



# **Habib Metropolitan Bank**

(Subsidiary of Habib Bank AG Zurich)

ACCOUNTS FOR THE HALF-YEAR  
ENDED JUNE 30, 2008  
(UN-AUDITED)



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## **BOARD OF DIRECTORS**

### **CHAIRMAN**

Muhammad H. Habib

### **PRESIDENT & CHIEF EXECUTIVE**

Kassim Parekh

### **DIRECTORS**

Reza S. Habib

Anwar H. Japanwala

Bashir Ali Mohammad

Mohamedali R. Habib\*

Firasat Ali

A. R. Wadiwala

\* Executive Director

### **AUDIT COMMITTEE**

Reza S. Habib

Mohamedali R. Habib

A. R. Wadiwala

### **COMPANY SECRETARY**

Fuzail Abbas

### **SHARE REGISTRAR**

Noble Computer Services (Private) Limited.  
2nd Floor, Sohni Centre, BS 5 & 6,  
Main Karimabad, Block-4, Federal B Area,  
Karachi-75950.

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank Ltd., I am pleased to present Bank's un-audited accounts as well as consolidated accounts for the half-year ended June 30, 2008.

The first half 2008 was full of challenges for Pakistan on the political, economic and national security fronts. These along with spiralling Inflationary pressures triggered by high oil prices and food shortage have created a rather difficult situation for nation.

In this turbulent situation, State Bank has taken decisive action to arrest inflation by tightening monetary controls. These measures include discount rate rises of 150 basis points in May and another 100 basis points in July. In addition, while Bank's Cash Reserve and Statutory liquidity requirements were enhanced by 1% each, the State Bank of Pakistan mandate profit payments on "Savings" accounts at minimum of 5% on all balance(s). Furthermore, margins on import letters of credit were introduced and the facility of forward booking of foreign exchange was suspended to manage the parity of the Pakistan Rupee.

We remain confident that the country shall manage this critical juncture with success. The adjusted equity valuations present potential for additional foreign direct investments. This along with continuing overseas Workers Remittances and strong private sector credit growth provide optimistic opportunities for the banking sector.

By the grace of Allah, HMB is making steady progress. As at June 30, 2008, the total assets of the Bank stood at Rs. 192 billion compared to Rs 173 billion at previous year end. Deposits increased to Rs 129 billion and investments and lending to financial institutions to Rs 69 billion compared to Rs 121 billion and Rs 66 billion as of December 31, 2007 respectively. The Bank earned a profit after tax of Rs. 1,565 million for the current half-year ended compared to Rs. 1,171 million earned for the corresponding period of previous year. Earnings per share for the half-year ended works out to Rs 2.60 per share.

For the eight consecutive year, by Allah's grace, the Pakistan Credit Rating Agency Limited (PACRA) has assigned AA+ (Double A plus) for long-term and A1+ (A one plus) for short term to your Bank. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

I am also pleased to inform you that the Bank's fully owned subsidiary company Habib Metropolitan Financial Services has commenced operation through "HMFS Brokerage" division. This provides the bank the ability to cater to customers wishing to invest in the stock exchange. HMFS Brokerage will initially focus on corporate clients and will later open doors to individual investors. I am confident that HMFS will add new avenues to HMB's existing revenues.

The Bank provides a full range of banking services including on-line instant fund transfer facilities, SWIFT, tele-info and web-info services to our customers through a branch network of 100 branches including 4 full service Islamic Banking branches. The Bank continues to follow its program of upgrading the existing branches and of opening new branches to provide better service to the customers.

The Bank call centre "0800-HABIB (42242)" provides informative services to customers on 24/7 basis while the web-banking facility is delivered on a secure, readily available platform.

We wish to place on record our sincere thanks to Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for extending their support and continued guidance. We take this opportunity to also thank our valued customers for their trust and support and also to all our staff members for their sincere efforts.

