



Habib Metropolitan Bank

(Subsidiary of Habib Bank AG Zurich)

CONSOLIDATED ACCOUNTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2008

(UN-AUDITED)



**INTERIM CONDENSED CONSOLIDATED
BALANCE SHEET**
AS AT SEPTEMBER 30, 2008

	Note	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		14,099,730	10,201,545
Balances with other banks		5,768,755	3,691,183
Lendings to financial institutions	5	6,958,588	3,989,249
Investments	6	49,238,453	61,735,716
Advances	7	105,090,606	89,826,806
Operating fixed assets		1,232,083	1,294,486
Deferred tax assets		743,433	-
Other assets		3,460,416	2,128,703
		186,592,064	172,867,688
LIABILITIES			
Bills payable		2,979,745	3,210,041
Borrowings from financial institutions		33,915,773	29,991,633
Deposits and other accounts	8	128,080,538	121,066,389
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	60,874
Other liabilities		7,031,507	5,018,843
		172,007,563	159,347,780
NET ASSETS		14,584,501	13,519,908
REPRESENTED BY			
Share capital		6,022,020	5,018,350
Reserves		6,869,936	6,383,936
Unappropriated profit		2,502,811	2,061,674
		15,394,767	13,463,960
(Deficit)/surplus on revaluation of assets - net of tax	9	(810,266)	55,948
		14,584,501	13,519,908
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director

**INTERIM CONDENSED CONSOLIDATED
PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

	Note	Quarter ended September 30, 2008	Nine Months ended September 30, 2008	Quarter ended September 30, 2007	Nine Months ended September 30, 2007
Rupees in '000					
Mark-up / return / interest earned		4,287,482	11,425,264	2,994,026	8,723,361
Mark-up / return / interest expensed		(2,895,326)	(7,942,188)	(2,117,547)	(5,930,160)
Net mark-up / interest income		1,392,156	3,483,076	876,479	2,793,201
Provision against non-performing loans and advances		192,773	386,567	-	60,359
Provision for diminution in value of investments		-	-	-	-
Bad debts written off directly		1,671	1,735	-	76
		(194,444)	(388,302)	-	(60,435)
Net mark-up / interest income after provisions		1,197,712	3,094,774	876,479	2,732,766
Non Mark-up/Interest Income					
Fee, commission and brokerage income		295,639	891,787	240,970	720,754
Dividend income		149,575	525,370	10,013	14,179
Income from dealing in foreign currencies		591,640	1,403,042	306,914	878,972
(Loss)/Gain on sale/redemption of securities		(131,554)	(31,734)	174,181	418,905
Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'		-	-	-	-
Other income		49,949	154,805	40,297	119,338
Total non mark-up / interest income		955,249	2,943,270	772,375	2,152,148
		2,152,961	6,038,044	1,648,854	4,884,914
Non Mark-up/Interest Expenses					
Administrative expenses		827,150	2,334,646	617,317	1,774,191
Other provisions/write offs		-	-	-	486
Other charges		32,330	95,105	86	416
Total non mark-up/interest expenses		(859,480)	(2,429,751)	(617,403)	(1,775,093)
		1,293,481	3,608,293	1,031,451	3,109,821
Extraordinary / unusual items		-	-	-	-
Profit before taxation		1,293,481	3,608,293	1,031,451	3,109,821
Taxation -Current		520,942	1,484,136	145,029	1,017,029
-Prior years		17,000	29,186	74,887	141,903
-Deferred		(115,268)	(337,671)	79,112	47,735
		(422,674)	(1,175,651)	(299,028)	(1,206,667)
Profit after taxation		870,807	2,432,642	732,423	1,903,154
Restated					
Basic earnings per share (Rupees)	11	1.45	4.04	1.22	3.16
Diluted earnings per share (Rupees)	11	1.45	4.04	1.22	3.16

