



CONSOLIDATED ACCOUNTS

AUDITORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Habib Metropolitan Bank Limited** and its subsidiary company as at 31 December 2012 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 consolidated financial statements include unaudited certified returns from the branches, except for 17 branches, which have been audited by us. We have also expressed separate opinions of the financial statements of Habib Metropolitan Bank Limited and its subsidiary company namely Habib Metropolitan Financial Services Limited. These financial statements are the 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 2012 and the results of their operations for the year then ended.

Karachi: 26 February 2013

KPMG Taseer Hadi & Co
Chartered Accountants
Amin Pirani

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	16,918,780	14,233,690
Balances with other banks	9	5,151,149	3,551,591
Lendings to financial institutions	10	–	2,361,754
Investments	11	160,733,315	147,459,163
Advances	12	106,910,727	109,656,714
Operating fixed assets	13	3,000,827	3,230,658
Deferred tax assets	14	2,275,081	2,020,511
Other assets	15	5,749,931	5,686,576
		300,739,810	288,200,657
LIABILITIES			
Bills payable	16	4,092,268	3,733,794
Borrowings	17	41,569,169	66,641,226
Deposits and other accounts	18	217,670,832	185,281,216
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities	19	9,153,904	7,963,052
		272,486,173	263,619,288
NET ASSETS			
		28,253,637	24,581,369
REPRESENTED BY			
Share capital	20	10,478,315	10,478,315
Reserves		9,488,277	8,807,718
Unappropriated profit		6,100,791	4,960,068
		26,067,383	24,246,101
Surplus / (Deficit) on revaluation of assets - net of tax	21	2,186,254	335,268
		28,253,637	24,581,369
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

WAZIR ALI KHOJA
Director

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest earned	24	27,154,883	27,263,385
Mark-up / return / interest expensed	25	(18,821,766)	(19,536,154)
Net mark-up / interest Income		8,333,117	7,727,231
Provision against non-performing loans and advances	12.7	2,661,248	2,659,962
Provision for diminution in the value of investments	11.3	32,499	94,640
Bad debts written off directly	12.9.1	–	–
		(2,693,747)	(2,754,602)
Net mark-up / interest income after provisions		5,639,370	4,972,629
Non mark-up / interest income			
Fee, commission and brokerage income		2,138,351	1,801,296
Dividend income		632,109	1,187,718
Income from dealing in foreign currencies		1,363,252	1,647,536
Gain on sale / redemption of securities	26	1,074,086	353,063
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		–	–
Other income	27	249,871	209,850
Total non mark-up / interest income		5,457,669	5,199,463
		11,097,039	10,172,092
Non mark-up / interest expenses			
Administrative expenses	28	5,775,358	4,949,323
Other provisions / write offs	15.3 & 19.1	59,805	275,000
Other charges	29	223,881	302,963
Total non mark-up / interest expenses		(6,059,044)	(5,527,286)
		5,037,995	4,644,806
Extraordinary / unusual items		–	–
Profit before taxation		5,037,995	4,644,806
Taxation – Current		(2,534,010)	(2,198,395)
– Prior years		(72,244)	134,471
– Deferred		961,288	708,317
	30	(1,644,966)	(1,355,607)
Profit after taxation		3,393,029	3,289,199
Unappropriated profit brought forward		4,960,068	4,073,530
Profit available for appropriation		8,353,097	7,362,729
Basic and diluted earnings per share (Rupees)	31	3.24	3.14

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Director

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Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		Rupees in '000	
Profit after taxation for the year		3,393,029	3,289,199
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income transferred to equity		3,393,029	3,289,199
Components of comprehensive income not reflected in equity			
Surplus on revaluation of investments		2,557,704	1,538,745
Deferred tax on revaluation of investments	14.1	(706,718)	(556,892)
		<u>1,850,986</u>	<u>981,853</u>
Total comprehensive income		<u><u>5,244,015</u></u>	<u><u>4,271,052</u></u>

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,037,995	4,644,806
Less: Dividend income		632,109	1,187,718
		<u>4,405,886</u>	<u>3,457,088</u>
Adjustments			
Depreciation	13.2	453,542	404,589
Provision against non-performing loans and advances	12.7	2,661,248	2,659,962
Provision against off-balance sheet obligations	19.1	59,805	-
Provision against other assets	15.3	-	275,000
Provision for diminution in the value of investments-net	11.3	(64,480)	82,790
Net (gain) on sale of fixed assets	27	(16,360)	(8,183)
		<u>3,093,755</u>	<u>3,414,158</u>
		<u>7,499,641</u>	<u>6,871,246</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		2,361,754	828,645
Advances		84,739	7,510,961
Other assets		(63,355)	(902)
		<u>2,383,138</u>	<u>8,338,704</u>
Increase / (decrease) in operating liabilities			
Bills payable		358,474	1,160,840
Borrowings		(23,654,994)	3,424,648
Deposits and other accounts		32,389,616	24,967,005
Other liabilities (excluding current taxation)		1,021,366	1,444,710
		<u>10,114,462</u>	<u>30,997,203</u>
		<u>19,997,241</u>	<u>46,207,153</u>
Income tax paid		(2,498,498)	(1,948,190)
		<u>17,498,743</u>	<u>44,258,963</u>
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(6,164,639)	(46,204,063)
Net investments in held-to-maturity securities		(4,487,329)	1,050,000
Dividend received		632,109	1,187,718
Investments in operating fixed assets		(326,842)	(259,505)
Proceeds from sale of fixed assets		119,491	19,894
		<u>(10,227,210)</u>	<u>(44,205,956)</u>
Net cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,569,822)	(1,062)
		<u>(1,569,822)</u>	<u>(1,062)</u>
Net cash flows from financing activities			
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		15,047,762	15,391,358
Effect of exchange rate changes on cash and cash equivalents		682,045	286,504
		<u>15,729,807</u>	<u>15,729,807</u>
Cash and cash equivalents at the end of the year	32	<u>21,431,518</u>	<u>15,729,807</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Reserves					Un-appropriated Profit	Total
	Share Capital	Share Premium	Statutory Reserve	Special Reserve	Revenue Reserve		
	Rupees in '000						
Balance as at 1 January 2011	8,731,929	2,550,985	3,860,097	240,361	1,500,000	4,073,530	20,956,902
Changes in equity for the year ended 31 December 2011							
Total comprehensive income for the year ended 31 December 2011 – profit for the year	-	-	-	-	-	3,289,199	3,289,199
Transactions with owners recorded directly in equity							
Issue of bonus shares in the ratio of 20 shares for every 100 shares held for the year ended 31 December 2010	1,746,386	-	-	-	-	(1,746,386)	-
Transfer to statutory reserve	-	-	656,275	-	-	(656,275)	-
Balance as at 31 December 2011	10,478,315	2,550,985	4,516,372	240,361	1,500,000	4,960,068	24,246,101
Changes in equity for the year ended 31 December 2012							
Total comprehensive income for the year ended 31 December 2012 – profit for the year	-	-	-	-	-	3,393,029	3,393,029
Transactions with owners recorded directly in equity							
Cash dividend (Rs. 1.50 per share) for the year ended 31 December 2011	-	-	-	-	-	(1,571,747)	(1,571,747)
Transfer to statutory reserve	-	-	680,559	-	-	(680,559)	-
Balance as at 31 December 2012	10,478,315	2,550,985	5,196,931	240,361	1,500,000	6,100,791	26,067,383

The annexed notes 1 to 44 and annexures I & II form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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.
- 1.2** 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 143 (2011: 138) branches, including 4 (2011: 4) Islamic banking branches and 40 (2011: 25) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (ultimate parent company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I. I. Chundrigar Road, Karachi.
- 1.3** Habib Metropolitan Financial Services Limited (the subsidiary company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984. The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The subsidiary company is a corporate member of the Karachi Stock Exchange Limited and engaged in equity brokerage services.

2. BASIS OF 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 Bank from their customers and immediate resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.3 Basis of measurement

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 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 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) 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 UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in 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 holding company reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and 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 advances, the holding company follows the general provision requirement set out in Prudential Regulations. In addition the holding company 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 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 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 recognised 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 / amortisation 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 Method, as more 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, there by effecting the profit and loss account of future period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2011.

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 nostro and local bank accounts.

5.2 Lendings to / borrowings from financial institutions

The holding 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 recognised 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 amortised 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 recognised 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 Investments 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.

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

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity 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 securities (other than bonds and term finance certificates) is made after considering objective evidence of impairment, if any, in their value. Provision for diminution in value of bonds and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by State Bank of Pakistan.

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to 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 holding company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognised 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 recognised 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 recognised 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 Group 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.

Gain and loss on disposal of assets is included in income currently.

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 amortised over its estimated useful life. The useful lives and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

Capital work-in-progress

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

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on 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 recognised 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 recognised 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 recognised 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 recognises deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 "Income Taxes".

5.9 Employees' benefits

5.9.1 Retirement benefits

Defined benefit plan

The Group 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 Method". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of

10% of the value of plan assets or 10% of the defined benefit obligation at the end of the last reporting year are recognised in income over the employees' expected average remaining working lives.

Past service cost resulting from changes to defined benefit plan to the extent the benefits are already vested is recognized immediately in the profit and loss account and remaining unrecognized past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

Defined contribution plan

The Group operates a recognised 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 Method' has been carried out by the Group for the determination of the liability for compensated absences. Liability so determined is fully recognised 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 recognised 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.

Income on bills discounted are recognised 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 recognised 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 recognised on an accrual basis over the period of the guarantee. Brokerage commission income on transaction of securities is recognised upon rendering of services.

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 including foreign exchange bills purchased, 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 Bank'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 present 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 recognised.

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 income directly. 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 statements associated with them.

5.18 Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Group and all documents relating to purchase belongs to the customer. However, the profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account. Funds disbursed under Murabaha arrangements for purchase of goods are recorded as 'Advance against Murabaha'.

5.19 Diminishing Musharika

In Diminishing Musharakah based financing, the Group enters into a Musharakah 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 Mushariki share by the customer.

6. 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 on or after January 01, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the holding company has recognised actuarial loss of Rs. 3,329 thousand in the profit and loss account and its net unrecognised actuarial loss at December 31, 2012 amounted to Rs. 101,832 thousand. Following the change, all actuarial gains and losses will be recorded immediately in other comprehensive income. Further, the amended IAS 19 also includes another amendment relating to elimination of the concept of vested and non vested for the recognition of past service cost. As per the amendment the past service cost should be recognised on the occurrence of the amendment in the benefit plan. Previously, the non vested portion was recognised when it becomes vested. The later amendment has no impact on the financial statements of the Group.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Group.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Group.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on financial statements of the Group.

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- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
 - Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Group.
 - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
 - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Group.

7. 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.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2012	2011
		Rupees in '000	
In hand			
Local currency		2,928,916	1,954,207
Foreign currencies		562,766	494,953
		3,491,682	2,449,160
With State Bank of Pakistan in			
Local currency current accounts	8.1	9,055,127	7,948,424
Foreign currency current account	8.2	38,708	100,427
Foreign currency deposit accounts			
– cash reserve accounts	8.3	1,066,898	931,388
– special cash reserve accounts	8.4	3,114,522	2,716,810
		13,275,255	11,697,049
With National Bank of Pakistan in			
Local currency current accounts		135,383	77,549
National Prize Bonds			
		16,460	9,932
		16,918,780	14,233,690

8.1 These accounts are maintained to comply with the statutory cash reserve requirements and include cash reserve account of Rs. 916,768 thousand (2011: Rs. 783,119 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. 46,826 thousand (2011: Rs. 22,936 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. 54,307 thousand (2011: Rs. 27,433 thousand) in respect of the Islamic Banking branches of the holding company.

	Note	2012	2011
		Rupees in '000	
9. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		361,861	309,526
On deposit accounts	9.1	12,556	16,491
		<u>374,417</u>	<u>326,017</u>
Outside Pakistan			
On current accounts	9.2	3,319,486	976,932
On deposit accounts	9.3	1,457,246	2,248,642
		<u>4,776,732</u>	<u>3,225,574</u>
		<u>5,151,149</u>	<u>3,551,591</u>

9.1 This carry mark-up rate of 6.00% (2011: 5.00%) per annum.

9.2 Include balances in current accounts of Rs. 77,497 thousand (2011: Rs. 197,044 thousand) with branches of the ultimate holding company.

9.3 This carry mark-up rate of 0.10% (2011: 0.08%) per annum.

10. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	10.2	-	1,000,000
Repurchase agreement lendings (Reverse repo)	10.3	-	1,361,754
		<u>-</u>	<u>2,361,754</u>
10.1 Particulars of lendings			
In local currency		-	2,361,754
		<u>-</u>	<u>2,361,754</u>

10.2 This carry mark-up rate Nil (2011: 12.00%) per annum.

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

	Note	2012			2011		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)							
Market treasury bills	10.3.2	-	-	-	1,361,754	-	1,361,754

10.3.1 These lendings carries mark-up rate of Nil (2011: 11.95%) per annum.

10.3.2 Market value of securities held as collateral against lendings to financial institutions amounted to Rs. Nil (2011: Rs. 1,362,573 thousands).

11. INVESTMENTS

11.1 Investments by types

	Note	2012			2011		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in'000)							
Available-for-sale securities							
Market treasury bills	11.5	81,775,464	15,095,547	96,871,011	56,979,771	35,529,021	92,508,792
Pakistan investment bonds	11.6	17,834,896	5,780,174	23,615,070	17,859,019	4,056,656	21,915,675
Ordinary shares of listed companies		849,818	–	849,818	649,318	–	649,318
Ordinary shares of unlisted companies		138,955	–	138,955	123,101	–	123,101
Preference shares of listed company		40,000	–	40,000	40,000	–	40,000
Listed term finance certificates		1,082,970	–	1,082,970	1,494,001	–	1,494,001
Unlisted term finance certificates		784,718	–	784,718	803,189	–	803,189
Sukuk certificates and bonds		19,759,321	–	19,759,321	16,920,026	–	16,920,026
Open end mutual funds		10,298,235	–	10,298,235	12,790,730	–	12,790,730
Close end mutual funds		58,053	–	58,053	88,680	–	88,680
		<u>132,622,430</u>	<u>20,875,721</u>	<u>153,498,151</u>	<u>107,747,835</u>	<u>39,585,677</u>	<u>147,333,512</u>
Held-to-maturity securities							
Pakistan investment bonds	11.7	4,487,329	–	4,487,329	–	–	–
		<u>137,109,759</u>	<u>20,875,721</u>	<u>157,985,480</u>	<u>107,747,835</u>	<u>39,585,677</u>	<u>147,333,512</u>
Investments at cost							
Provision for diminution in the value of investments	11.3	(274,242)	–	(274,242)	(338,722)	–	(338,722)
		<u>136,835,517</u>	<u>20,875,721</u>	<u>157,711,238</u>	<u>107,409,113</u>	<u>39,585,677</u>	<u>147,994,790</u>
Investments net of provision							
Surplus / (deficit) on revaluation of available-for-sale securities - net	21	3,659,925	(637,848)	3,022,077	726,443	(262,070)	464,373
Investments after revaluation of available-for-sale securities							
		<u><u>140,495,442</u></u>	<u><u>20,237,873</u></u>	<u><u>160,733,315</u></u>	<u><u>108,135,556</u></u>	<u><u>39,323,607</u></u>	<u><u>147,459,163</u></u>

	Note	2012	2011
		Rupees in '000	
11.2 Investments by segments			
Federal government securities			
- Market treasury bills		96,871,011	92,508,792
- Pakistan investment bonds		28,102,399	21,915,675
- GOP ijarah sukuk		18,328,079	15,022,723
		143,301,489	129,447,190
Fully paid up ordinary shares			
- Listed companies		849,818	649,318
- Unlisted companies		138,955	123,101
		988,773	772,419
Fully paid up preference shares			
- Listed company		40,000	40,000
Term finance certificates, sukuk certificates and bonds			
- Listed term finance certificates		1,082,970	1,494,001
- Unlisted term finance certificates		784,718	803,189
- Sukuk certificates / bonds		1,431,242	1,897,303
		3,298,930	4,194,493
Mutual funds			
- Open end		10,298,235	12,790,730
- Close end		58,053	88,680
		10,356,288	12,879,410
Investments at cost		157,985,480	147,333,512
Provision for diminution in the value of investments	11.3	(274,242)	(338,722)
Investments - net of provisions		157,711,238	146,994,790
Surplus / deficit on revaluation of available-for-sale securities – net	21	3,022,077	464,373
Investments after revaluation of available-for-sale securities		160,733,315	147,459,163

	2012	2011
	Rupees in '000	
11.3 Particulars of provision for diminution in the value of investments		
- Opening balance	338,722	255,932
- Charge for the year	42,252	94,640
- Recovered during the year	(9,753)	-
- Net charge	32,499	94,640
- Reversal of provision upon disposal of investments	(67,786)	(11,850)
- Investment written off during the year	(29,193)	-
- Closing balance	<u>274,242</u>	<u>338,722</u>
11.3.1 Particulars of provision in respect of type and segment		
Available-for-sale securities		
Fully paid-up ordinary shares		
Listed companies	47,460	41,702
Unlisted companies	70,583	66,366
Fully paid-up preference shares		
Listed company	38,360	33,200
Term finance certificates, sukuk certificates and bonds		
Listed term finance certificates	-	98,923
Unlisted term finance certificates	26,037	23,688
Sukuk certificates / bonds	57,885	35,705
Mutual funds		
Close end	33,917	39,138
	<u>274,242</u>	<u>338,722</u>

11.4 Information relating to investments in federal government securities, ordinary and preference shares of listed and unlisted companies, open and close end mutual funds, listed and unlisted term finance certificates and sukuk certificates / bonds 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 consolidated financial statements.