On behalf of the Board

Karachi: August 7, 2008

**KASSIM PAREKH**  
President & Chief Executive



**INTERIM CONDENSED BALANCE SHEET  
AS AT JUNE 30, 2008**

	Note	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		13,956,438	10,201,545
Balances with other banks		4,206,736	3,691,183
Lendings to financial institutions	4	7,672,460	3,989,249
Investments	5	61,001,837	61,735,796
Advances	6	101,223,811	89,826,806
Operating fixed assets		1,262,908	1,294,486
Deferred tax assets		570,099	-
Other assets		2,558,658	2,127,936
		<b>192,452,947</b>	<b>172,867,001</b>
<b>LIABILITIES</b>			
Bills payable		2,647,371	3,210,041
Borrowings from financial institutions		40,218,430	29,991,633
Deposits and other accounts	7	128,973,411	121,066,469
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	60,874
Other liabilities		6,790,751	5,019,792
		<b>178,629,963</b>	<b>159,348,809</b>
<b>NET ASSETS</b>		<b>13,822,984</b>	<b>13,518,192</b>
<b>REPRESENTED BY</b>			
Share capital		6,022,020	5,018,350
Reserves		6,696,936	6,383,936
Unappropriated profit		1,806,458	2,059,958
		<b>14,525,414</b>	<b>13,462,244</b>
(Deficit)/surplus on revaluation of assets - net of tax	8	(702,430)	55,948
		<b>13,822,984</b>	<b>13,518,192</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		

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

**MUHAMMAD H. HABIB**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**REZA S. HABIB**  
Director

**A. R. WADIWALA**  
Director

**INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2008**

Note	Quarter ended June 30, 2008	Half Year ended June 30, 2008	Quarter ended June 30, 2007	Half Year ended June 30, 2007	
	Rupees in '000				
<b>Mark-up / return / interest earned</b>	3,744,444	7,137,782	2,862,171	5,729,335	
<b>Mark-up / return / interest expensed</b>	<u>(2,683,241)</u>	<u>(5,046,862)</u>	<u>(1,966,489)</u>	<u>(3,812,613)</u>	
Net mark-up / interest income	1,061,203	2,090,920	895,682	1,916,722	
Provision against non-performing loans and advances	161,374	193,794	53,174	60,359	
Provision for diminution in value of investments	-	-	-	-	
Bad debts written off directly	-	64	76	76	
	<u>(161,374)</u>	<u>(193,858)</u>	<u>(53,250)</u>	<u>(60,435)</u>	
Net mark-up / interest income after provisions	899,829	1,897,062	842,432	1,856,287	
<b>Non Mark-up/Interest Income</b>					
Fee, commission and brokerage income	306,201	594,936	248,164	479,530	
Dividend income	374,960	375,795	3,463	4,166	
Income from dealing in foreign currencies	484,903	811,225	314,751	572,058	
Gain on sale/redemption of securities	36,757	99,820	144,411	244,724	
Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'	-	-	-	-	
Other income	51,818	104,856	43,369	79,041	
Total non mark-up / interest income	<u>1,254,639</u>	<u>1,986,632</u>	<u>754,158</u>	<u>1,379,519</u>	
	<u>2,154,468</u>	<u>3,883,694</u>	<u>1,596,590</u>	<u>3,235,806</u>	
<b>Non Mark-up/Interest Expenses</b>					
Administrative expenses	794,531	1,503,131	562,595	1,156,626	
Other provisions/write offs	-	-	486	486	
Other charges	61,728	62,775	327	330	
Total non mark-up interest expenses	<u>(856,259)</u>	<u>(1,565,906)</u>	<u>(563,408)</u>	<u>(1,157,442)</u>	
	<u>1,298,209</u>	<u>2,317,788</u>	<u>1,033,182</u>	<u>2,078,364</u>	
Extraordinary / unusual items	-	-	-	-	
<b>Profit before taxation</b>	<u>1,298,209</u>	<u>2,317,788</u>	<u>1,033,182</u>	<u>2,078,364</u>	
Taxation -Current	537,000	963,000	465,000	872,000	
-Prior years	12,186	12,186	67,016	67,016	
-Deferred	<u>(143,003)</u>	<u>(222,403)</u>	<u>(9,567)</u>	<u>(31,377)</u>	
	<u>406,183</u>	<u>752,783</u>	<u>522,449</u>	<u>907,639</u>	
<b>Profit after taxation</b>	<u>892,026</u>	<u>1,565,005</u>	<u>510,733</u>	<u>1,170,725</u>	
Unappropriated profit brought forward	1,088,432	2,059,958	2,495,294	1,835,302	
Profit available for appropriation	<u>1,980,458</u>	<u>3,624,963</u>	<u>3,006,027</u>	<u>3,006,027</u>	
			<b>Restated</b>		
<b>Basic earnings per share (Rupees)</b>	10	<u>1.48</u>	<u>2.60</u>	<u>0.85</u>	<u>1.94</u>
<b>Diluted earnings per share (Rupees)</b>	10	<u>1.48</u>	<u>2.60</u>	<u>0.85</u>	<u>1.94</u>

