dastagir
(Sub Branch of Hussainabad)

DHA Phase I Branch

DHA Phase II Branch

DHA Phase IV
(Sub Branch of Khayaban-e-Sehar)

DHA Phase VI
(Sub Branch of Khayaban-e-Shahbaz)

Dhoraji Colony Branch

DMCHS Branch

Eidgah
(Sub Branch of City Court)

Falcon Complex Branch

Garden East Branch

Gizri Branch

Gulistan-e-Johar Branch

Gulshan Chowrangi Branch

Gulshan-e-Ali
(Sub Branch of Water Pump)

Gulshan-e-Iqbal 13-C
(Sub Branch of Hasan Square)

Gulshan-e-Iqbal Branch

Gulshan-e-Maymar Branch

Hasrat Mohani Road
(Sub Branch of Paper Market)

Hassan Square Branch

HBZ Plaza Branch

Hussainabad Branch

Hyderi Branch

Industrial Area Korangi Branch

Itehad Branch

Jodia Bazar Branch

Juna Market Branch

Karimabad Branch

Khalid Bin Walid Road Branch

Khayaban-e-Bokhari Branch

Khayaban-e-Sehar Branch

Khayaban-e-Shahbaz Branch

Khayaban-e-Tanzeem Branch

Korangi Branch

Kutchi Gali Branch Karachi

Landhi Industrial Area Branch

Liaquatabad Branch

Lines Area Branch

M.A. Jinnah Road Branch

Malir Cantt Branch

Malir City Branch

Manghopir Road SITE Branch

Marriot Road Branch

Mereweather Branch

Mission Road Branch

Mithadar Branch

Navel Housing Society
(Sub Branch of Gizri)

Nazimabad No.1

Nazimabad No.3
(Sub Branch of North Nazimabad)

NHS Complex Karsaz Branch

Nishtar Road Branch

North Karachi Industrial Area Branch

North Napier Road Branch

North Nazimabad Branch

Paper Market Branch

PaposhNagar Branch

PIB Colony Branch

Plaza Square Branch
Port Qasim Branch
Preedy Street Branch
Progressive Plaza Branch
S.I.T.E. Branch
Saba Avenue Branch
Saddar Branch
Safoora Goth Branch
Sehba Akhtar Road
(Sub Branch of Gulshan Chowrangi)
Shahbaz Commercial
(Sub Branch of Khayaban-e-Bokhari)
Shahrah-e-Faisal Branch
Shahrah-e-Liaquat Branch
Shahrah-e-Quaideen Branch
Sharfabad
(Sub Branch of Alamgir Road)
Shershah Branch
Shireen Jinnah Colony
(Sub Branch of Clifton)
Sindhi Muslim Society
(Sub Branch of Shahrah-e-Quaideen)
Soldier Bazar Branch
South Park Avenue
(Sub Branch of Ittehad)
Stadium Road Branch
Star Gate Branch
Stock Exchange Branch
Sunset Boulevard
(Sub Branch of Gizri)
Textile Plaza Branch
Timber Market Branch
Tipu Sultan Road
(Sub Branch of Stadium Road)
University Road Branch
UP More Branch
Water Pump Branch
West Wharf Branch
ZAMZAMA Branch

HYDERABAD

Hyderabad Branch
Latifabad Branch

OTHER SOUTHERN REGION CITIES

Daharki Branch
Hub Chowki Branch
Mirpurkhas Branch
Quetta Branch
Shikarpur Branch
Sukkur Branch