11.5 These carry mark-up rates ranging from 9.14% to 10.34% (2011: 11.70% to 13.91%) per annum and will mature up to 14 November 2013.

11.6 These carry mark-up rates ranging from 9.00% to 12.00% per annum and will mature up to 19 July 2022. These includes Rs. 158,500 thousand (2011: 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 rate 12.00% per annum and will mature up to 18 August 2021.

	Note	2012	2011
		Rupees in '000	
12. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		99,708,381	98,115,904
Net investment in finance lease / ijarah financing			
In Pakistan	12.2	488,868	561,970
Net assets in ijarah under IFAS - 2	12.3	350,465	825,452
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		4,555,113	5,489,601
Payable outside Pakistan		14,196,896	14,686,721
		18,752,009	20,176,322
Advances – gross		119,299,723	119,679,648
Provision against non-performing advances			
- specific		(12,035,322)	(9,928,671)
- general		(353,674)	(94,263)
	12.7	(12,388,996)	(10,022,934)
Advances – net of provisions		106,910,727	109,656,714
12.1 Particulars of advances – gross			
12.1.1 In local currency		103,395,499	100,554,335
In foreign currencies		15,904,224	19,125,313
		119,299,723	119,679,648
12.1.2 Short term (for upto one year)		105,515,048	107,712,438
Long term (for over one year)		13,784,675	11,967,210
		119,299,723	119,679,648

12.2 Net investment in finance lease / ijarah financing

	2012				2011			
	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	121,757	266,876	50,687	439,320	186,952	342,566	1,389	530,907
Residual value	26,212	90,692	1,512	118,416	38,030	83,192	562	121,784
Minimum lease payments	147,969	357,568	52,199	557,736	224,982	425,758	1,951	652,691
Financial charges for future periods	(21,359)	(37,198)	(10,311)	(68,868)	(44,245)	(46,167)	(309)	(90,721)
Present value of minimum lease payments	126,610	320,370	41,888	488,868	180,737	379,591	1,642	561,970

12.3 Net book value of investments in Ijarah under IFAS-2 is net of depreciation of Rs. 390,590 thousand (2011: Rs. 489,496 thousand).

12.4 Advances include Rs. 17,729,487 thousand (2011 : Rs.15,427,848 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2012			2011		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Rupees in '000					
Substandard	154,747	34,369	34,369	435,122	84,115	84,115
Doubtful	2,247,960	673,447	673,447	2,081,269	583,816	583,816
Loss	15,328,257	11,327,506	11,327,506	12,911,457	9,260,740	9,260,740
	<u>17,729,487</u>	<u>12,035,322</u>	<u>12,035,322</u>	<u>15,427,848</u>	<u>9,928,671</u>	<u>9,928,671</u>

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

In accordance with BSD Circular No. 1 dated 21 October 2011 issued by SBP, during the year the Group has further availed the benefit of FSV against the non-performing advances (excluding consumer portfolio). Had this benefit of FSV not been taken by the Group, the specific provision against non-performing advances for the year would have been higher by Rs. 426,677 thousand (2011: Rs. 2,047,969 thousand) and profit after taxation for the year ended 31 December 2012 would have been lower by approximately Rs. 277,340 thousand (2011: Rs. 1,331,180 thousand). As of 31 December 2012, had the benefit of FSVs not taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 4,454,865 thousand (2011: Rs. 4,028,188 thousand) and accumulated profit would have been lower by Rs. 2,895,662 thousand (2011: Rs. 2,618,322 thousand). This amount of Rs. 2,895,662 thousand is not available for the distribution of cash and stock dividend to the shareholders.

12.6 The State Bank of Pakistan through its letter No. BPRD/BRD/HBL/2012/8653 dated: July 16, 2012 has also allowed deferral for classification and provisioning of outstanding liabilities of Byco Petroleum Pakistan Limited (BPPL) up to December 31, 2012 subject to completion of restructuring of the same on or before December 31, 2012. In this respect, the Consortium have reached a restructuring arrangement with BPPL and a term sheet has been signed by the borrower and Consortium banks. The Restructuring Agreements are currently in process of legal vetting by the respective banks' legal counsel and the restructuring would be effective from January 01, 2013.

12.7 Particulars of provision against non-performing advances

Note	2012			2011		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	9,928,671	94,263	10,022,934	7,463,452	58,919	7,522,371
Charge for the year	3,575,401	259,411	3,835,022	3,840,767	35,344	3,876,111
Reversals	(1,173,564)	-	(1,173,774)	(1,216,149)	-	(1,216,149)
Net charge for the year	2,401,837	259,411	2,661,248	2,624,618	35,344	2,659,962
Amount written off	12.9 (295,186)	-	(295,186)	(159,399)	-	(159,399)
Closing balance	12.8 <u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>	<u>9,928,671</u>	<u>94,263</u>	<u>10,022,934</u>

12.7.1 General provision includes provision of Rs. 5,385 thousand (2011: Rs. 19,610 thousand) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio. For the remaining balance of general provision refer note 5.4.

12.8 Particulars of provision against non-performing advances:

	2012			2011		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	11,830,082	353,674	12,183,756	9,507,672	94,263	9,601,935
In foreign currencies	205,240	–	205,240	420,999	–	420,999
	<u>12,035,322</u>	<u>353,674</u>	<u>12,388,996</u>	<u>9,928,671</u>	<u>94,263</u>	<u>10,022,934</u>

12.9 Particulars of write-offs:

	2012	2011
	Rupees in '000	
12.9.1 Against provisions	295,186	159,399
Directly charged to profit and loss account	–	–
	<u>295,186</u>	<u>159,399</u>
12.9.2 Write-offs of Rs. 500,000/- and above	284,119	158,139
Write-offs of below Rs. 500,000/-	11,067	1,260
	<u>295,186</u>	<u>159,399</u>

12.10 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 2012 is enclosed as Annexure II.

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

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	809,889	690,534
Loans granted during the year	465,351	407,313
Repayments	(328,043)	(287,958)
Balance at end of year	<u>947,197</u>	<u>809,889</u>
Debts due by companies or firms in which the directors of Group are interested as directors, partners or in the case of private companies as members		
Balance at beginning of year	1,776,952	2,198,466
Loans granted during the year	28,892,000	63,913,349
Repayments	(29,066,132)	(64,334,863)
Balance at end of year	<u>1,602,820</u>	<u>1,776,952</u>

	Note	2012	2011
Rupees in '000			
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	23,255	107,949
Property and equipment	13.2	2,976,428	3,087,959
Intangible assets	13.3	1,144	34,750
		<u>3,000,827</u>	<u>3,230,658</u>
13.1 Capital work-in-progress			
Civil works	13.1.1	16,113	105,169
Equipments		7,142	2,780
		<u>23,255</u>	<u>107,949</u>

13.1.1 This represents renovation carried out at the branches.

13.2 Property and equipment

	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 01 January 2012	Additions/ (deletions)	As at 31 December 2012	As at 01 January 2012	Charge for the year/ (deletions)	As at 31 December 2012	As at 31 December 2012	
Rupees in '000								
Freehold land	22,690	-	-	-	-	-	-	-
		(22,690)						
Leasehold land	50,688	-	7,488	2,430	317	1,117	6,371	1.49
		(43,200)			(1,630)			
Buildings / office premises	2,627,095	-	2,615,345	524,524	94,774	616,909	1,998,436	4
		(11,750)			(2,389)			
Furniture, fixtures, office and computer equipment	873,086	152,568	984,129	497,209	161,083	621,537	362,592	15 & 25
		(41,525)			(36,755)			
Vehicles	14,239	27,885	15,960	8,747	3,701	10,561	5,399	20
		(26,164)			(1,887)			
Leasehold improvements	992,153	264,689	1,243,751	459,082	193,667	640,121	603,630	20
		(13,091)			(12,628)			
2012	4,579,951	445,142	4,866,673	1,491,992	453,542	1,890,245	2,976,428	
		(158,420)			(55,289)			
	Cost			Depreciation			Book Value	Rate of depreciation %
	As at 01 January 2011	Additions/ (deletions)	As at 31 December 2011	As at 01 January 2011	Charge for the year/ (deletions)	As at 31 December 2011	As at 31 December 2011	
Rupees in '000								
Freehold land	22,690	-	22,690	-	-	-	22,690	-
Leasehold land	50,688	-	50,688	-	2,430	2,430	48,258	1.49 & 1.51
Buildings / office premises	2,355,143	271,952	2,627,095	435,770	88,754	524,524	2,102,571	4
Furniture, fixtures, office and computer equipment	710,997	189,610	873,086	361,883	161,918	497,209	375,877	15 & 25
		(27,521)			(26,592)			
Vehicles	13,060	13,970	14,239	6,736	4,020	8,747	5,492	20
		(12,791)			(2,009)			
Leasehold improvements	765,349	226,804	992,153	311,615	147,467	459,082	533,071	20
		-						
2011	3,917,927	702,336	4,579,951	1,116,004	404,589	1,491,992	3,087,959	
		(40,312)			(28,601)			

13.2.1 The cost of fully depreciated assets still in use is Rs. 593,491 thousands (2011: Rs.241,939 thousands).

13.2.2 Carrying amount of idle properties held as at 31 December 2012 is Rs. 516,761 thousands (2011: Rs. 538,987 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, whichever is lower are as follows:

Particulars	Cost	Book Value	Sale Proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Freehold land	22,690	22,690	25,000	Best available quotation	Mr. Mirza Muhammad Afridi
Leasehold land	43,200	41,571	44,000	Best available quotation	Mr. Haris Rais
Lease hold improvements	12,500	410	1,356	Best available quotation	M/s. Dubai Islamic Bank Pakistan Limited
Building / office premises	11,750	9,361	10,500	Best available quotation	Mrs. Shehnaz Javaid
Vehicles	1,327	1,205	1,460	As per holding company policy	Mr. Abdul Jabbar Karimi (Bank's employee)
Vehicles	1,277	1,221	1,520	As per holding company policy	Mr. Munawar Ali (Bank's employee)
Vehicles	1,260	1,181	1,460	As per holding company policy	Mr. Salman Ul Huq Siddiqui (Bank's employee)
Vehicles	1,210	1,102	1,529	Insurance claim	M/s. Adamjee Insurance Company Limited
Vehicles	1,175	1,074	1,322	As per holding company policy	Mr. Ahmed Fawad Hashmi (Bank's ex-employee)
Vehicles	1,169	1,096	1,342	As per holding company policy	Syed Waseem Ahmed (Bank's employee)
Vehicles	1,134	1,107	1,415	As per holding company policy	Mr. Khawaja Yousuf (Bank's employee)
Vehicles	1,119	1,055	1,351	As per holding company policy	Mr. Naweed Akbar (Bank's employee)
Vehicles	1,100	1,074	1,415	As per holding company policy	Mr. Pervaiz Zafar (Bank's employee)
Vehicles	1,040	956	1,235	As per holding company policy	Mr. Azam Zaidi (Bank's employee)
Vehicles	1,002	940	1,273	As per holding company policy	Mr. Ahmed Batavia (Bank's employee)
Vehicles	939	779	1,414	Insurance claim	M/s. Adamjee Insurance Company Limited
Vehicles	905	849	1,216	As per holding company policy	Mr. Khurshid Wahid (Bank's employee)
Vehicles	881	822	1,034	As per holding company policy	Mr. Usman N. Abedin (Bank's employee)
Vehicles	835	779	1,123	As per holding company policy	Mr. G.S. Jaffery (Bank's employee)
Vehicles	813	762	941	As per holding company policy	Mr. Arif Wadiwala (Bank's employee)
Vehicles	812	792	992	As per holding company policy	Mr. Rauf Rangoonwala (Bank's employee)
Vehicles	791	718	898	As per holding company policy	Mr. Minhaj Ahmed (Bank's employee)
Vehicles	769	707	898	As per holding company policy	Mr. Rizwan Ahmed Siddiqui (Bank's employee)
Vehicles	764	725	1,002	As per holding company policy	Mr. Arif Durvesh (Bank's employee)
Vehicles	755	670	1,047	As per holding company policy	Mr. Abdul Aziz Memon (Bank's employee)
Vehicles	745	727	941	As per holding company policy	Mr. Faisal Jilani (Bank's employee)
Vehicles	745	727	941	As per holding company policy	Mr. Zaheer Ahmed Sipra (Bank's employee)
Vehicles	724	684	898	As per holding company policy	Mr. Shakeel Ahmed Fasihi (Bank's employee)
Vehicles	723	702	898	As per holding company policy	Mr. Abbas Siddiqui (Bank's employee)
Vehicles	676	631	813	As per holding company policy	Mr. Intikhab Hussain Rizvi (Bank's employee)
Vehicles	485	451	684	As per holding company policy	Mr. Haroon Makani (Bank's employee)
Vehicles	444	413	781	As per holding company policy	Mr. Amir Daar (Bank's employee)
Furniture & fittings	400	342	342	As per holding company policy	Mr. Ahmed Fawad Hashmi (Bank's ex-employee)
Office Equipment	1,200	0	130	Best available quotation	M/s. Dubai Islamic Bank Pakistan Limited
Office Equipment	295	275	251	Insurance claim	M/s. Adamjee Insurance Company Limited
	<u>117,654</u>	<u>98,598</u>	<u>113,422</u>		

13.3 Intangible assets

This includes fully amortised intangible assets (computer software) still in use by the holding company, having cost of Rs. 27,875 thousand (2011: Rs. 27,875 thousand) and intangible assets (computer software) of the subsidiary company having cost and amortisation of Rs. 1,251 thousand and Rs. 108 thousand respectively.