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

**MUHAMMAD H. HABIB**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**REZA S. HABIB**  
Director

**A. R. WADIWALA**  
Director



**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2008**

	June 30, 2008	June 30, 2007
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,317,788	2,078,364
Less: Dividend income	375,795	4,166
	<u>1,941,993</u>	<u>2,074,198</u>
Adjustments		
Depreciation	68,593	38,344
Provision against non-performing loans and advances	193,794	60,359
Gain on sale of fixed assets	(2,075)	(2,489)
	<u>260,312</u>	<u>96,214</u>
	<u>2,202,305</u>	<u>2,170,412</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,683,211)	(11,091,548)
Advances	(11,590,799)	495,668
Other assets	(430,722)	(142,761)
	<u>(15,704,732)</u>	<u>(10,738,641)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(562,670)	1,664,440
Borrowings	10,015,128	(568,708)
Deposits and other accounts	7,906,942	16,315,088
Other liabilities (excluding current taxation)	1,334,252	647,820
	<u>18,693,652</u>	<u>18,058,640</u>
	<u>5,191,225</u>	<u>9,490,411</u>
Income tax paid	(540,093)	(608,694)
Net cash flow from operating activities	<u>4,651,132</u>	<u>8,881,717</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(857,989)	(9,624,338)
Net investments in held-to-maturity securities	425,000	(270,000)
Dividend received	375,795	4,166
Investments in operating fixed assets	(38,524)	(117,149)
Sale proceeds of operating fixed assets	3,584	5,022
Net cash flow from investing activities	<u>(92,134)</u>	<u>(10,002,299)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(500,221)	-
Increase / (decrease) in cash and cash equivalents	<u>4,058,777</u>	<u>(1,120,582)</u>
Cash and cash equivalent at beginning of the period	<u>13,309,131</u>	<u>17,306,630</u>
Cash and cash equivalent at the end of the period	<u>17,367,908</u>	<u>16,186,048</u>

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

**MUHAMMAD H. HABIB**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**REZA S. HABIB**  
Director

**A. R. WADIWALA**  
Director

**INTERIM CONDENSED STATEMENT OF CHANGES  
IN EQUITY (UN-AUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2008**

	Share Capital	Reserves			Revenue reserve	Unappro- priated Profit	Total
		Shares premium	Statutory reserve	Special reserve			
Rupees in '000							
<b>Balance as at January 1, 2007</b>	3,005,000	2,550,985	1,533,590	240,361	1,500,000	1,835,302	10,665,238
Issue of bonus shares in the ratio of 67 shares for every 100 shares held	2,013,350	-	-	-	-	(2,013,350)	-
Profit after taxation	-	-	-	-	-	1,170,725	1,170,725
Transfer to statutory reserve	-	-	234,145	-	-	(234,145)	-
<b>Balance as at June 30, 2007</b>	5,018,350	2,550,985	1,767,735	240,361	1,500,000	758,532	11,835,963
Profit after taxation	-	-	-	-	-	1,626,281	1,626,281
Transfer to statutory reserve	-	-	324,855	-	-	(324,855)	-
<b>Balance as at December 31, 2007</b>	5,018,350	2,550,985	2,092,590	240,361	1,500,000	2,059,958	13,462,244
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	-	-	-	-	-	1,565,005	1,565,005
Transfer to statutory reserve	-	-	313,000	-	-	(313,000)	-
<b>Balance as at June 30, 2008</b>	<b>6,022,020</b>	<b>2,550,985</b>	<b>2,405,590</b>	<b>240,361</b>	<b>1,500,000</b>	<b>1,806,458</b>	<b>14,525,414</b>