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director



**INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	September 30, 2008	September 30, 2007
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,608,293	3,109,821
Less: Dividend income	(525,370)	(14,179)
	3,082,923	3,095,642
Adjustments		
Depreciation	104,233	56,432
Provision against non-performing loans and advances	386,567	60,359
Gain on sale of fixed assets	(2,267)	(2,528)
	488,533	114,263
	3,571,456	3,209,905
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,969,339)	(3,876,660)
Advances	(15,650,367)	219,986
Other assets	(1,331,713)	(287,109)
	(19,951,419)	(3,943,783)
Increase / (decrease) in operating liabilities		
Bills payable	(230,296)	1,339,333
Borrowings from financial institutions	2,963,210	(9,848,139)
Deposits	7,014,149	29,537,197
Other liabilities (excluding taxation and dividend)	1,702,134	1,032,833
	11,449,197	22,061,224
	(4,930,766)	21,327,346
Income tax paid	(1,203,515)	(1,147,280)
Net cash (outflow)/inflow from operating activities	(6,134,281)	20,180,066
CASH FLOW FROM INVESTING ACTIVITIES		
Net redemption of/(investments) in available-for-sale securities	7,464,413	(24,363,994)
Net redemption of held-to-maturity securities	3,700,000	1,910,000
Dividend received	525,370	14,179
(Investments) in operating fixed assets	(43,377)	(176,914)
Sale proceeds of operating fixed assets	3,814	5,282
Net cash inflow/outflow from investing activities	11,650,220	(22,611,447)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(501,112)	-
Increase / (decrease) in cash and cash equivalents	5,014,827	(2,431,381)
Cash and cash equivalent at beginning of the period	13,309,131	17,306,630
Cash and cash equivalent at the end of the period	18,323,958	14,875,249

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**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

	Share Capital	Reserves			Revenue reserve	Unappropriated Profit	Total
		Shares premium	Statutory reserve	Special reserve			
Rupees in '000							
Balance as at January 1, 2007	3,005,000	2,550,985	1,533,590	240,361	1,500,000	1,836,616	10,666,552
Issue of bonus shares in the ratio of 67 shares for every 100 shares held	2,013,350	-	-	-	-	(2,013,350)	-
Profit after taxation for the period	-	-	-	-	-	1,903,154	1,903,154
Transfer to statutory reserve	-	-	380,605	-	-	(380,605)	-
Balance as at September 30, 2007	5,018,350	2,550,985	1,914,195	240,361	1,500,000	1,345,815	12,569,706
Profit after taxation for the period	-	-	-	-	-	894,254	894,254
Transfer to statutory reserve	-	-	178,395	-	-	(178,395)	-
Balance as at December 31, 2007	5,018,350	2,550,985	2,092,590	240,361	1,500,000	2,061,674	13,463,960
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,003,670	-	-	-	-	(1,003,670)	-
Cash dividend (Re. 1 per share)	-	-	-	-	-	(501,835)	(501,835)
Profit after taxation for the period	-	-	-	-	-	2,432,642	2,432,642
Transfer to statutory reserve	-	-	486,000	-	-	(486,000)	-
Balance as at September 30, 2008	6,022,020	2,550,985	2,578,590	240,361	1,500,000	2,502,811	15,394,767

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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Chairman

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

1. STATUS AND NATURE OF BUSINESS:

1.1 The Group comprises of:

Holding company

Habib Metropolitan Bank Ltd.

Subsidiary companies

Habib Metropolitan Trade Services Limited
Habib Metropolitan Financial Services Limited

Here-in-after referred to as "the Group" is engaged in providing Commercial Banking, Trade advising and Financial services.

Habib Metropolitan Bank Ltd. (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I Chundrigar Road, Karachi. The Bank operates 100 (December 31, 2007: 100) branches including 4 (December 31, 2007: 4) Islamic Banking Branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich which is incorporated in Switzerland.

2. BASIS OF PRESENTATION AND CONSOLIDATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the 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 purchase 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.

The interim condensed consolidated financial statements include the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary companies. Intra - group balances or transactions have been eliminated.

3. STATEMENT OF COMPLIANCE

3.1 These interim condensed consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives 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. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.

3.3 IFAS - 1 "Murabaha" and IFAS - 2 "Ijarah" are effective for the financial periods beginning on or after January 01, 2006 and July 01, 2007 respectively. These standards have not been adopted by the Group pending certain modifications in the accounting system and processes of the Islamic Banking Branches that are imperative for effective implementation of the said standards. Further, the application of IFAS - 2 "Ijarah" also involves certain practical issues for which clarifications have been sought from the SBP by the ICAP. However, the management considers that the effect of the adoption of these standards would not be material to the Group's financial statements.

3.4 The disclosures made in these interim condensed consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and the IAS-34, "Interim Financial Reporting" and do not include all the information required in the annual consolidated financial statements. Accordingly these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2007.

4. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007 .

5. LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2008 (Un-Audited)	December 31, 2007 (Audited)
	Rupees in '000	
Call money lendings	3,200,000	2,000,000
Repurchase agreement lendings (Reserve Repo)	3,758,588	1,989,249
	6,958,588	3,989,249

6. INVESTMENTS

	September 30, 2008 (Un-Audited)			December 31, 2007 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available-for-sale securities						
Market Treasury Bills	17,481,521	9,597,256	27,078,777	26,470,917	11,266,204	37,737,121
Pakistan Investment Bonds	4,126,165	6,640,882	10,767,047	7,000,014	2,492,491	9,492,505
Ordinary shares of listed companies	58,974		58,974	70,405	-	70,405
Ordinary shares of unlisted companies	123,101		123,101	88,101		88,101
Preference shares of a listed company	40,000		40,000	40,000		40,000
Preference shares of an unlisted company	25,000		25,000	25,000		25,000
Term Finance Certificates	2,953,467		2,953,467	1,738,964		1,738,964
Sukuk Bonds	1,175,000		1,175,000	1,075,000		1,075,000
Open ended mutual funds	7,243,647		7,243,647	6,659,830		6,659,830
Closed ended mutual funds	177,348		177,348	179,848		179,848
	33,404,223	16,238,138	49,642,361	43,348,079	13,758,695	57,106,774
Held-to-maturity securities						
Certificate of Investments	850,000		850,000	4,550,000		4,550,000
Investments at cost	34,254,223	16,238,138	50,492,361	47,898,079	13,758,695	61,656,774
Less: Provision for diminution in value of investments	(7,344)		(7,344)	(7,344)		(7,344)
Investments – net of provisions	34,246,879	16,238,138	50,485,017	47,890,735	13,758,695	61,649,430
(Deficit)/Surplus on revaluation of available-for-sale investments-net	(1,036,963)	(209,601)	(1,246,564)	89,254	(2,968)	86,286
Total Investments	33,209,916	16,028,537	49,238,453	47,979,989	13,755,727	61,735,716

7. ADVANCES

	Note	September 30, 2008 (Un-Audited)	December 31, 2007 (Audited)
		Rupees in '000	
Loans, cash credits, running finances, etc.			
In Pakistan		81,514,250	70,318,994
Net investment in finance lease / Ijara financing			
In Pakistan		2,382,901	2,180,889
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,675,563	4,570,152
Payable outside Pakistan		17,035,252	13,974,026
		22,710,815	18,544,178
Advances - gross	7.1	106,607,966	91,044,061
Provision against non-performing advances			
Specific		(723,132)	(700,981)
General	7.2	(794,228)	(516,274)
		(1,517,360)	(1,217,255)
Advances - net of provisions		105,090,606	89,826,806

7.1 Advances include Rs. 874.621 million (December 31, 2007: Rs 804.247 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held*
	Rupees in '000				
Substandard	3,377	-	3,377	845	845
Doubtful	172,227	-	172,227	130,813	130,813
Loss	699,017	-	699,017	591,474	591,474
	874,621	-	874,621	723,132	723,132

* Adjusted for liquid assets held and realizeable without recourse to a court of law.

7.2 The general provision includes provision made against consumer portfolio amounting to Rs. 18.518 (December 31, 2007: Rs. 17.454) million in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

	September 30, 2008	December 31, 2007
	(Un-Audited)	(Audited)
	Rupees in '000	
8. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	64,857,440	54,812,561
Saving deposits	30,840,499	28,326,985
Current accounts - non-remunerative	28,150,515	33,326,607
Margin and other accounts	2,511,462	1,185,870
	126,359,916	117,652,023
Financial Institutions		
Remunerative deposits	1,283,433	3,209,976
Non-remunerative deposits	437,189	204,390
	1,720,622	3,414,366
	128,080,538	121,066,389
9. (DEFICIT)/SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Available-for-sale securities:		
Market Treasury Bills	(182,593)	(20,352)
Pakistan Investment Bonds	(870,285)	16,464
Term Finance Certificates	17,312	22,070
Listed Shares	(16,527)	4,172
Mutual Funds	(194,470)	63,932
	(1,246,563)	86,286
Related deferred tax asset/(liability)	436,297	(30,338)
	(810,266)	55,948
10. CONTINGENCIES AND COMMITMENTS		
10.1 Direct credit substitutes		
Standby letters of credit serving as financial guarantees for loans and securities	3,268	12,435
10.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of guarantees favouring:		
Government	8,284,372	7,437,940
Banking companies and other financial institutions	135,604	121,190
Others	2,095,563	2,165,057
	10,515,539	9,724,187
10.3 Trade-related contingent liabilities		
Letter of credits	32,389,928	34,103,602
Acceptances	13,377,669	10,287,128
	45,767,597	44,390,730
10.4 Commitments in respect of forward exchange contracts		
Purchase	8,655,110	17,048,483
Sale	21,076,287	26,389,901
10.5 Commitments in respect of operating leases		
Not later than one year	138,025	28,073
Later than one year and not later than five years	134,551	346,117
	272,576	374,190
10.6 Commitments for the acquisition of operating fixed assets	24,562	24,562

11. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended September 30, 2008	Nine months ended September 30, 2008	Quarter ended September 30, 2007	Nine months ended September 30, 2007
				(Un-Audited)
				(Restated)
Profit after taxation (Rupees in '000)	<u>870,807</u>	<u>2,432,642</u>	<u>732,423</u>	<u>1,903,154</u>
Weighted average number of ordinary shares (in'000)	<u>602,202</u>	<u>602,202</u>	<u>602,202</u>	<u>602,202</u>
Basic and diluted earnings per share (Rupees)	<u>1.45</u>	<u>4.04</u>	<u>1.22</u>	<u>3.16</u>

11.1 The earnings per share for the quarter and nine months ended September 30, 2007 have been adjusted for the effect of bonus issue during the period.

12. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, subsidiaries and entities with common directorships, directors and their close family members, staff retirement benefit funds, key executives and major shareholders of the Bank. The details of transactions with related parties during the nine months are as follows:

<u>Balance outstanding at period / year end</u>	Note	September 30, 2008 (Un-Audited)	December 31, 2007 (Audited)
			Rupees in '000
Holding company/subsidiaries			
Bank Balances		4,081,477	1,275,738
Deposits		233,080	–
Management fee payable		79,143	82,601
Entities with common directorship			
Advances		1,533,211	753,624
Deposit		365,430	3,165,383
Trade related contingent liabilities		1,816,955	1,769,635
Other related parties			
Deposits		570,205	480,409
Key management personnel	12.1		
Advances		11,440	16,828
Deposits		12,161	15,384
			Nine Months ended September 30, 2007
<u>Transactions for the period</u>		September 30, 2008	September 30, 2007
Holding company			
Interest earned		54,146	93,437
Management fee paid		96,750	–
Entities with common directorship			
Mark-up / interest earned		84,694	23,654
Mark-up / interest expensed		221,562	311,536
Commission / bank charges recovered		5,600	5,900
Rent income		550	351
Insurance premium		1,481	–
Other related parties			
Mark-up/interest expensed		14,655	12,357
Contribution to defined benefit plan		34,000	32,000
Contribution to defined contribution plan		36,916	29,846
Key management personnel	12.1		
Mark-up / interest earned		576	533
Mark-up / interest expensed		230	246
Salaries and allowances		43,243	43,253
Directors' fees		160	160

12.1 Transactions with executives are undertaken in accordance with employment terms and service rules.

13. KEY ISLAMIC BANKING OPERATIONS

The Bank is operating 4 (2007: 4) Islamic banking branches. The balance sheet of these branches as at September 30, 2008 is as follows:

	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	548,228	551,062
Balances with and due from financial institutions	200,197	800,632
Investments	860,571	432,500
Financing and receivables		
- Murabaha	2,119,200	1,842,382
- Ijara	1,865,063	1,820,897
- Diminishing musharaka	1,397,598	1,033,550
Other assets	351,571	173,076
	7,342,428	6,654,099
LIABILITIES		
Bills payable	25,288	61,806
Deposits and other accounts		
- Current accounts	433,396	344,106
- Saving accounts	1,182,440	1,261,557
- Term accounts	1,552,700	1,691,342
- Deposits from financial institutions - remunerative	1,043,558	1,824,198
- Deposits from financial institutions - non-remunerative	559	30
Due to head office	1,730,196	393,037
Other liabilities	630,913	538,788
	6,599,050	6,114,864
NET ASSETS	743,378	539,235
REPRESENTED BY		
Islamic banking fund	601,954	401,550
Unappropriated profit	145,853	137,685
	747,807	539,235
(Deficit) on revaluation of assets	(4,429)	-
	743,378	539,235

14. GENERAL

The figures have been rounded off to nearest thousand rupees.

15. DATE OF AUTHORISATION FOR ISSUE

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on October 25, 2008.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director