NORTHERN REGION

LAHORE

Lahore Main Branch
Azam Cloth Market
(Sub Branch of Badami Bagh)
Badami Bagh Branch
Badian Road
(Sub Branch of DHA Lahore)
Baghbanpura Branch
Brandreth Road Branch
Cantt. Branch
Circular Road Branch
Davis Road Branch
DHA Branch, Lahore
DHA Phase IV Branch
DHA Phase V
(Sub Branch of Walton Road)
EME Society
(Sub Branch of Raiwind Road)
Faisal Town
(Sub Branch of Model Town Link Road)
Ferozepur Road Branch
Fruit & Sabzi Market
(Sub Branch of Ravi Road)
Garden Town Branch
Gulberg Branch
Gulshan e Ravi Branch
Iqbal Town Branch
Johar Town Branch
Main Boulevard Branch
Mcleod Road
(Sub Branch of Brandreth Road)
Misri Shah
(Sub Branch of Badami Bagh)
Model Town Link Road Branch
Raiwind Road Branch
Ravi Road Branch
Samanabad
(Sub Branch of Iqbal Town)
Shadman Branch
Shahalam Market Branch
Shahdara Branch
Shahrah-e-Quaid-e-Azam Branch
Urdu Bazar Branch
Valencia Town
(Sub Branch of Raiwind Road)
Wahadat Road
(Sub Branch of Shadman)
Walton Road Branch
WAPDA Town
(Sub Branch of Johar Town)

FAISALABAD

Faisalabad Main Branch
Peoples Colony Branch
Sargodha Road Branch
Susan Road Branch
University of Faisalabad
(Sub Branch of Faisalabad)

MULTAN

Multan Main Branch
Ghalla Mandi Branch
Gulgasht Colony
(Sub Branch of Multan)

SIALKOT

Sailkot Main Branch
Do-Burji Malhiyan Branch
Pasrur Road Branch
Small Industrial Estates Branch
Sohawa Branch
Ugoki Branch

ISLAMABAD

Islamabad Main Branch

Bahria Town Branch

E-11
(Sub Branch of F-10 Markaz)

F-10 Markaz Branch

F-8 Markaz Branch

I - 9 Branch

I-10 Markaz Branch

Markaz F-7 Brranch

RAWALPINDI

Rawalpindi Main Branch

Iqbal Road Branch

Kashmir Road Branch

Khanna Branch

Muree Road Branch

Raja Bazar Branch

PESHAWAR

Peshawar Branch

Khyber Bazar Branch

Rampura Branch

AZAD KASHMIR

Arra Jattan Branch

Mirpur (A.K) Branch

Pang Peeran Branch

GILGIT BALTISTAN

Aliabad Branch

Chillas Branch

Dassu Branch

Gilgit Branch

Jutial Branch

Skardu Branch

FATA / PATA

Khawazakhela Branch

Parachinar Branch

Mingora Branch

OTHER NORTHERN REGION CITIES

Abbottabad Branch

Bahawalpur Branch

Bhalwal Branch

Chakwal Branch

D.G. Khan Branch

D.I Khan Branch

Gujranwala Branch

Gujrat Branch

Hafizabad Branch

Haripur Branch

Haroonabad Branch

Hasilpur Branch

Jauharabad Branch

Jhelum Branch

Kamoke Branch

Kasur Branch

Kharian City Branch

Lala Musa Branch

Mandi Bahauddin Branch

Mansehra Branch

Mardan Branch

Mouza Kachi Jamal Branch

Nankana Sahib Branch

Okara Branch

Rahim Yar Khan Branch

Sadiqabad Branch

Sahiwal Branch

SargodhaBranch

Sheikhupura Branch

Talagang Branch

Wah Cantt

Yazman Branch

ISLAMIC BANKING BRANCHES

KARACHI

Alfalah Court

Jodia Bazar Branch

Korangi Branch

Rashid Minhas Road Branch

Shahrah-e-Faisal Branch

SITE Branch

LAHORE

Badami Bagh Branch

Ciruclar Road

Gulberg Branch

ISLAMABAD

Islamabad Branch

HABIBMETRO

PROXY FORM

I/We ____

of ____

being member (s) of Habib Metropolitan Bank Limited and holding ____________________

ordinary shares, as per Registered Folio No. ____________________

do hereby appoint ______________________ Folio No. ____________

of ____

or failing him / her ______________________ Folio No. ____________

of ____

another member of the Bank to vote for my / our behalf at the 23rd Annual General Meeting of the Bank to be held on March 30, 2015 and at any adjournment thereof.

As Witness my / our hand this ____________ day of March 2015.

Witness

1. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

2. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

REVENUE
STAMP
Rs. 5/-

Signature of Member(s)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of meeting.

HABIB METROPOLITAN BANK LTD.
HEAD OFFICE, SPENCER'S BUILDING
I.I CHUNDRIGAR ROAD
KARACHI, PAKISTAN

UAN: 111-14-14-14

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