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

**MUHAMMAD H. HABIB**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**REZA S. HABIB**  
Director

**A. R. WADIWALA**  
Director



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**NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2008**

**1. STATUS AND NATURE OF BUSINESS**

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. STATEMENT OF COMPLIANCE**

- 2.1 These interim condensed 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 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (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.
- 2.2 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 financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.
- 2.3 IFAS - 1 "Murabaha" and IFAS - 2 "Ijara" 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 Bank 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 Bank's financial statements.
- 2.4 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2007.
- 2.5 These are separate interim condensed financial statements of the Bank in which investments in subsidiaries are accounted for on the basis of direct equity interest and are not consolidated.

**3. ACCOUNTING POLICIES**

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

#### 4. LENDINGS TO FINANCIAL INSTITUTIONS

	<b>June 30, 2008</b>	December 31, 2007
	<b>(Un-Audited)</b>	<b>(Audited)</b>
	Rupees in '000	
Call money lendings	<b>5,000,000</b>	2,000,000
Repurchase agreement lendings (Reserve Repo)	<b>2,672,460</b>	1,989,249
	<b>7,672,460</b>	3,989,249

#### 5. INVESTMENTS

	June 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					
<b>Available-for-sale securities</b>						
Market Treasury Bills	20,407,309	16,958,373	37,365,682	26,470,917	11,266,204	37,737,121
Pakistan Investment Bonds	4,446,771	6,446,482	10,893,253	7,000,014	2,492,491	9,492,505
Ordinary shares of listed companies	54,302	-	54,302	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	2,977,432	-	2,977,432	1,738,964	-	1,738,964
Sukuk Bonds	675,000	-	675,000	1,075,000	-	1,075,000
Open ended mutual funds	5,333,646	-	5,333,646	6,659,830	-	6,659,830
Closed ended mutual funds	177,348	-	177,348	179,848	-	179,848
	<b>34,259,909</b>	<b>23,404,855</b>	<b>57,664,764</b>	43,348,079	13,758,695	57,106,774
<b>Held-to-maturity securities</b>						
Certificate of Investments	4,125,000	-	4,125,000	4,550,000	-	4,550,000
<b>Subsidiaries</b>						
Habib Metropolitan Trade Services Limited Hong Kong	79	-	79	79	-	79
Habib Metropolitan Financial Services Limited	300,000		300,000	1		1
	<b>300,079</b>	-	<b>300,079</b>	80	=	80
<b>Investments at cost</b>	<b>38,684,988</b>	<b>23,404,855</b>	<b>62,089,843</b>	47,898,159	13,758,695	61,656,854
Less: Provision for diminution in value of investments	(7,344)	-	(7,344)	(7,344)		(7,344)
<b>Investments – net of provisions</b>	<b>38,677,644</b>	<b>23,404,855</b>	<b>62,082,499</b>	47,890,815	13,758,695	61,649,510
(Deficit)/Surplus on revaluation of available-for-sale investments-net	(487,001)	(593,661)	(1,080,662)	89,254	(2,968)	86,286
<b>Total Investments</b>	<b>38,190,643</b>	<b>22,811,194</b>	<b>61,001,837</b>	47,980,069	13,755,727	61,735,796