	Note	2012	2011
		Rupees in '000	
14. DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
– Provision against diminution in the value of investments		66,050	90,043
– Provisions against non-performing advances (including off-balance sheet obligations)	30.3	3,424,087	2,549,617
– Provision against other assets		96,250	–
– Pre operation expenses of the subsidiary		152	472
		<u>3,586,539</u>	<u>2,640,132</u>
Deferred tax credits arising due to:			
– Surplus on revaluation of investment securities		(835,823)	(129,105)
– Accelerated depreciation		(475,635)	(490,516)
		<u>(1,311,458)</u>	<u>(619,621)</u>
Net deferred tax asset		<u><u>2,275,081</u></u>	<u><u>2,020,511</u></u>

14.1 Reconciliation of deferred tax

	Balance as at 01 January 2011	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2011	Recognised in profit & loss account	Recognised in equity	Balance as at 31 December 2012
Rupees in '000							
Deferred debits arising in respect of							
Deficit on revaluation of investments	427,787	–	(427,787)	–	–	–	–
Provision against diminution in value of investments	65,760	24,283	–	90,043	(23,993)	–	66,050
Provision against non-performing advances (including off-balance sheet obligation) - note 30.3	1,818,804	730,813	–	2,549,617	874,470	–	3,424,087
Provision against other assets	–	–	–	–	96,250	–	96,250
Pre operation expenses of the subsidiary	759	(286)	–	472	(320)	–	152
	2,313,110	754,810	(427,787)	2,640,132	946,407	–	3,586,539
Deferred credits arising due to							
Surplus on revaluation of investments	–	–	(129,105)	(129,105)	–	(706,718)	(835,823)
Accelerated depreciation	(444,023)	(46,493)	–	(490,516)	14,881	–	(475,635)
	(444,023)	(46,493)	(129,105)	(619,621)	14,881	(706,718)	(1,311,458)
Net deferred tax asset	1,869,087	708,317	(556,892)	2,020,511	961,288	(706,718)	2,275,081

	Note	2012	2011
		Rupees in '000	
15. OTHER ASSETS			
Income / mark-up accrued in local currency		3,264,972	3,220,615
Income / mark-up accrued in foreign currencies		38,941	57,556
Advances, deposits, advance rent and other prepayments		418,726	328,291
Branch adjustment account		533	66
Unrealized gain on forward foreign exchange contracts		645,145	1,017,920
Receivable from the SBP against encashment of government securities		217,063	109,229
Stationery and stamps on hand		32,821	33,428
Advance payments against ijarah		4,511	9,702
Advance payments against diminishing musharika		–	5,093
Advance payments against murabaha		100,657	719,882
Dividend receivable / encashment of sukuk certificates		–	142,842
Non-banking assets acquired in satisfaction of claims	15.1	921,813	–
Others		379,749	316,952
		<u>6,024,931</u>	<u>5,961,576</u>
Less: Provision against other assets	15.2	<u>(275,000)</u>	<u>(275,000)</u>
		<u>5,749,931</u>	<u>5,686,576</u>
15.1 Market value of Non-banking assets acquired during the year in satisfaction of claims			
		<u>1,261,515</u>	<u>–</u>
15.2 Provision held against other assets			
Opening balance		275,000	–
Charge for the year		–	275,000
Closing balance		<u>275,000</u>	<u>275,000</u>
16. BILLS PAYABLE			
In Pakistan		<u>4,092,268</u>	<u>3,733,794</u>
17. BORROWINGS			
In Pakistan		41,054,628	64,608,324
Outside Pakistan		514,541	2,032,902
		<u>41,569,169</u>	<u>66,641,226</u>
17.1 Particulars of borrowings in respect of currencies			
In local currency		41,054,628	64,518,378
In foreign currencies		514,541	2,122,848
		<u>41,569,169</u>	<u>66,641,226</u>

	Note	2012	2011
		Rupees in '000	
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan			
– under export refinance scheme		18,810,750	20,573,018
– under long term financing - export oriented projects		331,383	701,047
– under long term financing facility - locally manufactured plant and machinery		1,567,889	1,908,929
	17.2.1	<u>20,710,022</u>	<u>23,182,994</u>
Repurchase agreement borrowings (Repo)	17.2.2	<u>20,220,736</u>	<u>39,270,858</u>
		<u>40,930,758</u>	<u>62,453,852</u>
Unsecured			
Call borrowings	17.2.3	–	2,041,954
Overdrawn nostro accounts		514,541	2,032,902
Overdrawn local bank accounts		123,870	22,572
Other short term borrowing	17.2.4	–	89,946
		<u>638,411</u>	<u>4,187,374</u>
		<u>41,569,169</u>	<u>66,641,226</u>

17.2.1 These carrying mark-up rates ranging between 5.00% to 11.00% (2011: ranging between 4.00% to 11.00%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

17.2.2 This represents balance of repurchase agreement borrowings transactions (repo borrowings) with SBP / other financial institutions and are secured against Federal Government Securities and carry mark-up rate 8.85% (2011: ranging between 11.65% to 11.75%) per annum, with maturities up to 04 January 2013.

17.2.3 This is an unsecured borrowing from a Financial Institution, carrying mark-up rate Nil (2011: ranging between 11.30% to 13.15%) per annum.

17.2.4 This is an unsecured borrowing from a Financial Institution in foreign currency, carrying mark-up at the rate Nil (2011: 2.00%) per annum.

	Note	2012	2011
		Rupees in '000	
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		93,541,355	82,159,532
Savings deposits		54,785,453	44,166,722
Current accounts (non-remunerative)		53,335,479	45,008,091
Others		2,369,674	2,200,862
		<u>204,031,961</u>	<u>173,535,207</u>
Financial institutions			
Remunerative deposits		13,169,786	11,470,881
Non-remunerative deposits		469,085	275,128
		<u>13,638,871</u>	<u>11,746,009</u>
		<u>217,670,832</u>	<u>185,281,216</u>
18.1 Particulars of deposits			
In local currency		196,125,849	166,783,866
In foreign currencies		21,544,983	18,497,350
		<u>217,670,832</u>	<u>185,281,216</u>
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,235,079	4,259,190
Mark-up / return / interest payable in foreign currencies		47,952	39,507
Unearned commission and income on bills discounted		123,563	85,355
Accrued expenses	19.2	502,415	433,673
Current taxation (provisions less payments)		650,304	542,548
Provision against off-balance sheet obligations	19.1	98,727	38,922
Unclaimed dividend		4,013	2,088
Unrealized loss on forward foreign exchange contracts		653,777	1,009,558
Workers' welfare fund	29.1	426,902	270,293
Excise duty payable		2,113	9,595
Locker deposits		431,258	373,854
Advance against diminishing musharika		64,481	46,948
Advance rental for ijarah		11,577	4,824
Security deposits against leases / ijarah		245,835	346,367
Sundry creditors		149,716	144,220
Withholding tax / duties		47,985	121,281
Others		458,207	234,829
		<u>9,153,904</u>	<u>7,963,052</u>
19.1 Provision against off-balance sheet obligations			
Opening balance		38,922	38,922
Charge for the year		59,805	-
Closing balance		<u>98,727</u>	<u>38,922</u>
19.2 This includes liability in respect of employees compensated absences amounting to Rs. 149,405 thousand (2011: Rs. 90,525 thousand).			

20. SHARE CAPITAL

20.1 Authorised capital

2012 (Number of shares)	2011		2012 Rupees in '000	2011
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 (2011: 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

Federal government securities

Market treasury bills	371,564	324,173
Pakistan investment bonds	1,588,221	(32,953)
GOP ijarah sukuk	159,938	66,457

Fully paid-up ordinary shares

Listed shares	173,555	26,833
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Fully paid-up preference shares

Listed shares	2,561	-
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Term finance certificates, sukuk certificates and bonds

Listed term finance certificates	10,814	(17,787)
Unlisted term finance certificates	7,745	-
Sukuk certificates / bonds	(3,819)	(9,219)

Mutual funds

Open end	678,683	83,821
Close end	32,815	23,048

	3,022,077	464,373
Related deferred tax liability - net	(835,823)	(129,105)
	2,186,254	335,268

22. CONTINGENCIES AND COMMITMENTS	2012	2011
	Rupees in '000	
22.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	<u>47,341</u>	<u>71,012</u>
22.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	12,770,916	10,115,047
ii) Banking companies and other financial institutions	121,472	51,928
iii) Others	<u>2,896,002</u>	<u>3,193,794</u>
	<u>15,788,390</u>	<u>13,360,769</u>
22.3 Trade-related contingent liabilities		
Letters of credit	<u>51,509,313</u>	<u>50,815,273</u>
Acceptances	<u>7,993,332</u>	<u>12,360,730</u>
22.4 Commitments in respect of forward exchange contracts		
Purchase	<u>45,136,165</u>	<u>54,377,083</u>
Sale	<u>51,020,826</u>	<u>62,519,824</u>
22.5 Commitments in respect of operating leases		
Not later than one year	7,578	37,204
Later than one year and not later than five years	<u>8,111</u>	<u>24,346</u>
	<u>15,689</u>	<u>61,550</u>
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 recognized as an expense in the period in which termination takes place.		
22.6 Commitments for the acquisition of operating fixed assets	<u>35,018</u>	<u>9,105</u>
22.7 Claims against bank not acknowledged as debt	<u>2,332,580</u>	<u>2,424,410</u>
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 Group 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 the Group'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 in the statement of financial position under "other assets / other liabilities".

These products are offered to the Group's customers to protect from unfavorable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

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

24. MARK-UP / RETURN / INTEREST EARNED

	2012	2011
	Rupees in '000	
On loans and advances to:		
Customers	11,285,924	12,908,642
Financial institutions	12,283	21,534
	<u>11,298,207</u>	<u>12,930,176</u>
On investments in:		
Available-for-sale securities	14,829,637	13,535,198
Held-to-maturity securities	357,838	106,937
	<u>15,187,475</u>	<u>13,642,135</u>
On deposits with financial institutions	187,573	193,663
On securities purchased under resale agreements (Reverse repo)	481,628	497,411
	<u>27,154,883</u>	<u>27,263,385</u>

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits and other accounts	13,494,075	12,591,460
Securities sold under repurchase agreements	3,343,931	4,084,273
Short term borrowings	1,770,196	2,633,204
Long term borrowings	213,564	227,217
	<u>18,821,766</u>	<u>19,536,154</u>

	Note	2012	2011
		Rupees in '000	
26. GAIN ON SALE / REDEMPTION OF SECURITIES – NET			
Federal government securities			
Market treasury bills		460,913	106,374
Pakistan investment bonds		16,815	(33,490)
Fully paid-up ordinary shares			
Listed companies		60,454	19,796
Unlisted companies		26,123	–
Term finance certificate, sukuk certificates and bonds		99,634	8,331
Mutual funds		410,147	252,052
		<u>1,074,086</u>	<u>353,063</u>
27. OTHER INCOME			
Rent on properties		27,623	25,611
Net gain on sale of fixed assets		16,360	8,183
Recovery of expenses from customers	27.1	135,538	125,065
Incidental charges / service charges		49,918	46,607
Gain on sale of ijarah assets		16,604	1,503
Staff notice period and other recoveries		3,828	2,881
		<u>249,871</u>	<u>209,850</u>

27.1 Includes courier, telex, postage and other charges recovered from customers.

	Note	2012	2011
		Rupees in '000	
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		2,674,137	2,258,849
Contract staff		119,193	109,383
Charge for defined benefit plan	34.4	73,912	68,068
Contribution to defined contribution plan		101,308	88,195
Non-executive directors' fees, allowances and other expenses		4,410	5,080
Brokerage and commission		108,450	82,036
Rent, taxes, insurance, electricity etc.		818,914	641,080
Legal and professional charges		116,341	101,371
Communication		160,332	145,159
Repairs and maintenance		196,304	172,208
Rentals of operating leases		26,640	65,061
Stationery and printing		89,101	86,548
Management fee		166,688	161,950
Advertisement and publicity		68,931	33,998
Donations	28.1	33,414	34,096
Auditors' remuneration	28.2	7,921	5,679
Depreciation	13.2	453,542	404,589
Security charges		116,842	91,394
Travelling and conveyance		64,554	43,368
Computer software maintenance		46,015	55,906
Motor car running		62,043	48,043
Cartage, handling and freight charges		45,018	42,270
Subscriptions		78,319	76,636
Others		143,029	128,356
		<u>5,775,358</u>	<u>4,949,323</u>

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

DONEE

	2012	2011
	Rupees in '000	
The Citizens Foundation	9,000	7,932
Habib University Foundation	2,500	2,500
Mohamedali Habib Welfare Trust	2,500	2,500
Bait-ul-Sukoon	1,200	1,200
Memon Health and Education Foundation	1,200	1,200
Sindh Institute of Urology and Transplantation (SIUT)	1,000	1,000
Habib Medical Trust	960	1,460
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

DONEE	2012	2011
	Rupees in '000	
Abbas-e-Alamdar Hostel	660	685
Pakistan Memon Educational & Welfare Society	600	600
Abdul Sattar Edhi Foundation	500	500
Caravan of Life (Pak) Trust	500	500
M.B.J. Health Association	500	500
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
Afzaal Memorial Foundation	500	-
Zehra Homes	480	500
The Kidney Centre	350	250
Marie Adelaide Leprosy Centre	288	280
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
Fatimiyah Education Network (KPSIAJ)	250	250
Pak Medical and Welfare Trust	250	250
Patients' Aid Foundation	250	250
Patients Welfare Association	250	250
Poor Patients Aid Society Civil Hospital Karachi	250	250
Rotary Club of Karachi Continental	250	250
Shaukat Khanum Memorial Trust	250	250
Chhipa Welfare Association	250	100
Muhammadi Blood Bank Tranfusion Service Welfare Association	250	-
The Indus Hospital	250	-
True Worth Foundation	250	-
Ahmed Abdullah Foundation (MA Ayesha Memorial Centre)	200	200
Kashmir Education Foundation	200	200
IDA Rieu Poor Welfare Association	200	200
Bantva Anjuman Himayat-e-Islam	150	150
Child Aid Association	150	-
The Captain Foundation	150	-
Academy of Quaranic Studies	120	120
Al-Asad Welfare Trust	-	1,500
Thardeep Rural Development Programme	-	500
Dhoraji Association	-	375
SOS Childrens Village of Pakistan	-	250
The Layton Rahmatulla Benevolent Trust (LRBT)	-	250
Responsible Business Initiative	-	123
	32,748	33,415

None of the directors, executives and their spouses had interest in the donations disbursed during the years 2012 and 2011 except for donations paid to :

Name of Donee	Directors	Interest in Donee as
Habib Medical Trust, Karachi	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib Poor Fund, Karachi	Mr. Mohamedali R. Habib	Member of the Board of Trustees
Habib University Foundation, Karachi	Mr. Ali S. Habib Mr. Bashir Ali Mohammad Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors
Mohamedali Habib Welfare Trust, Karachi	Mr. Ali S. Habib	Member of the Board of Trustees
Shaukat Khanum Memorial Trust, Lahore	Mr. Ali S. Habib	Member of the Board of Governors

28.2 Auditors' remuneration	Note	2012	2011
		Rupees in '000	
Audit fee		1,691	1,584
Review of half-yearly financial statements		598	542
Certifications and agreed upon procedures engagements		4,822	2,875
Out-of-pocket expenses		810	678
		<u>7,921</u>	<u>5,679</u>
29. OTHER CHARGES			
Penalties imposed by the SBP		67,272	155,678
Workers' welfare fund	29.1	156,609	147,285
		<u>223,881</u>	<u>302,963</u>

29.1 Under the Workers' Welfare 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			
For the year			
Current		2,534,010	2,198,395
Prior years		72,244	(134,471)
Deferred		(961,288)	(708,317)
	30.2	<u>1,644,966</u>	<u>1,355,607</u>

30.1 a) Habib Metropolitan Bank Limited (holding company)

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

b) Habib Metropolitan Financial Services Limited (subsidiary company)

The subsidiary company has filed return of total income for the tax year 2012 (financial year ended 31 December 2011) 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

	2012	2011
	Rupees in '000	
Profit before tax	<u>5,037,995</u>	<u>4,644,806</u>
Tax at the applicable tax rate of 35% (2011: 35%)	1,763,298	1,625,682
Tax effect of income taxed at reduced rate	(151,951)	(322,843)
Others	<u>33,619</u>	52,768
Tax charge for the year	<u>1,644,966</u>	<u>1,355,607</u>

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 upto 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. 3,424,087 thousand (2011: Rs. 2,549,617 thousand).

31. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2012	2011
		Rupees in '000	
Profit after taxation		<u>3,393,029</u>	<u>3,289,199</u>
		(Number in '000)	
Weighted average number of ordinary shares		<u>1,047,831</u>	<u>1,047,831</u>
		Rupees	
Basic and diluted earnings per share		<u>3.24</u>	<u>3.14</u>

32. CASH AND CASH EQUIVALENTS

		2012	2011
		Rupees in '000	
Cash and balances with treasury banks	8	16,918,780	14,233,690
Balances with other banks	9	5,151,149	3,551,591
Overdrawn Nostro accounts	17.2	(514,541)	(2,032,902)
Overdrawn local banks accounts	17.2	(123,870)	(22,572)
		<u>21,431,518</u>	<u>15,729,807</u>

33. STAFF STRENGTH

		Number	
Permanent		2,418	2,205
Temporary / on contractual basis		<u>311</u>	<u>313</u>
Bank's own staff strength at the end of the year		2,729	2,518
Outsourced		<u>574</u>	<u>574</u>
Total staff strength		<u>3,303</u>	<u>3,092</u>

34. DEFINED BENEFIT PLAN

34.1 General description

The benefits under the funded gratuity scheme of the holding company 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 2012 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2012	2011
Discount rate – percent (per annum)	11.50	12.50
Expected rate of return on plan assets – percent (per annum)	11.50	14.00
Long term rate of salary increase – percent (per annum)	11.50	12.50

	Note	2012	2011
		Rupees in '000	
34.3 Reconciliation of defined benefit plan			
Fair value of plan assets	34.6	512,140	436,189
Present value of defined benefit obligation	34.7	(613,972)	(506,845)
Unrecognised actuarial loss		101,832	70,656
		-	-
34.4 Movement in defined benefit plan			
Opening balance		-	-
Charge for the year	34.5	73,912	68,068
Contribution to the fund		(73,912)	(68,068)
Closing balance		-	-
34.5 Charge for defined benefit plan			
Current service cost		59,672	55,592
Interest cost		60,808	57,165
Expected return on plan assets		(49,897)	(50,554)
Actuarial loss recognised		3,329	5,865
		73,912	68,068
34.6 Movement in fair value of plan assets			
Opening balance		436,189	337,025
Expected return on plan assets		49,897	50,554
Actuarial (loss) / gain recognized	34.8	(7,089)	4,071
Benefits paid		(40,769)	(23,529)
Contribution to the fund	34.4	73,912	68,068
Closing balance		512,140	436,189
34.7 Movement in present value of defined benefit obligation			
Opening balance		506,845	420,087
Current service cost		59,672	55,592
Interest cost		60,808	57,165
Actuarial loss / (gain) recognized	34.8	27,416	(2,470)
Benefits paid		(40,769)	(23,529)
Closing balance		613,972	506,845

	2012	2011
	Rupees in '000	
34.8 Annual actuarial / loss recognised		
Experience loss / (gain) on obligation	27,416	(2,470)
Experience loss / (gain) on plan assets	7,089	(4,071)
Total loss recognised during the year	<u>34,505</u>	<u>(6,541)</u>
34.9 Actual return on plan assets	<u>42,808</u>	<u>54,625</u>

34.10 Plan assets comprise the following:

	2012		2011	
	Rupees in '000	%	Rupees in '000	%
Bank deposits	512,140	100%	436,189	100%
34.10.1	<u>512,140</u>	<u>100%</u>	<u>436,189</u>	<u>100%</u>

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

34.11 Historical information

	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	613,972	506,845	420,087	355,096	263,311
Fair value of plan assets	(512,140)	(436,189)	(337,025)	(250,760)	(205,633)
Deficit	<u>101,832</u>	<u>70,656</u>	<u>83,062</u>	<u>104,336</u>	<u>57,678</u>
Actuarial (gain) / loss on obligation	<u>27,416</u>	<u>(2,470)</u>	<u>1,390</u>	<u>45,067</u>	<u>(9,754)</u>
Actuarial (gain) / loss on assets	<u>7,089</u>	<u>(4,071)</u>	<u>(14,060)</u>	<u>4,529</u>	<u>13,329</u>

35. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.9

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	Rupees in '000					
Fees	-	-	4,410	5,080	-	-
Managerial remuneration	59,426	45,000	-	-	1,863,238	1,144,715
Charge for defined benefit plan	254	250	-	-	46,943	2,779
Contribution to defined contribution plan	3,660	3,600	-	-	63,753	49,223
Utilities	-	-	1,668	1,447	-	-
Bonus	522	-	-	-	170,102	139,954
Others	4,566	3,600	6,024	3,640	4,175	-
	<u>68,428</u>	<u>52,450</u>	<u>12,102</u>	<u>10,167</u>	<u>2,148,211</u>	<u>1,336,671</u>
Number of persons	<u>3</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>835</u>	<u>685</u>

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and have been disclosed in Annexure "I".

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 Bank's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 41.6 and 41.5 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.

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2012			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	17,465,899	8,522,160	12,007,848	37,995,907
Total expenses *	(14,421,915)	(6,690,041)	(11,845,956)	(32,957,912)
Net income	<u>3,043,984</u>	<u>1,832,119</u>	<u>161,892</u>	<u>5,037,995</u>
Segment assets (gross)	174,427,551	1,102,977	125,209,282	300,739,810
Segment non performing loans	279,636	11,766	17,438,085	17,729,487
Segment provision required	69,514	7,940	11,957,868	12,035,322
Segment liabilities	20,752,589	109,273,979	142,459,605	272,486,173
Segment return on net assets (%)	10.01%	7.80%	9.59%	
Segment cost of funds (%)	8.27%	6.12%	9.46%	

	2011			
	Trade & Sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Total income *	15,480,926	8,716,737	15,246,863	39,444,526
Total expenses *	(13,748,362)	(8,122,442)	(12,928,916)	(34,799,720)
Net income	<u>1,732,564</u>	<u>594,295</u>	<u>2,317,947</u>	<u>4,644,806</u>
Segment assets (gross)	159,190,943	1,244,403	127,765,311	288,200,657
Segment non performing loans	119,252	16,756	15,291,840	15,427,848
Segment provision required	76,395	15,798	9,836,478	9,928,671
Segment liabilities	43,536,966	102,110,067	117,972,255	263,619,288
Segment return on net assets (%)	9.72%	8.54%	11.93%	
Segment cost of funds (%)	8.64%	7.95%	10.12%	

* Includes inter-segment revenues and expenses

39. TRANSACTIONS WITH RELATED PARTIES

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

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

31 December 2012

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
Rupees in '000						
Deposits						
At beginning of the year	178,264	4,880,012	60,025	73,571	1,548,662	6,740,534
Received during the year	15,500,722	815,009,513	407,791	668,410	4,862,281	836,448,717
Repaid during the year	(15,587,596)	(816,541,446)	(443,478)	(604,026)	(4,580,863)	(837,757,409)
At end of the year	91,390	3,348,079	24,338	137,955	1,830,080	5,431,842
Advances						
At beginning of the year	-	1,776,952	31,193	-	-	1,808,145
Disbursed during the year	-	28,892,000	6,245	-	-	28,898,245
Recovered during the year	-	(29,066,132)	(11,337)	-	-	(29,077,469)
At end of the year	-	1,602,820	26,101	-	-	1,628,921
Investment	-	53,642	-	-	-	53,642
Bank balances held by the Bank	77,497	1,980,921	-	-	-	2,058,418
Over drawn bank balances held by the Bank	-	246,158	-	-	-	246,158
Mark-up / return / interest receivable	-	11,330	-	-	-	11,330
Mark-up / return / interest payable	-	41,072	810	1,292	118,082	161,256
Management fee payable for technical and consultancy services *	159,288	-	-	-	-	159,288
Prepayments / advance deposits	-	26,164	-	-	-	26,164
Transaction-related contingent liabilities	-	1,456,588	-	-	-	1,456,588
Trade-related contingent liabilities	-	1,814,176	-	-	-	1,814,176
Advance received against prepaid card	-	6,640	-	-	-	6,640
Advance received against insurance premium	-	316	-	-	-	316
Receivable / (payable) against purchase / sale of securities	-	(9,952)	-	-	-	(9,952)
Receivable/ (Payable) of securities	-	-	(480)	-	-	(480)

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

	31 December 2011					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Deposits						
At beginning of the year	93,074	3,220,383	60,493	64,546	1,233,885	4,672,381
Received during the year	14,870,118	593,595,088	279,750	946,006	3,443,040	613,134,002
Repaid during the year	(14,784,928)	(591,935,459)	(280,218)	(936,981)	(3,128,263)	(611,065,849)
At end of the year	<u>178,264</u>	<u>4,880,012</u>	<u>60,025</u>	<u>73,571</u>	<u>1,548,662</u>	<u>6,740,534</u>
Advances						
At beginning of the year	-	2,198,466	22,316	-	-	2,220,782
Disbursed during the year	-	63,913,349	14,725	-	-	63,928,074
Recovered during the year	-	(64,334,863)	(5,848)	-	-	(64,340,711)
At end of the year	<u>-</u>	<u>1,776,952</u>	<u>31,193</u>	<u>-</u>	<u>-</u>	<u>1,808,145</u>
Bank balances held by the Bank	<u>197,044</u>	<u>31,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,141</u>
Over drawn bank balances held by the Bank	<u>-</u>	<u>1,049,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,728</u>
Mark-up / return / interest receivable	<u>-</u>	<u>10,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,937</u>
Mark-up / return / interest payable	<u>-</u>	<u>60,039</u>	<u>922</u>	<u>694</u>	<u>109,396</u>	<u>171,051</u>
Management fee payable for technical and consultancy services *	<u>143,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,500</u>
Prepayments / advance deposits	<u>-</u>	<u>18,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,190</u>
Transaction-related contingent liabilities	<u>-</u>	<u>1,402,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,402,878</u>
Trade-related contingent liabilities	<u>-</u>	<u>1,706,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,706,015</u>
Advance received against prepaid card	<u>-</u>	<u>678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678</u>
Advance received against insurance premium	<u>-</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363</u>
Receivable / (payable) against purchase / sale of securities	<u>-</u>	<u>(34,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,548)</u>
Receivable/ (Payable) of securities	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>60</u>

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

For the year ended 31 December, 2012

Transactions during the year	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up/return/interest earned	-	122,211	2,157	-	-	124,368
Mark-up/return/interest expensed	-	498,079	864	7,857	183,347	690,147
Commission / brokerage / bank charges recovered	-	19,052	-	-	-	19,052
Commission / brokerage / bank charges paid	1,502	1,453	55	-	-	3,010
Rent income	-	1,134	-	-	-	1,134
Dividend income	-	384	-	-	-	384
Gain on sale / redemption of securities	-	4	-	-	-	4
Salaries and allowances	-	-	164,013	-	-	164,013
Directors' fees	-	-	-	4,410	-	4,410
Contribution to defined benefit plan	-	-	-	-	73,912	73,912
Contribution to defined contribution plan	-	-	-	-	101,308	101,308
Rent expenses	-	18,130	-	-	-	18,130
Insurance premium expenses	-	55,149	-	-	-	55,149
Maintenance, electricity, stationery & entertainment expenses	-	38,309	-	-	-	38,309
* Management fee expense for technical and consultancy services	166,688	-	-	-	-	166,688
Donation paid	-	7,170	-	-	-	7,170
Professional / other charges paid	-	10,140	-	-	-	10,140

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

Transactions during the year	For the year ended 31 December, 2011					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Mark-up/return/interest earned	-	122,969	2,630	-	-	125,599
Mark-up/return/interest expensed	-	578,336	7,634	6,230	129,024	721,224
Commission / brokerage / bank charges recovered	-	23,074	32	-	-	23,106
Commission / brokerage / bank charges paid	1,976	8,931	-	-	-	10,907
Rent income	-	1,033	-	-	-	1,033
Net gain on sale of fixed assets	-	-	471	-	-	471
Salaries and allowances	-	-	121,487	-	-	121,487
Directors' fees	-	-	-	5,080	-	5,080
Contribution to defined benefit plan	-	-	-	-	68,068	68,068
Contribution to defined contribution plan	-	-	-	-	88,195	88,195
Rent expenses	-	16,964	-	-	-	16,964
Insurance premium expenses	-	32,742	-	-	-	32,742
Maintenance, electricity, stationery & entertainment expenses	-	31,983	-	-	-	31,983
* Management fee expense for technical and consultancy services	161,950	-	-	-	-	161,950
Donation paid	-	7,670	-	-	-	7,670
Professional / other charges paid	-	12,284	-	-	-	12,284

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

40. CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of applications

The Basel II Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary – Habib Metropolitan Financial Services Limited) and also on a stand alone basis.

40.2 Capital structure

Bank's regulatory capital has two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary company engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital of the Bank includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets) and revaluation reserves (subject to 45% of balances in revaluation reserves).

Detail of the Bank's eligible capital (on an consolidated basis) is as follows:

40.3 Regulatory capital base

	2012	2011
	Rupees in '000	
Tier I capital		
Shareholders' capital	10,478,315	10,478,315
Balance in share premium account	2,550,985	2,550,985
Reserves	6,937,292	6,256,733
Un-appropriated profit (net of losses)	6,100,791	4,958,503
Less: Deficit on account of revaluation of available-for-sale investments	-	-
Book value of Intangible assets	-	(34,750)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	-	(203,616)
Total tier I capital	26,067,383	24,006,170
Tier II capital		
General provision subject to 1.25% of total risk weighted assets	353,674	94,263
Add: Surplus on account of revaluation of available-for-sale investments	1,359,935	208,968
Total tier II capital	1,713,609	303,231
Eligible tier III capital	-	-
Total regulatory capital base	27,780,992	24,309,401

40.4 Objectives of managing capital

The objectives of the Bank's capital management are to ensure that the Bank complies with the regulatory capital requirement and maintain healthy capital ratios in order to support its business and maximise shareholders' value. Further, capital management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP.

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 07 dated 15 April 2009 has directed the banks to raise their minimum paid up capital to Rs. 9 billion (free of losses) by the end of financial year 2012.

Furthermore, the banks are required to increase their minimum paid up capital to Rs 10 billion (free of losses) in a phased manner by the end of financial year 2013.

The paid up capital of the Bank for the year ended 31 December 2012 was Rs. 10.478 billion and is in compliance with the SBP requirements for the said year.

In addition, the banks are also required to maintain the minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted assets of the Bank. The Bank's CAR as at 31 December 2012 was 17.22%.

The Bank has complied with all externally imposed capital requirements as at year end.

Capital requirements and risk weighted assets

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

	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	Rupees in '000			
Credit risk				
Portfolios subject to standardised approach (Simple)				
Cash and cash equivalents	-	-	-	-
Government of Pakistan and SBP	-	-	-	-
Public sector entities	45,076	37,607	450,759	376,070
Banks	438,328	295,914	4,383,283	2,959,143
Corporate	7,837,789	8,835,739	78,377,886	88,357,393
Retail	301,963	300,201	3,019,634	3,002,011
Residential mortgage finance	24,473	21,070	244,732	210,700
Past due loans	596,359	588,228	5,964,827	5,882,275
Listed, unlisted equity investments and regulatory capital instruments issued by other banks	241,399	216,459	2,412,268	2,164,591
Claims on fixed assets	299,967	323,066	3,000,827	3,230,658
All other assets	1,471,576	1,593,326	14,713,479	15,933,257
Off balance sheet - non market related	2,491,973	2,744,635	24,917,501	27,446,345
Off balance sheet - market related	64,429	124,275	644,285	1,242,746
Market risk				
Capital requirement for portfolios subject to <u>Standardised Approach</u>				
Interest rate risk	-	46,723	-	584,038
Foreign exchange risk	29,978	12,203	374,731	152,537
Equity position risk	-	-	-	-
Operational risk				
Capital requirement for operational risks subject to <u>Basic Indicator Approach</u>				
	1,821,039	1,695,542	22,780,663	21,194,275
	<u>15,664,349</u>	<u>16,834,988</u>	<u>161,284,875</u>	<u>172,736,039</u>
Capital adequacy ratio				
Total eligible regulatory capital held (note 40.3)	(a)	27,780,992	24,309,401	
Total risk weighted assets (note 40.4)	(b)	161,284,875	172,736,039	
Capital adequacy ratio	(a)/(b)	<u>17.22%</u>	<u>14.07%</u>	

41. 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.

41.1 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. 138.13 billion (2011: Rs. 150.80 billion) as depicted in note 40.4.

The holding'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 Bank 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.

41.1.1 Segmental information

Segment by class of business	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Agriculture, forestry, hunting and fishing	43,882	0.04	683,203	0.31	136,713	0.08
Automobile and transportation equipment	2,049,659	1.72	6,463,680	2.97	3,109,865	1.79
Cement	28,590	0.02	956,195	0.44	1,717,827	0.99
Chemicals and pharmaceuticals	7,835,348	6.57	3,774,390	1.73	5,007,035	2.88
Construction	900,240	0.75	1,233,542	0.57	557,257	0.32
Electronic and electrical appliances	3,423,101	2.87	2,528,120	1.16	4,264,610	2.45
Exports / imports	8,793,762	7.37	9,123,000	4.19	12,199,957	7.02
Financial	1,589,202	1.33	11,778,216	5.41	96,186,680	55.32
Footwear and leather garments	935,326	0.78	2,962,460	1.36	193,600	0.11
Individuals	1,153,910	0.97	74,614,790	34.28	-	-
Insurance	-	-	1,323,878	0.61	1,124	0.00
Mining and quarrying	504,063	0.42	316,481	0.15	142,712	0.08
Power (electricity), gas, water, sanitary	6,415,042	5.38	2,390,206	1.10	3,763,405	2.16
Services	1,445,969	1.21	5,266,030	2.42	1,329,323	0.76
Sugar	1,257,215	1.05	346,415	0.16	469,596	0.27
Textile	56,611,730	47.45	10,657,017	4.90	18,501,124	10.64
Transport, storage and communication	3,423,773	2.87	2,258,712	1.04	745,728	0.43
Wholesale and retail trade	3,027,399	2.54	6,512,970	2.99	1,553,517	0.89
Others	19,861,512	16.65	74,481,527	34.22	23,998,581	13.80
	<u>119,299,723</u>	<u>100.00</u>	<u>217,670,832</u>	<u>100.00</u>	<u>173,878,654</u>	<u>100.00</u>

Segment by sector	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rs. in '000)	%	(Rs. in '000)	%	(Rs. in '000)	%
Public / Government	8,168,748	6.85	18,260,154	8.38	2,230,697	1.15
Private	111,130,975	93.15	199,410,678	91.62	192,560,540	98.85
	<u>119,299,723</u>	<u>100.00</u>	<u>217,670,832</u>	<u>100.00</u>	<u>173,878,654</u>	<u>100.00</u>

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

	2012		2011	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Automobile and transportation equipment	98,186	57,518	104,486	42,025
Cement	25,000	20,920	25,000	18,160
Chemical and pharmaceuticals	34,003	–	44,592	–
Construction	136,506	7,728	377,298	136,638
Electronics and electrical appliances	854,508	691,410	659,935	603,878
Exports / imports	1,079,319	790,959	941,744	504,967
Financial	–	–	26,664	26,664
Footwear and leather garments	64,612	16,884	596,531	449,088
Individuals	57,835	9,509	44,659	40,711
Power (electricity), gas, water, sanitary	73,075	23,229	44,701	28,645
Services	247,381	101,262	267,953	92,014
Textile	13,101,012	9,127,412	10,958,524	7,157,535
Transport, storage and communication	116,961	111,353	121,414	109,566
Wholesale and retail trade	573,088	435,602	618,862	399,645
Others	1,268,001	641,536	595,485	319,135
	<u>17,729,487</u>	<u>12,035,322</u>	<u>15,427,848</u>	<u>9,928,671</u>

Details of non-performing advances and specific provisions by sector

	2012		2011	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in '000			
Private	<u>17,729,487</u>	<u>12,035,322</u>	<u>15,427,848</u>	<u>9,928,671</u>

Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	<u>5,037,995</u>	<u>300,739,810</u>	<u>28,253,637</u>	<u>173,878,654</u>

Total assets employed include intra group items of Rs. 77,497 thousand.

41.1.2 Credit risk: General disclosures – Basel II specific

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

Credit Risk: Disclosures for portfolio subject to the standardised approach & supervisory risk weights in the IRB approach – Basel II specific

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank 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 numerical scale of each agency used with risk bucket's as per SBP Basel II guidelines is given below:

Types of exposures and ECAI's used

Exposures	2012				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	–	–	–
Banks	✓	✓	✓	✓	–
Sovereigns	–	–	–	–	–
SME's	✓	✓	–	–	–
Securitisation	–	–	–	–	–
Others	–	–	–	–	–

41.2 Credit Exposures subject to Standardised Approach

Exposures	Rating category	2012			2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	3,238,102	58,582	3,179,520	6,296,358	–	6,296,358
	2	6,959,679	127,595	6,832,084	2,731,330	–	2,731,330
	5, 6	160,702	–	160,702	–	–	–
Claims on banks with original maturity of 3 months or less		3,358,618	–	3,358,618	6,406,013	–	6,406,013
Retail		7,771,227	1,513,009	6,258,218	4,606,799	604,118	4,002,681
Public sector entities	1	4,378,011	–	4,378,011	306,396	–	306,396
	2,3	36,941	–	36,941	–	–	–
Others		197,504,336	1,459,865	196,046,699	177,165,167	–	177,165,167
Unrated		108,381,372	6,227,599	102,153,773	89,764,938	1,104,374	88,660,564

Credit risk: Disclosures with respect to credit risk mitigation for standardised and IRB approaches-Basel II specific

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

The Group applies SBP specified haircut to collateral for Basel II 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 Group'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 II reporting.

Banking Book

All investments excluding trading book are considered as part of banking book.

Equity position risk in the banking book – Basel II specific

Investment in equities is governed by the Board of Directors' approved investment policies which restricts the equity portfolio as well as individual investments to avoid risk of concentration and excessive specific scrip holding. The Group's investment in equity is conservative and is driven by yield optimization and portfolio diversification objectives. As such the Group does not conduct 'trading' activities in equities.

The Bank books the equity at cost and has adopted 'mark to market' approach for equity valuation as per SBP guidelines which for Basel – II purposes prescribe 100% risk weight for listed equity and 150% risk weight for unlisted equity instruments (refer note 11 and annexure I for investment in listed and unlisted shares).

Composition of equity investments

	Held for Trading	Available for sale
	Rupees in '000	
Equity investments - publicly traded	–	907,871
Equity investments - others	–	138,955
Total value	–	1,046,826

The cumulative gain of Rs. 496,724 thousand has been realized from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 885,053 thousand was recognized in the statement of financial position in respect of available-for-sale securities.

41.3 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 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 further categorised into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

41.4 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's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs generally and frequently provide foreign exchange to the inter-Group market.

2012				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupee	275,275,994	250,315,195	3,607,429	28,568,228
United States Dollar	22,852,149	18,270,382	(5,328,145)	(746,378)
Euro	1,259,653	1,201,279	(20,233)	38,141
Great Britain Pound	535,202	2,363,251	1,815,373	(12,676)
Asian Currency Unit	715,061	329,836	-	385,225
Japanese Yen	14,385	4,637	(10,286)	(538)
Arab Emirates Dirham	23,688	114	(20,778)	2,796
Canadian Dollar	11,726	-	(10,238)	1,488
Australian Dollar	-	364	-	(364)
Saudi Riyal	5,652	-	-	5,652
Other currencies	46,300	1,115	(33,122)	12,063
	25,463,816	22,170,978	(3,607,429)	(314,591)
	300,739,810	272,486,173	-	28,253,637

2011				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupee	261,364,435	242,925,944	5,990,345	24,428,836
United States Dollar	23,603,574	18,079,818	(5,868,198)	(344,442)
Euro	1,763,457	991,017	(728,435)	44,005
Great Britain Pound	568,163	1,453,563	916,629	31,229
Asian Currency Unit	518,919	162,866	-	356,053
Japanese Yen	12,546	1,195	(10,198)	1,153
Arab Emirates Dirham	55,274	107	(24,497)	30,670
Canadian Dollar	297,122	-	(280,482)	16,640
Australian Dollar	-	2,720	6,394	3,674
Saudi Riyal	1,498	-	-	1,498
Other currencies	15,669	2,058	(1,558)	12,053
	26,836,222	20,693,344	(5,990,345)	152,533
	288,200,657	263,619,288	-	24,581,369

4.1.5 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:

2012

	Effective yield/interest rate %	Exposed to yield/interest risk										Non-interest bearing financial instruments	
		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													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	16,918,780	-	-	-	-	-	-	-	-	-	-	16,918,780
Balances with other banks	0.08% to 6.00%	5,151,149	1,469,829	-	-	-	-	-	-	-	-	-	3,681,320
Lending to financial institutions	6.00% to 15.50%	160,733,315	721,563	29,371,209	23,328,084	66,853,301	108,170	2,869,474	2,978,158	22,421,000	-	-	12,082,356
Advances	0.25% to 25.00%	106,910,727	9,184,101	74,764,217	15,836,302	1,878,345	1,493,149	905,919	1,497,517	1,290,743	60,434	-	-
Other assets	-	5,219,250	-	-	-	-	-	-	-	-	-	-	5,219,250
Liabilities		294,933,221	11,375,493	104,135,426	39,164,386	68,731,646	1,601,319	3,775,393	4,475,675	23,711,743	60,434	60,434	37,901,706
Bills payable	-	4,092,268	-	-	-	-	-	-	-	-	-	-	4,092,268
Borrowings	5.00% to 11.00%	41,569,169	20,943,416	9,019,816	9,257,839	252,937	437,594	330,987	519,953	168,217	-	-	638,410
Deposits and other accounts	0.25% to 16.67%	217,670,832	57,007,025	26,953,814	50,532,650	17,086,772	2,619,670	1,933,911	5,114,654	243,429	-	-	56,178,907
Other liabilities	-	8,424,730	-	-	-	-	-	-	-	-	-	-	8,424,730
On-balance sheet gap		271,756,999	77,950,441	35,973,630	59,790,489	17,339,709	3,057,264	2,264,898	5,634,607	411,646	-	-	69,334,315
Off-balance sheet financial instruments		23,176,222	(66,574,948)	68,161,796	(20,626,103)	51,391,937	(1,455,945)	1,510,495	(1,158,932)	23,300,097	60,434	60,434	(31,432,609)
Forward purchase		45,136,165	-	-	-	-	-	-	-	-	-	-	56,731,072
Forward sale		(51,020,826)	-	-	-	-	-	-	-	-	-	-	(60,338,502)
Off-balance sheet gap		(5,884,661)	-	-	-	-	-	-	-	-	-	-	(3,607,430)
Total yield / interest risk sensitivity gap		17,291,561	(66,574,948)	68,161,796	(20,626,103)	51,391,937	(1,455,945)	1,510,495	(1,158,932)	23,300,097	60,434	60,434	(35,040,039)
Cumulative yield / interest risk sensitivity gap		17,291,561	(66,574,948)	1,586,848	(19,039,255)	32,352,682	30,896,737	32,407,232	31,248,300	54,548,397	54,608,831	54,608,831	17,291,561

2011

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 instruments
	Rupees in '000										
	14,233,690	-	-	-	-	-	-	-	-	-	14,233,690
	3,551,591	2,265,133	-	-	-	-	-	-	-	-	1,286,458
	2,361,754	2,361,754	-	-	-	-	-	-	-	-	-
	147,459,163	100,119	18,586,897	37,383,304	44,254,387	7,742,511	1,063,000	11,181,765	13,660,372	-	13,486,808
	109,656,714	1,247,023	80,920,372	4,313,012	2,175,708	620,872	409,308	2,056,307	1,121,158	-	5,499,177
	5,174,445	-	-	-	-	-	-	-	-	-	5,174,445
	282,437,357	17,197,229	99,507,269	41,696,316	46,430,095	8,363,383	1,472,308	13,238,072	14,781,530	70,577	39,680,578
	3,733,794	-	-	-	-	-	-	-	-	-	3,733,794
	66,641,226	43,064,970	11,345,454	7,724,678	509,046	384,086	203,726	643,802	664,577	45,413	2,055,474
	185,281,216	55,033,738	25,216,881	39,215,568	8,585,237	1,869,326	2,609,670	3,332,944	1,932,497	-	47,485,355
	7,341,169	-	-	-	-	-	-	-	-	-	7,341,169
	262,997,405	98,098,708	36,562,335	46,940,246	9,094,283	2,253,412	2,813,396	3,976,746	2,597,074	45,413	60,615,792
	19,439,952	(80,901,479)	62,944,934	(5,243,930)	37,335,812	6,109,971	(1,341,088)	9,261,326	12,184,456	25,164	(20,935,214)
	54,377,083	-	-	-	-	-	-	-	-	-	54,377,083
	(62,519,824)	-	-	-	-	-	-	-	-	-	(62,519,824)
	(8,142,741)	-	-	-	-	-	-	-	-	-	(8,142,741)
	11,297,211	(80,901,479)	62,944,934	(5,243,930)	37,335,812	6,109,971	(1,341,088)	9,261,326	12,184,456	25,164	(29,077,955)
	11,297,211	(80,901,479)	(17,956,545)	(23,200,475)	14,135,337	20,245,308	18,904,220	28,165,546	40,350,002	40,375,166	11,297,211

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

	December 31, 2012	December 31, 2011
Reconciliation to total assets	(Rupees in '000)	(Rupees in '000)
Total financial assets	294,933,221	282,437,357
Add: non financial assets		
Operating fixed assets	3,230,658	3,230,658
Deferred tax assets	2,275,081	2,020,511
Other assets	530,681	512,131
	5,806,589	5,763,300
Balance as per Statement of financial position	300,739,810	288,200,657
Reconciliation to total liabilities		
Total financial liabilities	271,756,999	262,997,405
Add: non financial liabilities		
Other liabilities	729,174	621,883
	272,486,173	263,619,288
Balance as per Statement of financial position	272,486,173	263,619,288

41.6 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.

41.6.1 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.

2012

	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	16,918,780	-	-	-	-	-	-	-	-
Balances with other banks	5,151,149	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Investments	160,733,315	23,083,641	8,909,216	71,565,782	14,567,457	3,367,871	3,654,805	23,392,954	34,750
Advances	106,910,727	34,961,877	16,465,262	10,183,498	2,951,764	2,337,378	6,307,253	2,127,846	60,434
Operating fixed assets	3,000,827	49,137	147,381	295,143	453,825	243,496	232,404	523,620	957,567
Deferred tax assets	2,275,081	(27,915)	(69,802)	16,530	561,047	740,432	716,406	628,209	(151,696)
Other assets	5,749,931	4,970,690	145,442	150,856	110,438	35,491	16,504	-	-
	300,739,810	74,180,557	25,597,499	82,211,809	18,644,531	6,724,668	10,927,372	26,672,629	901,055
Liabilities									
Bills payable	4,092,268	-	-	-	-	-	-	-	-
Borrowings	41,569,169	9,019,816	9,257,839	252,937	437,594	330,987	519,953	168,217	-
Deposits and other accounts	217,670,832	26,827,090	14,440,509	17,086,771	2,619,670	1,933,911	5,114,654	243,431	-
Other liabilities	9,153,904	1,184,975	565,049	1,783,102	84,372	62,286	410,564	439,098	-
	272,486,173	179,703,348	24,263,397	19,122,810	3,141,636	2,327,184	6,045,171	850,746	-
Net assets / (liabilities)	28,253,637	(105,522,791)	1,334,102	63,088,999	15,502,895	4,397,484	4,882,201	25,821,883	901,055
Share capital	10,478,315								
Reserves	9,488,277								
Unappropriated profit	6,100,791								
Surplus on revaluation of assets - net of tax	2,186,254								
	28,253,637								

41.6.2 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.

2012

	Rupees in '000									
	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	
Assets										
Cash and balances with treasury banks	16,918,780	-	-	-	-	-	-	-	-	-
Balances with other banks	5,151,149	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	160,733,315	23,083,641	8,909,216	71,565,782	14,567,457	3,367,871	3,654,805	23,392,954	34,750	34,750
Advances	106,910,727	31,515,415	16,465,262	10,183,498	2,951,764	2,337,378	6,307,253	2,127,846	60,434	60,434
Operating fixed assets	3,000,827	49,137	147,381	295,143	453,825	243,496	232,404	523,620	957,567	957,567
Deferred tax assets	2,275,081	(138,130)	(69,802)	16,530	561,047	740,432	716,406	628,209	(151,696)	(151,696)
Other assets	5,749,931	4,970,690	320,510	145,442	150,856	35,491	16,504	-	-	-
	300,739,810	74,180,557	25,597,499	82,211,809	18,644,531	6,724,668	10,927,372	26,672,629	901,055	901,055
Liabilities										
Bills payable	4,092,268	-	-	-	-	-	-	-	-	-
Borrowings	41,569,169	9,019,816	9,257,839	252,937	437,594	330,987	519,953	168,217	-	-
Deposits and other accounts	217,670,832	38,672,862	26,159,458	75,682,012	20,198,242	19,512,484	5,114,654	243,428	-	-
Other Liabilities	9,153,904	1,184,975	565,049	1,783,102	84,372	62,286	410,564	439,098	-	-
	272,486,173	48,877,653	35,982,346	77,178,051	20,720,208	19,905,757	6,045,171	850,743	-	-
Net assets / (liabilities)	28,253,637	11,794,313	(10,384,847)	4,493,758	(2,075,677)	(13,181,089)	4,882,201	25,821,886	901,055	901,055
Share capital	10,478,315									
Reserves	9,488,277									
Unappropriated profit	6,100,791									
Surplus on revaluation of assets - net of tax	2,186,254									
	28,253,637									

41.7 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 Bank'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.