## 6. ADVANCES

	Note	June 30, 2008 (Un-Audited) Rupees in '000	December 31, 2007 (Audited)
Loans, cash credits, running finances, etc.			
In Pakistan		<b>77,517,049</b>	70,318,994
Net investment in finance lease / Ijara financing			
In Pakistan		<b>2,378,850</b>	2,180,889
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		<b>6,497,440</b>	4,570,152
Payable outside Pakistan		<b>16,155,059</b>	13,974,026
		<b>22,652,499</b>	18,544,178
Advances - gross	6.1	<b>102,548,398</b>	91,044,061
Provision against non-performing advances			
Specific		<b>(680,551)</b>	(700,981)
General	6.2	<b>(644,036)</b>	(516,274)
		<b>(1,324,587)</b>	(1,217,255)
Advances - net of provisions		<b>101,223,811</b>	89,826,806

6.1 Advances include Rs. 841.163 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	2,015	–	2,015	485	485
Doubtful	229,887	–	229,887	108,305	108,305
Loss	609,261	–	609,261	571,761	571,761
	<u>841,163</u>	<u>–</u>	<u>841,163</u>	<u>680,551</u>	<u>680,551</u>

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

6.2 The general provision includes provision made against consumer portfolio amounting to Rs. 20.954 (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.

	June 30, 2008 (Un-Audited)	December 31, 2007 (Audited)
	Rupees in '000	
<b>7. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	61,149,983	54,812,561
Saving deposits	34,122,422	28,326,985
Current accounts - non-remunerative	27,467,309	33,326,687
Margins and others accounts	2,933,425	1,185,870
	<b>125,673,139</b>	117,652,103
<b>Financial Institutions</b>		
Remunerative deposits	2,912,960	3,209,976
Non-remunerative deposits	387,312	204,390
	<b>3,300,272</b>	3,414,366
	<b>128,973,411</b>	121,066,469
<b>8. (DEFICIT)/SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Available-for-sale securities:		
Market Treasury Bills	(240,052)	(20,352)
Pakistan Investment Bonds	(739,845)	16,464
Term Finance Certificates	17,462	22,070
Listed Shares	(3,528)	4,172
Mutual Funds	(114,699)	63,932
	<b>(1,080,662)</b>	86,286
Related deferred tax asset/(liability)	378,232	(30,338)
	<b>(702,430)</b>	55,948
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
<b>9.1 Direct credit substitutes</b>		
Standby letters of credit serving as financial guarantees for loans and securities	<b>3,168</b>	12,435
<b>9.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of guarantees favouring:		
Government	8,591,809	7,437,940
Banking companies and other financial institutions	163,651	121,190
Others	1,626,115	2,165,057
	<b>10,381,575</b>	9,724,187
<b>9.3 Trade-related contingent liabilities</b>		
Letter of credits	31,613,313	34,103,602
Acceptances	15,230,970	10,287,128
	<b>46,844,283</b>	44,390,730
<b>9.4 Commitments in respect of forward exchange contracts</b>		
Purchase	11,791,668	17,048,483
Sale	21,522,464	26,389,901
<b>9.5 Commitments in respect of operating leases</b>		
Not later than one year	141,823	28,073
Later than one year and not later than five years	154,104	346,117
	<b>295,927</b>	374,190
<b>9.6 Commitments for the acquisition of operating fixed assets</b>	<b>24,562</b>	24,562

10. BASIC AND DILUTED EARNINGS PER SHARE	Quarter ended	Half Year ended	Quarter ended	Half Year ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
	(Un-Audited)		(Restated)	
Profit after taxation (Rupees in '000)	<u>892,026</u>	<u>1,565,005</u>	<u>510,733</u>	<u>1,170,725</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>1.48</u>	<u>2.60</u>	<u>0.85</u>	<u>1.94</u>

10.1 The earnings per share for the quarter and half year ended June 30, 2007 have been adjusted for the effect of bonus issue during the period.