41.8 Operational risk - Disclosures Basel II 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. 1,822,453 thousand (2011: Rs. 1,695,542 thousand).

42. KEY ISLAMIC BANKING OPERATIONS

42.1 The holding company is operating 4 (2011: 4) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2012 and for the year are as follows:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		1,071,902	865,436
Balances with other banks		–	–
Due from financial institutions		–	–
Investments		16,401,280	10,050,774
Islamic financing and related assets	A-2.1	5,312,432	7,180,802
Operating fixed assets		13,358	13,733
Deferred tax assets		–	–
Other assets		862,624	499,565
		<u>23,661,596</u>	<u>18,610,310</u>
LIABILITIES			
Bills payable		141,298	123,105
Due to financial institutions		348,600	564,352
Deposits and other accounts			
– Current accounts		1,764,052	1,571,167
– Saving accounts		4,534,734	3,108,458
– Term deposits		10,240,495	6,999,909
– Others		106,287	64,345
– Deposits from financial institutions - remunerative		3,930,165	2,996,860
– Deposits from financial institutions - non - remunerative		1,607	6,735
Due to head office		–	597,648
Other liabilities		905,465	1,008,498
		<u>21,972,703</u>	<u>17,041,077</u>
NET ASSETS		<u>1,688,893</u>	<u>1,569,233</u>
REPRESENTED BY			
Islamic banking fund		1,002,429	1,002,249
Reserves		–	–
Unappropriated / unremitted profit		546,851	538,933
		<u>1,549,280</u>	<u>1,541,182</u>
Surplus on revaluation of assets		139,613	28,051
		<u>1,688,893</u>	<u>1,569,233</u>

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

2012

2011

Rupees in '000

Profit / return on financing, investments and placements earned	2,219,090	2,094,756
Profit / return on deposit and other dues expensed	(1,621,499)	(1,452,193)
Net spread earned	597,591	642,563
Provision against non performing financing	25,553	73,661
Provision for diminution in the value of investments	-	-
Provision for consumer financing Ijarah	(17)	(59)
Bad debts written off directly	-	-
Net spread after provisions	25,536	73,602
	572,055	568,961
OTHER INCOME		
Fee, commission and brokerage income	21,933	21,443
Dividend income	-	-
Income from dealing in foreign currencies	10,898	16,614
Gain on sale / redemption of securities	-	377
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	47,008	30,973
Total other income	79,839	69,407
	651,894	638,368
OTHER EXPENSES		
Administrative expenses	105,043	99,435
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	105,043	99,435
	546,851	538,933
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	546,851	538,933
42.2 Remuneration to Shariah Advisor / Board	1,836	1,683
42.3 Charity Fund		
Opening balance	10	33
Additions during the year	211	10
Payments / utilization during the year	(221)	(33)
Closing balance	-	10

A-2.1 Islamic financing and related assets

	2012	2011
	Rupees in '000	
Financings / investments / receivables		
– Murabaha	3,811,939	4,377,344
– Ijarah	422,920	932,855
– Diminishing musharaka	614,446	560,639
– Export refinance murabaha	343,176	564,352
– Foreign documentary bills purchased	–	10,935
– Receivable from customer against murabaha	14,784	–
	<u>5,207,265</u>	<u>6,446,125</u>
Advances		
– Advance against murabaha	100,657	719,882
– Advance against ijarah	4,510	9,702
– Advance against diminishing musharika	–	5,093
	<u>105,167</u>	<u>734,677</u>
	<u>5,312,432</u>	<u>7,180,802</u>
A-2.1.1 Islamic Mode of Financing		
Financings / investments / receivables	5,207,265	6,446,125
Advances	105,167	734,677
	<u>5,312,432</u>	<u>7,180,802</u>

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

- General pool - local currency,
- General pool - foreign currencies and
- IERS musharaka pool

42.4.1 Nature of general pools local and foreign currency.

- 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
 - Shariah compliance
- Priority of utilization of funds
 - Equity funds
 - Depositor 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. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be 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 quarter.

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.

42.4.2 IERS 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.

42.5 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

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

- a) Basis of profit allocation
- Rabbul Maal 30%
 - Mudarib 70%
- 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. 25,536 thousand has been made during the year 2012.

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

	2012		2011	
	Rupees in '000	%	Rupees in '000	%
Rabbul Maal	722,573	30%	744,809	30%
Mudarib	1,686,005	70%	1,737,887	70%
Distributable Income	<u>2,408,578</u>	<u>100%</u>	<u>2,482,696</u>	<u>100%</u>

42.8 Amount and percentage of mudarib share transferred to depositors through Hiba

	2012	2011
	Rupees in '000	
Mudarib share	1,686,005	1,737,887
Hiba	840,702	658,714
Hiba percentage of mudarib share	50%	38%

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

	2012	2011
Profit rate earned (per annum)	11.78%	13.75%
Profit rate distributed to depositors (per annum)	9.11%	10.07%

43. GENERAL

43.1 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on February 26, 2013 has proposed a cash dividend of Rs. 2.00 per share amounting to Rs. 2,095,663 thousand (2011: cash dividend of Rs. 1.50 per share amounting to Rs. 1,571,747 thousand) for approval by the members of the company in forthcoming Annual General Meeting.

43.2 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.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 26, 2013 by the Board of Directors of the Bank.

KASSIM PAREKH
Chairman

SIRAJUDDIN AZIZ
President &
Chief Executive Officer

TARIQ IKRAM
Director

WAZIR ALI KHOJA
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 1 year, with yield ranging between 9.14% to 10.34% (2011: 11.70% to 13.91%) per annum.

2. PAKISTAN INVESTMENT BONDS

These securities have a maturity period of 3 to 10 years with interest rates ranging between 9.00% to 12.00% (2011: 8.00% to 12.00%) per annum.

3. FULLY PAID-UP ORDINARY SHARES - LISTED

	2012		2011		2012		2011		2012		2011		2012		2011	
	No. of shares of Rs. 10/- each				Paid-up Value	Market Value	Cost	Rating								
Allied Bank Limited	429,722	-	4,297	31,580	-	28,153	-	AA+	-	28,153	-	AA+	-	28,153	-	AA+
Adamjee Insurance Company Limited	335,300	243,800	3,353	22,847	11,339	30,347	25,748	AA	AA	30,347	25,748	AA	AA	30,347	25,748	AA
Arif Habib Corporation Limited	807,500	-	8,075	19,477	-	23,592	-	AA	-	23,592	-	AA	-	23,592	-	AA
Attock Cement Limited	474,200	376,500	4,742	47,330	19,202	43,261	19,050	**	**	43,261	19,050	**	**	43,261	19,050	**
Bank Al Habib Limited	1,116,534	860,900	11,165	35,428	24,561	22,417	18,599	AA+	AA+	22,417	18,599	AA+	AA+	22,417	18,599	AA+
Bank Alfalah Limited	950,777	2,104,377	9,508	15,992	23,674	10,983	22,805	AA	AA	10,983	22,805	AA	AA	10,983	22,805	AA
DGK Cement Limited	1,575,681	1,075,681	15,757	86,001	20,470	70,586	24,848	**	**	70,586	24,848	**	**	70,586	24,848	**
Engro Chemical Pakistan Limited	-	183,000	-	-	1,830	16,964	-	AA-	AA-	16,964	-	AA-	AA-	16,964	-	AA-
EFU General Insurance Limited	155,000	-	1,550	14,266	-	13,186	-	AA	AA	13,186	-	AA	AA	13,186	-	AA
EFU Life Insurance Limited	518,296	-	5,183	44,838	-	47,165	-	AA-	AA-	47,165	-	AA-	AA-	47,165	-	AA-
Fatima Fertilizers Company Limited	4,050,000	4,050,000	40,500	106,920	92,826	57,105	57,105	A+	A	57,105	57,105	A+	A	57,105	57,105	A+
Fauji Fertilizers Company Limited	500,000	515,000	5,000	58,570	77,013	40,285	54,652	**	**	40,285	54,652	**	**	40,285	54,652	**
Habib Bank Limited	306,642	203,039	3,066	36,125	21,538	34,392	24,763	AAA	AAA	34,392	24,763	AAA	AAA	34,392	24,763	AAA
Habib Sugur Mills	-	2,509,925	-	-	5,881	54,993	-	AA+	AA+	54,993	-	AA+	AA+	54,993	-	AA+
HUB Power Company Limited	733,125	588,125	7,331	33,167	20,114	28,682	22,026	AA+	AA+	28,682	22,026	AA+	AA+	28,682	22,026	AA+
ICI Pakistan Limited	66,540	115,000	665	11,571	13,831	11,362	19,637	**	**	11,362	19,637	**	**	11,362	19,637	**
Kot Addu Power Company Limited	351,682	541,682	3,517	17,370	22,382	15,766	24,143	AA+	AA+	15,766	24,143	AA+	AA+	15,766	24,143	AA+
Lucky Cement Limited	534,081	349,381	5,341	80,935	26,218	72,391	25,865	**	**	72,391	25,865	**	**	72,391	25,865	**
MCB Bank Limited	60,400	140,000	604	12,669	18,844	10,895	27,630	AAA	AAA	10,895	27,630	AAA	AAA	10,895	27,630	AAA
Meezan Bank Limited	-	675,000	-	-	1,400	11,732	-	AA-	AA-	11,732	-	AA-	AA-	11,732	-	AA-
National Bank of Pakistan Limited	1,112,147	500,000	11,121	54,929	20,525	50,100	20,341	AAA	AAA	50,100	20,341	AAA	AAA	50,100	20,341	AAA
National Refinery Limited	75,756	70,756	758	16,038	17,172	24,361	23,090	AAA	AAA	24,361	23,090	AAA	AAA	24,361	23,090	AAA
Nishat Mills Limited	415,000	370,000	4,150	26,498	14,967	26,285	23,718	AA-	AA-	26,285	23,718	AA-	AA-	26,285	23,718	AA-
Oil and Gas Development Corporation Limited	278,500	145,000	2,785	53,642	21,985	46,254	19,568	AAA	AAA	46,254	19,568	AAA	AAA	46,254	19,568	AAA
Pak Oil Fields Limited	-	68,000	-	-	680	23,559	24,557	**	**	23,559	24,557	**	**	23,559	24,557	**
Pakistan Petroleum Limited	470,312	216,350	4,703	72,009	36,416	65,285	40,757	**	**	65,285	40,757	**	**	65,285	40,757	**
Soneri Bank Limited	867,954	781,941	8,680	6,154	3,050	13,480	13,480	AA-	AA-	13,480	13,480	AA-	AA-	13,480	13,480	AA-
United Bank Limited	825,758	402,258	8,258	69,091	21,074	63,485	24,261	AA+	AA+	63,485	24,261	AA+	AA+	63,485	24,261	AA+
				973,447	634,449	849,818	649,318			849,818	649,318			849,818	649,318	

**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	—			
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	31 December 2010	Mr. Michael Yap	**
Dawood Family Takaful Limited	4.67%	3,500,000	35,000	25,778	31 December 2011	Mr. Abdul Halim Nasri	**
Society for World Wide Inter Bank Fund Transfer (SWIFT)	—	36	7,844	12,103	31 December 2011	Mr. Lazaro Campos	**
Karachi Stock Exchange Limited	—	4,007,383	34,750	N/A	N/A	Mr. Nadeem Naqvi (Managing Director)	**
			<u>138,955</u>				

** Ratings are not available

5. FULLY PAID-UP PREFERENCE SHARES - LISTED

	2012	2011
Chenab Limited		
Preference shares of Rs. 10/- each	No. of shares	Rupees in '000
	<u>4,000,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>40,000</u>

These are non-voting, cumulative preference shares and carry preferred dividend of 9.25% (2011: 9.25%) per annum on cumulative basis and have a market value of Rs. 1,640 thousand (2011: 6,800 thousand) as at 31 December 2012.

6. TERM FINANCE CERTIFICATES - LISTED

	No. of certificates of Rs. 5,000/- each		Market Value		Cost		Rating	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees in '000							
Al Zamin Leasing Modaraba Limited	—	10,000	—	38,924	—	38,924	—	**
Allied Bank Limited I	10,000	10,000	50,777	50,010	49,880	49,900	AA	AA-
Allied Bank Limited II	59,839	59,839	291,365	283,530	298,836	298,956	AA	AA-
Askari Bank Limited I	5,000	5,000	24,915	24,915	24,925	24,935	AA-	AA-
Askari Bank Limited II	2,000	2,000	10,064	9,932	9,972	9,976	AA-	AA-
Askari Bank Limited III	15,000	15,000	82,731	76,724	74,910	74,940	AA-	AA-
Bank Al Habib Limited I	—	23,000	—	69,433	—	76,276	AA	AA
Bank Al Habib Limited II	10,000	10,000	51,427	51,307	49,890	49,910	AA	AA
Engro Chemical Pakistan Limited - IPO	20,000	20,000	97,345	97,843	99,800	99,840	A	AA
Faysal Bank Limited I	1,974	1,974	2,466	4,946	2,462	4,925	AA-	AA-
Faysal Bank Limited II	7,994	7,994	40,543	39,664	39,638	39,502	AA-	AA-
Financial Receivables Securitization Limited	5,000	5,000	6,295	10,358	6,248	10,413	A+	A+
Jahangir Siddiqui & Company Limited	—	10,000	—	25,110	—	24,955	—	AA
NIB Bank Limited	33,388	33,388	167,133	163,431	162,414	161,137	A+	A+
Orix Leasing Pakistan Limited II	—	10,000	—	8,060	—	8,327	—	AA+
Pak Arab Fertilizer Limited	30,000	30,000	45,030	111,518	45,288	110,459	AA	AA
Pak HY Oils Limited	—	12,000	—	60,000	—	60,000	—	**
Pakistan Mobile Communication (Private) Limited	8,000	8,000	6,684	20,024	6,656	19,968	AA-	AA-
Soneri Bank Limited	17,000	17,000	21,106	63,190	21,199	63,597	A+	A+
Standard Chartered Bank Limited I	4,742	4,742	5,945	16,977	5,932	16,583	AAA	AAA
United Bank Limited I	—	10,000	—	31,508	—	33,250	—	AA
United Bank Limited II	6,500	6,500	32,378	30,891	31,880	28,815	AA	AA
United Bank Limited III	5,000	5,000	16,913	24,870	16,633	24,950	AA	AA
United Bank Limited IV	9,994	9,994	50,040	49,780	46,747	46,148	AA	AA
World Call Telecom Limited III	41,996	41,996	90,712	104,337	89,660	117,315	D	A
			<u>1,093,869</u>	<u>1,467,282</u>	<u>1,082,970</u>	<u>1,494,001</u>		

**Ratings are not available

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

	Coupon rate	Payment	Maturity date
Allied Bank Limited I	6 months KIBOR plus 190 bps	Semi annually	6-Dec-14
Allied Bank Limited II	6 months KIBOR plus 85 bps	Semi annually	28-Aug-19
Askari Bank Limited I	6 months KIBOR plus 250 bps	Semi annually	4-Feb-13
Askari Bank Limited II	6 months KIBOR plus 150 bps	Semi annually	31-Oct-13
Askari Bank Limited III	6 months KIBOR plus 150 bps	Semi annually	18-Nov-19
Bank Al Habib Limited II	6 months KIBOR plus 195 bps	Semi annually	7-Feb-15
Engro Chemical Pakistan Limited - IPO	6 months KIBOR plus 155 bps	Semi annually	30-Nov-15
Faysal Bank Limited I	6 months KIBOR plus 140 bps	Semi annually	12-Nov-14
Faysal Bank Limited II	6 months KIBOR plus 225 bps	Semi annually	27-Dec-17
Financial Receivables Securitization Limited	6 months KIBOR plus 200 bps	Semi annually	27-Dec-13
NIB Bank Limited	6 months KIBOR plus 170 bps	Semi annually	5-Mar-16
Pak Arab Fertilizer Limited	6 months KIBOR plus 150 bps	Semi annually	28-Feb-13
Pakistan Mobile Communication (Private) Limited	6 months KIBOR plus 285 bps	Semi annually	31-May-13
Soneri Bank Limited	6 months KIBOR plus 160 bps	Semi annually	5-May-13
Standard Chartered Bank Limited I	6 months KIBOR plus 200 bps	Semi annually	1-Feb-13
United Bank Limited II	Fixed @ 9.49% per annum	Semi annually	15-Mar-13
United Bank Limited III	6 months KIBOR plus 170 bps	Semi annually	8-Sep-14
United Bank Limited IV	6 months KIBOR plus 115 bps	Semi annually	14-Feb-18
World Call Telecom Limited III	6 months KIBOR plus 160 bps	Semi annually	7-Oct-13

7. TERM FINANCE CERTIFICATES - UNLISTED

	2012		2011		2012		2011		2012		2011	
	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	No. of certificates of Rs. 5,000/- each	Cost Rupees in '000	Rating	Rating
Avari Hotels Limited (Chief Executive: Mr. Brayan Dinshawji Avari)	20,000	84,914	20,000	84,914	84,914	84,914	A-	A-	A-	(SO)		
Bunny's Limited (Chief Executive: Mr. Razaqat)	1,020	5,100	1,020	5,100	5,100	5,100	**	**	**	**		
New Allied Electronics Industries (Private) Limited (Chief Executive: Mr. Mian Pervaiz Akhtar)	10,000	21,138	10,000	21,138	21,138	21,138	**	**	**	**		
Pakistan International Airlines Corporation Limited (Managing Director: Mr. Muhammad Junaid Yunus)	27,411	136,945	27,411	136,945	136,945	136,945	**	**	**	**		
Bank Al Falah Limited IV (Chief Executive: Mr. Atif Bajwa)	15,000	74,910	15,000	74,910	74,910	74,910	AA-	AA-	AA-	AA-		
Bank Al Habib Limited III (Chief Executive: Mr. Abbas D. Habib)	20,000	99,720	20,000	99,720	99,720	99,720	AA	AA	AA	AA		
Engro Chemical Pakistan Limited - Perpetual (Chief Executive: Mr. Khalid Siraj Subhani)	24,000	119,551	24,000	119,551	119,551	119,551	A	A	A	AA		
Faysal Bank Limited III (Chief Executive: Mr. Naved A. Khan)	30,000	149,880	30,000	149,880	149,880	149,880	AA-	AA-	AA-	AA-		
Orix Leasing Pakistan Limited III (Chief Executive: Mr. Teizoon Kisat)	40,000	33,333	40,000	33,333	33,333	33,333	AA+	AA+	AA+	AA+		
Security Leasing Corporation Limited (Chief Executive: Mr. M. Khalid Ali)	10,000	9,227	10,000	9,227	9,227	9,227	**	**	**	**		
Standard Chartered Bank Limited II (Chief Executive: Mr. Mohsin Ali Nathani)	10,000	50,000	-	50,000	50,000	-	AAA	AAA	-	-		
		<u>784,718</u>		<u>803,189</u>		<u>803,189</u>						

**Ratings are not available

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

	Coupon rate	Payment	Maturity date
Avari Hotels Limited	1 Year KIBOR plus 250 bps	Semi annually	1-Nov-14
Bunny's Limited	6 months KIBOR plus 250 bps	Semi annually	1-Dec-13
New Allied Electronics Industries (Private) Limited	3 months KIBOR plus 275 bps	Quarterly	21-May-12
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 85 bps	Semi annually	19-Feb-13
Bank Al Falah Limited IV	6 months KIBOR plus 250 bps	Semi annually	2-Dec-17
Bank Al Habib Limited III	Fixed @ 15.50% per annum	Quarterly	15-Jun-17
Engro Chemical Pakistan Limited - Perpetual	6 months KIBOR plus 170 bps	Semi annually	18-Sep-18
Faysal Bank Limited III	6 months KIBOR plus 190 bps	Semi annually	10-Feb-13
Orix Leasing Pakistan Limited III	6 months KIBOR plus 140 bps	Semi annually	15-Jan-13
Security Leasing Corporation Limited	Fixed @ 6% per annum	Monthly	28-Jan-14
Standard Chartered Bank Limited II	6 months KIBOR plus 75 bps	Semi annually	18-May-22

8. SUKUK CERTIFICATES AND BONDS

	2012	2011	2012	2011	2012	2011
	No. of certificates of Rs. 5,000/- each		Cost Rupees in '000		Rating	
Amreli Steel (Private) Limited	16,000	16,000	73,600	80,000	A-	A-
Engro Chemical Pakistan Limited I	20,000	20,000	97,036	96,353	**	**
Engro Chemical Pakistan Limited II	10,000	10,000	50,000	50,000	**	**
Engro Foods Limited	20,000	20,000	100,000	100,000	A+	A
GOP Ijarah Sukuk-3rd Issue	-	360,486	-	1,802,431	-	**
GOP Ijarah Sukuk-4th Issue	-	560,058	-	2,800,291	-	**
GOP Ijarah Sukuk-5th Issue	904,000	904,000	4,520,000	4,520,000	**	**
GOP Ijarah Sukuk-8th Issue	180,000	180,000	900,000	900,000	**	**
GOP Ijarah Sukuk-9th Issue	260,534	1,000,000	1,302,669	5,000,000	**	**
GOP Ijarah Sukuk-10th Issue	701,082	-	3,505,410	-	**	-
GOP Ijarah Sukuk-11th Issue	200,000	-	1,000,000	-	**	-
GOP Ijarah Sukuk-12th Issue	1,420,000	-	7,100,000	-	**	-
K.S.Sulemanji Esmailji & Sons (Private) Limited	30,000	30,000	79,759	79,759	**	**
Liberty Power Technology Limited	105,261	108,754	505,085	531,899	A+	**
Maple Leaf Cement Limited I	21,000	21,000	99,813	100,515	BB+	D
Maple Leaf Cement Limited II	788	788	1,311	3,937	BB+	D
Sitara Energy Limited	9,864	9,864	35,227	42,272	**	**
Sitara Per Oxide Limited	20,000	20,000	88,244	93,750	**	**
Sui Southern Gas Company Limited	-	80,000	-	159,319	-	AA
Three Star Hosiery Mills Limited	1,900	1,900	9,500	9,500	**	**
WAPDA 1st Issue	-	50,000	-	200,000	-	**
WAPDA 2nd Issue	70,000	70,000	291,667	350,000	**	**
			<u>19,759,321</u>	<u>16,920,026</u>		

**Ratings not available

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

	Coupon rate	Payment	Maturity date
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-5th Issue	*6 months T Bills cut off	Semi annually	15-Nov-13
GOP Ijarah Sukuk-8th Issue	*6 months T Bills cut off	Semi annually	16-May-14
GOP Ijarah Sukuk-9th Issue	*6 months T Bills cut off	Semi annually	26-Dec-14
K.S.Sulemanji Esmailji & Sons (Private) Limited	3 months KIBOR plus 140 bps	Quarterly	30-Jun-14
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-13
Maple Leaf Cement Limited II	3 months KIBOR plus 100 bps	Quarterly	31-Mar-12
Sitara Energy Limited	6 months KIBOR plus 115 bps	Semi annually	16-May-13
Sitara Per Oxide Limited	3 months KIBOR plus 110 bps	Quarterly	19-Aug-16
Three Star Hosiery Mills Limited	6 months KIBOR plus 325 bps	Semi annually	4-Aug-13
WAPDA 2nd Issue	6 months KIBOR plus 35 bps	Semi annually	13-Jul-17

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

9. OPEN END MUTUAL FUNDS

	2012		2011		2012		2011		2012		2011		2012		2011	
	No. of Units		No. of Units		Net Asset Value		Net Asset Value		Rupees in '000		Cost		Rating		Rating	
ABL Cash Fund	52,679,924	113,933,827	527,337	1,141,480	506,202	1,160,000	AA (f)	AA + (f)					AA (f)	AA + (f)		
ABL Income Fund	24,538,718	52,426,713	245,760	525,090	228,408	529,974	A + (f)	A + (f)					A + (f)	A + (f)		
ABL Stock Fund	2,719,061	-	32,932	-	30,000	-	5 Star	-					5 Star	-		
ABL Government Securities Fund	6,645,211	-	66,498	-	62,181	-	A + (f)	-					A + (f)	-		
ABL AMC Capital Protected Fund	2,508,675	-	27,053	-	25,000	-	A + (f)	-					A + (f)	-		
Alfalsh GHP Cash Fund	424,751	199,999	212,668	100,107	201,917	100,000	**	**					**	**		
Arif Habib Dow Jones Safe Pak Titans 15 Index Fund	-	415,762	-	20,929	-	20,000	-	**					-	**		
Askari Sovereign Cash Fund	5,196,541	5,197,849	522,406	522,363	501,541	535,969	AAA (f)	AA + (f)					AAA (f)	AA + (f)		
Askari Asset Allocation Fund	471,154	-	21,773	-	20,227	-	4 Star	-					4 Star	-		
Atlas Money Market Fund	638,274	791,567	322,361	398,617	305,451	400,048	AA (f)	AA + (f)					AA (f)	AA + (f)		
Atlas Stock Fund	179,967	-	75,751	-	70,000	-	4 Star	-					4 Star	-		
BMA Empress Cash Fund	8,158,504	6,434,694	82,744	65,084	79,716	66,955	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
BMA Chundrigar Road Saving Fund	4,969,824	-	39,836	-	35,000	-	A + (f)	-					A + (f)	-		
Faysal Saving & Growth Fund	1,546,103	3,657,871	159,558	378,846	150,478	373,995	AA - (f)	A + (f)					AA - (f)	A + (f)		
First Habib Cash Fund	1,072,976	1,176,394	107,470	121,179	102,363	120,000	AA (f)	AA + (f)					AA (f)	AA + (f)		
First Habib Income Fund	747,180	1,284,564	74,774	131,984	71,417	130,000	AA - (f)	AA - (f)					AA - (f)	AA - (f)		
HBL Income Fund	-	1,057,706	-	108,599	-	103,551	-	A + (f)					-	A + (f)		
HBL Money Market Fund	3,119,856	3,344,039	315,758	345,043	298,786	340,000	AA (f)	AA + (f)					AA (f)	AA + (f)		
IGI Capital Protected Fund	210,684	203,278	21,167	19,457	20,000	20,000	AAA (cp)	**					AAA (cp)	**		
IGI Income Fund	771,171	728,235	79,583	73,263	73,427	75,000	A + (f)	A + (f)					A + (f)	A + (f)		
IGI Money Market Fund	2,443,554	3,529,619	247,423	355,369	232,015	330,657	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
JS Cash Fund	1,403,487	1,382,971	143,338	140,123	133,367	140,000	AA + (f)	AA + (f)					AA + (f)	AA + (f)		
JS Fund Of Fund	-	564,560	-	49,800	-	50,000	-	**					-	4 - Star		
Lakson Asset Allocation Global Commodities Fund	999,403	999,403	104,191	101,978	94,753	100,000	**	**					**	**		
Lakson Asset Allocation Developed Market Fund	529,147	499,735	55,908	50,986	50,000	50,000	**	**					**	**		
Lakson Asset Allocation Emerging Market Fund	528,789	499,735	56,532	50,980	50,000	50,000	2 Star	3 Star					2 Star	3 Star		
Lakson Equity Fund	-	134,172	-	12,399	-	14,000	A + (f)	AA - (f)					A + (f)	AA - (f)		
Lakson Income Fund	1,710,894	982,499	172,000	99,497	165,185	100,000	AA (f)	AA (f)					AA (f)	AA (f)		
Lakson Money Market Fund	8,792,609	5,744,440	880,582	579,893	844,361	580,000	AA (f)	AA + (f)					AA (f)	AA + (f)		
MCB Cash Management Optimizer	5,249,272	9,848,054	526,347	1,013,223	504,136	1,000,000	A + (f)	A + (f)					A + (f)	A + (f)		
MCB Dynamic Cash Fund	2,646,820	4,085,487	268,606	422,611	252,385	421,629	AA (f)	AA (f)					AA (f)	AA (f)		
MCB Stock Fund	261,948	304,012	27,755	23,774	25,279	25,000	A - (f)	A (f)					A - (f)	A (f)		
Meezan Cash Fund	7,586,013	12,807,063	380,363	642,150	360,096	640,846	AA (f)	AA (f)					AA (f)	AA + (f)		

	2012		2011		2012		2011		2012		2011	
	No. of Units		Net Asset Value		Rupees in '000		Cost		Rupees in '000		Rating	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Meezan Islamic Income Fund	1,757,575	3,102,090	89,882	157,400	81,140	157,674	157,674	157,674	81,140	157,674	A - (f)	A (f)
Meezan Sovereign Fund	10,848,108	21,240,224	543,816	1,068,808	513,787	1,085,000	1,085,000	1,085,000	513,787	1,085,000	AA (f)	AA + (f)
MSF Perpetual	35,600,993	33,187,218	1,783,610	1,698,542	1,612,312	1,601,117	1,601,117	1,601,117	1,612,312	1,601,117	AA (f)	AA (f)
Nafa Financial Sector Income Fund	18,245,085	8,433,433	188,528	86,139	175,000	85,000	85,000	85,000	175,000	85,000	A + (f)	AA (f)
Nafa Government Securities Liquid Fund	73,474,591	14,771,221	738,677	150,402	702,859	150,000	150,000	150,000	702,859	150,000	AAA(f)	AAA (f)
Nafa Income Opportunity Fund (Formerly: Nafa Cash Fund)	-	12,261,190	-	117,400	-	122,897	122,897	122,897	-	122,897	-	A (f)
Nafa Stock Fund	10,981,780	3,945,271	99,705	23,931	83,869	25,000	25,000	25,000	83,869	25,000	4 - Star	3 - Star
Nafa Money Market Fund	10,497,165	-	105,326	-	100,000	-	-	-	100,000	-	AA (f)	-
National Investment Trust	6,762,012	5,602,522	224,431	145,105	210,745	150,000	150,000	150,000	210,745	150,000	2 - Star	3 - Star
NIT Government Bond	10,224,706	-	107,524	-	100,000	-	-	-	100,000	-	AA (f)	-
NIT Income Fund	19,720,346	-	214,246	-	201,004	-	-	-	201,004	-	A + (f)	-
Pak Oman Government Securities Fund	2,882,903	980,162	29,694	10,029	26,501	10,000	10,000	10,000	26,501	10,000	AA (f)	AA (f)
Pakistan Income Enhancement Fund	-	2,283,002	-	119,127	-	116,564	116,564	116,564	-	116,564	-	AA - (f)
Pakistan Income Fund	-	1,896,859	-	101,558	-	100,097	100,097	100,097	-	100,097	-	AA - (f)
Pakistan Stock Market Fund	940,866	509,061	59,594	24,807	53,542	25,000	25,000	25,000	53,542	25,000	3 - Star	-
PICIC Cash Fund	1,840,205	-	184,901	-	175,316	-	-	-	175,316	-	AA + (f)	-
PICIC Income Fund	925,458	1,401,446	93,453	141,364	86,122	140,838	140,838	140,838	86,122	140,838	A + (f)	A + (f)
Primus Cash Fund	103,541	-	10,377	-	10,000	-	-	-	10,000	-	AAA (f)	-
UBL Government Securities Fund	-	98,019	-	9,838	-	10,000	10,000	10,000	-	10,000	-	-
UBL Liquidity Plus Fund	5,471,095	12,846,243	548,629	1,290,847	525,293	1,308,919	1,308,919	1,308,919	525,293	1,308,919	AA + (f)	AA + (f)
UBL Savings Income Fund	998,237	1,976,125	100,272	210,729	94,886	200,000	200,000	200,000	94,886	200,000	AA - (f)	AA - (f)
United Stock Fund	1,354,522	734,214	55,779	23,700	52,168	25,000	25,000	25,000	52,168	25,000	**	**
			10,976,918	12,874,550	10,298,235	12,790,730	12,790,730	12,790,730	10,298,235	12,790,730		

**Ratings not available

10. CLOSE END MUTUAL FUNDS

	2012		2011		2012		2011		2012		2011	
	No. of Units		Net Asset Value		Rupees in '000		Cost		Rupees in '000		Rating	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Meezan Balanced Fund	1,549,500	2,500,000	17,912	22,750	15,495	25,000	25,000	25,000	15,495	25,000	**	**
PICIC Energy Fund	4,314,499	4,200,000	38,830	29,904	42,558	42,000	42,000	42,000	42,558	42,000	**	**
PICIC Growth Fund	-	1,600,000	-	19,936	-	21,680	21,680	21,680	-	21,680	-	**
			56,742	52,654	58,053	88,680	88,680	88,680	58,053	88,680		

**Ratings not available

11. Break-up value per ordinary share of Habib Metropolitan Financial Services Limited (subsidiary company) based on its audited financial statements as of 31 December 2012 amounted to Rs. 10.02 (2011: Rs. 10.27) per share.