## 11. 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 half year are as follows:

<u>Balance outstanding at period / year end</u>	Note	June 30, 2008	December 31, 2007
		(Un-Audited)	(Audited)
		Rupees in '000	
<b>Holding company/subsidiaries</b>			
Bank Balances		2,003,189	1,275,738
Deposits		259,874	-
Management fee payable		50,543	82,601
<b>Entities with common directorship</b>			
Advances		1,455,167	753,624
Deposit		3,435,418	3,645,792
Trade related contingent liabilities		1,236,311	1,769,635
<b>Key management personnel</b>			
Advances	11.1	12,756	16,828
Deposit		18,695	15,384
<u>Transactions for the period</u>			
<b>Holding company</b>			
Interest earned		29,823	56,617
Management fee paid		96,750	-
<b>Subsidiary company</b>			
Transfer of KSE membership at book value		34,750	-
Investment made during the period		299,999	-
<b>Entities with common directorship</b>			
Mark-up / interest earned		44,340	20,441
Mark-up / interest expensed		166,248	150,500
Commission / bank charges recovered		4,189	3,469
Rent income		366	289
<b>Key management personnel</b>			
Mark-up / interest earned	11.1	379	486
Mark-up / interest expensed		147	132
Salaries and allowances		27,429	29,608
Directors' fees		110	130
<b>Retirement benefit plan</b>			
Contribution to defined benefit plan		516	524
Contribution to defined contribution plan		621	625

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

## 12. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment results for the period are as follows:

	Trading and sales	Retail banking	Commercial banking	Total
Rupees in '000				
<b>For the half year ended June 30, 2008 (Un-audited)</b>				
Total income*	3,463,129	2,535,441	5,891,930	11,890,500
Total expenses*	(2,752,410)	(2,119,939)	(4,700,363)	(9,572,712)
Profit before taxation	<u>710,719</u>	<u>415,502</u>	<u>1,191,567</u>	<u>2,317,788</u>
<b>For the half year ended June 30, 2007 (Un-audited)</b>				
Total income*	3,091,231	2,151,007	3,863,720	9,105,958
Total expenses*	(2,572,078)	(1,967,349)	(2,488,167)	(7,027,594)
Profit/(loss) before taxation	<u>519,153</u>	<u>183,658</u>	<u>1,375,553</u>	<u>2,078,364</u>

\* Includes inter-segment revenues and expenses

## 13. KEY ISLAMIC BANKING OPERATIONS

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

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
Rupees in '000		
<b>ASSETS</b>		
Cash and balances with treasury banks	809,158	551,062
Balances with and due from financial institutions	851,421	800,632
Investments	580,829	432,500
Financing and receivables		
- Murabaha	2,144,903	1,842,382
- Ijara	1,823,524	1,820,897
- Diminishing musharaka	841,928	1,033,550
Other assets	217,391	173,076
	<u>7,269,154</u>	<u>6,654,099</u>
<b>LIABILITIES</b>		
Bills payable	57,274	61,806
Deposits and other accounts		
- Current accounts	491,068	344,106
- Saving accounts	1,973,011	1,261,557
- Term accounts	1,538,620	1,691,342
- Deposits from financial institutions - remunerative	1,480,065	1,824,198
- Deposits from financial institutions - non-remunerative	30	30
Due to head office	391,905	393,037
Other liabilities	752,356	538,788
	<u>6,684,329</u>	<u>6,114,864</u>
<b>NET ASSETS</b>	<u>584,825</u>	<u>539,235</u>
<b>REPRESENTED BY</b>		
Islamic banking fund	501,710	401,550
Unappropriated profit	82,286	137,685
	<u>583,996</u>	<u>539,235</u>
Surplus on revaluation of assets	829	-
	<u>584,825</u>	<u>539,235</u>

#### **14. GENERAL**

- 14.1 Figures of the profit and loss account for the quarters ended June 30, 2008 and June 30, 2007 have not been subjected to limited scope review by the auditors.
- 14.2 The figures have been rounded off to nearest thousand rupees.

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

These interim condensed financial statements were authorised for issue by the Board of Directors on August 7, 2008.

**MUHAMMAD H. HABIB**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**REZA S. HABIB**  
Director

**A. R. WADIWALA**  
Director

## **REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying interim condensed balance sheet of Habib Metropolitan Bank Ltd. as at 30 June 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi: August 7, 2008

**FORD RHODES SIDAT HYDER & CO.  
CHARTERED ACCOUNTANTS**