**ANNEXURE "II" AS REFERRED TO IN NOTE 12.9 OF THE CONSOLIDATED 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 2012**

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with CNIC/NIC 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	M/s. N.J.P. Engineering 20, McLean Street, Plaza Square, Karachi.	Mr. Najmul Arfeen 42201-6796899-5 Mr. Pervaiz Arfeen 42201-4566294-3 Mr. Ahson Iqbal Arfeen 42201-1395496-1	Mr. Shams Ul Arfeen (Late) Mr. Shams Ul Arfeen (Late) Mr. Javed Iqbal (Late)	13,180	5,524	18,704	-	3,113	3,113
2	M/s. Leather Connections (Private) Limited 09-KM, Main Raiwind Road Lahore	Mr. Arshad Alam 42201-0469583-7 Mr. Kashif Alam 42000-0503446-9 Mr. Khuram Alam 42000-0503448-1 Mr. Khurshid Alam 35202-6712135-3	Mr. Muhammad Sadiq Mr. Arshad Alam Mr. Arshad Alam Mr. Arshad Alam	584,381	135,630	720,011	-	178,511	178,511
3	M/s. Sarah Trading Corporation Fatima Bai Ismail Jee Ali Bhai Rangwala Building Marriot Road, Karachi.	Mr. Muhammad Nisar Amin 42301-0984965-7	Mr. Muhammad Amin	2,000	927	2,927	2,000	927	2,927
4	M/s. Marfani Textile (Private) Limited 6 Atiq Market, Adamjee Haji Dawood Road, Karachi.	Mr. Muhammad Arif 42201-6758174-9 Mrs. Farida Bano 42201-1906783-2	Mr. Muhammad Mr. Muhammad Arif	6,179	1,199	7,378	6,179	1,199	7,378

S. No.	Name and address of the borrower	Name of Individuals/ partners/directors (with CNIC/NIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year			Total		Principal written-off	Interest/ mark-up written off	Total
				Principal	Interest/ mark-up	Principal	Interest/ mark-up				
1	2	3	4	5	6	7	8	9	10		
Rupees in '000											
5	M/s. Jack Garment Industries D-1660, Majeed Colony Block No. 2 Metroville II, Landhi, Karachi.	Muhammad Amin Patel 42201-8199951-7	Mr. Umar Patel	16,950	4,800	21,750	15,634	5,257	20,891		
6	M/s. Imtiaz Enterprises 39-C New Cloth Market M.A Jinnah Raod, Karachi.	Mr. Muhammad Imtiaz Ahsan 42000-0556837-3	Mr. Muhammad Aziz Ahsan	3,782	155	3,936	3,782	155	3,936		
7	M/s. Al-Maarij Twisting F - 494, S.I.T.E., Karachi.	Mr. Amjad Khan 42201-7111412-1 Abdul Razzak 42201-1055576-5	Mr. Muhammad Khan Mr. Mohammad Yousuf	1,572	1,585	3,157	-	757	757		
8	M/s. Khojas Capital Management (Private) Limited Suit # 604, 6th Floor, Park Avenue 24-A, Block - 6, P.E.C.H.S Main Shahrah-e- Faisal, Karachi.	Mr. Mahmood Ahmed 35201-4382021-3 Dr. Hassan Sohaib Murad 35202-1830145-7 Mr. Shakeel Ahmed 35202-0106626-1	Mr. Shafayul Huda Mr. Khurram Jan Muhammad Mr. Muhammad Aslam	25,974	6,389	32,363	25,974	6,389	32,363		
9	M/s. Kliktrade Limited The Plaza Suite No. 102 1st Floor Khayaban-e-Iqbal Block No. 9, Clifton, Karachi.	Mr. Hanif Peerani 42301-9178075-7 Mr. Shahid Ali Khan 42101-1903461-9 Mr. Zafar Habib 31202-3006893-7 Mr. Muhammad Shahzad 36302-2103726-5 Syed Jawaid Wajid 42501-0538765-1 Mr. Shahbaz Islam 42201-0750062-5	Mr. Hashim Peerani Mr. Salamat Ali Khan Mr. Sanaullah Mr. Chaudhry Subhan Ali Syed Wajid Hussain Dr. Siraj-Ul-Islam	690	-	690	690	-	690		

S. No.	Name and address of the borrower	Name of individuals/partners/directors (with CNIC/NIC 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									
15	M/s. Stone Classica 110, Madina Mall, 1st Floor, Tariq Road, Karachi.	Mr. Tariq Anis 42101-7305479-1 Mrs. Firdous Tariq 42101-8460806-8	Mr. Anis Ahmed Mr. Tariq Anis	9,462	1,724	11,186	1,329	2,132	3,461
		Mr. Meraj Ahmed 42101-3649393-5	Mr. Ameer						
16	M/s. A.R. Garments L-22, Block 21, FB Industrial Area, Karachi.	Mr. Mohammad Ashraf Patel 42201-2529576-5 Mr. Mohammad Asif Patel 42000-4869041-1 Mr. Abdul Rauf 42201-1480591-1 Mrs. Farida Bano 42301-2006167-4 Mrs. Neelofer 42201-1020879-8	Mr. Zakaria Patel Mr. Mohammad Ashraf Patel Haji Mohammad Haroon Mr. Mohammad Ashraf Patel Mr. Abdul Rauf	50,449	10,396	60,845	10,171	10,396	20,567
17	M/s. Brother Knitting Industries 11-G, 68/22, New Karachi, Karachi	Mr. Naseem Akhtar (Deceased) 42101-3507943-9	Mr. Mohammad Hussain	4,500	2,355	6,855	4,500	2,358	6,858
18	M/s. Ammar Cargo Carrier Co. Room No. 21-A, Nagani Chamber, West Wharf Road, Karachi.	Mr. Malik Fateh Sher 42201-4075508-3	Mr. Malik Alam Sher	4,453	2,358	6,811	3,894	2,906	6,800

S. No.	Name and address of the borrower	Name of Individuals/ partners/directors (with CNIC/NIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year			Total	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						
23	M/s. Bhai Mohammad Hashim & Brothers Farooq Manzil, Muhammad Shah Street, Jodia Bazar, Karachi.	Mr. Hashim 42101-3222427-9	Mr. Ibrahim	4,228	1,102	5,330	3,103	1,102	4,205	
24	M/s. Fashion & Style Industries Plot No. F-313, S.I.T.E. Karachi.	Mr. Muhammad Amir Lakhani 42101-5061312-1 Mr. Haji Muhammad Saleem 42301-1060689-7	Mr. Noor Muhammad Lakhani Mr. Haji Abdul Aziz	23,889	2,705	26,594	23,889	2,705	26,594	
25	M/s. S. B. R. International R - 3, 3rd Floor, Raheel Chamber Main Stadium Road, Karachi.	Mrs. Ghazala Mansoor 517-89-374869	Mr. Haji Mansoor Ahmed	17,261	72	17,333	17,261	72	17,333	
26	M/s. Zagato Imports & Export 15 / 3, 30th street Phase V Ext, DHA Karachi.	Mrs. Munira G. Kassim 517-52-026934 Mr. Amir G. Kassim 517-90-042357 Ms. Saira G. Kassim 517-68-037948	Mr. G. Kassim Mr. G. Kassim Mr. G. Kassim	4,216	1,000	5,216	4,216	1,000	5,216	
27	M/s. Arif Textiles (Private) Limited. Karim Bibi Street, Bawa Chak, Sargodha Road, Faisalabad.	Mr. Adil Manzoor Ellahi 42201-7538037-3 Mr. Usman Manzoor Ellahi 33100-5946747-9	Mr. Manzoor Ellahi Shaikh (Late) Mr. Manzoor Ellahi Shaikh (Late)	60,684	9,673	70,357	12,494	9,673	32,378	

S. No.	Name and address of the borrower	Name of Individuals/ partners/directors (with CNIC/NIC 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									
28	M/s. Fakhar Associates International P-5/1, Karkhana Bazar, Faisalabad.	Mr. Waqas Islam Sheikh 33100-4393965-7 Mrs. Naseem Akhtar 33100-1170817-0	Sheikh Muhammad Islam	9,000	1,599	10,599	500	1,599	2,099
29	M/s. Taj Auto & Agriculture Industry Mian Auto Center Cirrcular Road, Badami Bagh, Lahore.	Mr. Ijaz Malik 35202-2439040-9 Mr. Muhammad Hameed 35202-2439038-9 Mr. Faryeed Malik 35202-2457270-9	Mr. Malik Taj Din	1,013	137	1,150	1,013	137	1,150
30	Ms/. Amin Textile Mills (Private) Limited 97-B, Gulberg II, Lahore	Mr. Mohammad Rafi 35202-3244650-5 Mr. Tariq Rafi 42301-0838522-7 Mr. Arif Rafi 35202-1504108-3 Ms. Anjum Rafi 35202-2434949-9 Mr. Abdulllah Rafi 35200-1416576-7	Haji Muhmmad Ismail	19,030	2,257	21,287	-	3,886	3,886
31	M/s. Globe Petroleum Services SD-2, Block-A, North Nazimabad Karachi.	Mr. Rehmat Ullah 42301-8937971-3 Mrs. Khatija Bibi 42301-0783426-6 Mr. Farhan 42301-8205549-7	Mr. Muhammad	3,500	620	4,120	3,500	620	4,120
			Mr. Mohammad Hussain						
			Mr. Rehmat Ullah Mohd.						

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. : 111-14-14-14
Fax : (021) 3263 0404 - 3263 0405

14th Floor, Saima Trade Tower 'A'
I.I. Chundrigar Road, Karachi - 74200
Pakistan.
U.A.N. : 111-14-14-14
Fax : (021) 3227 1950

HMB Connect: 0800 HABIB (42242)

KARACHI REGION:

Main Branch	Eidgah	Mohammad Ali Society Branch
Abul Hassan Isphani (Sub Branch of University Road)	(Sub Branch of City Court)	Naval Housing Society (Sub Branch of Gizri)
Aisha Manzil (Sub Branch of Hussainabad)	Garden East Branch	Nazimabad No.3 (Sub Branch of North Nazimabad)
Alamgir Road Branch	Gizri Branch	Nishtar Road Branch
Allama Iqbal Road Branch	Gulistan-e-Johar Branch	North Karachi Industrial Area Branch
Bahadurabad Branch	Gulshan Chowrangi Branch	North Napier Road Branch
Bilal Chowrangi (Sub Branch of Korangi)	Gulshan-e-Ali (Sub Branch of Water Pump)	North Nazimabad Branch
Block M N.Nazimabad (Sub Branch of Hyderi)	Gulshan-e-Iqbal 13-C (Sub Branch of Hassan Square)	Paper Market Branch
Block N N.Nazimabad (Sub Branch of U.P. More)	Gulshan-e-Iqbal Branch	PaposhNagar Branch
Boat Basin Branch	Gulshan-e-Maymar Branch	PIB Colony Branch
Bohri Bazar Branch	Hasrat Mohani Road (Sub Branch of Paper Market)	Plaza Square Branch
Bombay Bazar (Sub Branch of Jodia Bazar)	Hassan Square Branch	Port Qasim Branch
Business Avenue Branch	HBZ Plaza Branch	Preedy Street Branch
Ceramic Market Branch	Hussainabad Branch	Progressive Plaza Branch
Chandni Chowk Branch	Hyderi Branch	S.I.T.E. Branch
Chartered Accountant's Avenue (Sub Branch of Gizri)	Industrial Area Korangi Branch	Saba Avenue Branch
City Court Branch	Ittehad Branch	Saddar Branch
Civil Lines Branch	Jodia Bazar Branch	Safoora Goth Branch
Clifton Branch	Karimabad Branch	Sehba Akhtar Road (Sub Branch of Gulshan Chowrangi)
Cloth Market Branch	Khalid Bin Walid Road Branch	Shahbaz Commercial (Sub Branch of Khayaban-e- Bukhari)
D.H.A	Khayaban-e-Bokhari Branch	Shahrah-e-Faisal Branch
Dalmia Road Branch	Khayaban-e-Sehar Branch	Shahrah-e-Liaquat Branch
Dastagir (Sub Branch of Hussainabad)	Khayaban-e-Shahbaz Branch	Shahrah-e-Quaideen Branch
DHA Phase II Branch	Khayaban-e-Tanzeem Branch	Sharfabad (Sub Branch of Alamgir Road)
DHA Phase IV (Sub Branch of Khayaban-e-Sehar)	Korangi Branch	Shershah Branch
DHA Phase VI (Sub Branch of Khayaban-e- Shahbaz)	Korangi Branch	Shireen Jinnah Colony (Sub Branch of Clifton)
Dhoraji Colony Branch	Landhi Industrial Area Branch	Sindhi Muslim Society (Sub Branch of Shahrah-e- Quaideen)
	Liaquatabad Branch	Soldier Bazar Branch
	Lines Area Branch	
	M.A. Jinnah Road Branch	
	Malir City Branch	
	Manghopir Road S.I.T.E.	
	Marriot Road Branch	
	Mereweather Branch	
	Mission Road Branch	
	Mithadar 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)

University Road Branch
UP More Branch
Water Pump Branch
West Wharf Branch
Zamzama Branch

LAHORE REGION:

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 V
(Sub Branch of Walton Road)
EME Society
(Sub Branch of Raiwind 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 (Makro)

(Sub Branch of Model Town Link Road)
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 REGION:

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

SIALKOT REGION:

Sialkot Main Branch
Pasrur Road
(Sub Branch of Sialkot Main)
Small Industrial Estates Branch
Sohawa Branch
Ugoki Branch

RAWALPINDI REGION:

Rawalpindi Main Branch
Murree Road Branch

ISLAMABAD REGION:

Islamabad Main Branch
E-11
(Sub Branch of F-10 Markaz)
F-10 Markaz Branch
I - 9 Branch
Markaz F-7 Branch

MULTAN REGION:

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

HYDERABAD REGION:

Hyderabad Branch
Latifabad Branch

PESHAWAR REGION:

Peshawar Main Branch
Khyber Bazar Branch

AZAD JAMMU KASHMIR REGION:

Arra Jattan Branch -Dadyal -AK
Mirpur (A.K) Branch
Pang Peeran Branch

OTHER REGION:

Bahawalpur Branch
D.G. Khan Branch
Gujranwala Branch
Haroonabad Branch
Hasilpur Branch
Hub Chowki Branch
Kamoke Branch
Kasur Branch
Mouza Kachi Jamal Branch
Okara Branch
Quetta Branch
Rahim Yar Khan Branch
Sahiwal Branch
Sukkur Branch
Yazman Mandi Branch

ISLAMIC BRANCHES:

Alfalah Court, Karachi
Rashid Minhas Road, Karachi
Zaibunnisa Street, Karachi
Gulberg, Lahore

PROXY FORM

I/We _____

of _____

being member (s) of Habib Metropollitan Bank Limited and holding _____

ordinary shares, as per Register folio _____

hereby appoint _____ Folio No. _____

of _____

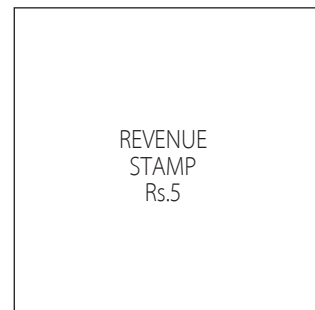
or failing him _____ Folio No. _____

of _____

another member of the Bank to vote for my / our behalf at the 21st Annual General Meeting of the Bank to be held on March 27, 2013

and at any adjournment thereof.

As witness my / our hand this _____ day of March 2013.



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.