

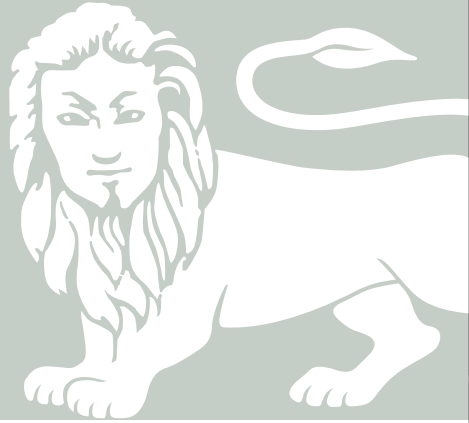


هَذَا مِنْ فَضْلِ رَبِّي



Habib Metropolitan Bank
(Subsidiary of Habib Bank AG Zurich)

Our Vision



Based on a foundation of trust,
to be the most respected financial institution,
delighting customers with excellence,
enjoying the loyalty of a dedicated team,
meeting the expectations of regulators and
participating in social causes while
providing superior returns to shareholders

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CORPORATE INFORMATION



BOARD OF DIRECTORS

CHAIRMAN

Kassim Parekh

CHIEF EXECUTIVE

Anjum Iqbal

DIRECTORS

Muhammad H. Habib

Reza S. Habib

Bashir Ali Mohammad

Anwar H. Japanwala

Ronald V. Emerson

Firasat Ali

Mohamedali R. Habib*

* Executive Director

AUDIT COMMITTEE

Reza S. Habib

Kassim Parekh

Mohamedali R. Habib

COMPANY SECRETARY

Muhammad Imran

SHARE REGISTRAR

Noble Computer Services (Private) Limited

Mezzanine Floor, Siddiqsons Tower,

3-Jinnah C.H. Society, Main Shahrah-e-Faisal,

Karachi 75350.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our unaudited accounts for the quarter ended March 31, 2010.

During the period under review, improvement in external current account deficit and exchange stability has helped the country to improve foreign exchange reserves. Economic growth in the country is starting to recover, large scale manufacturing output has started to increase, the improvement in the global economy has helped manufacturing exports, and private sector credit growth has picked up. The country's Stock Exchanges have also managed to regain investors' confidence and market index reflects a positive sentiment. Going forward, higher growth is needed to raise living standards and improvements in the business climate to stimulate higher investment by local and foreign investors.

Although all the economic indicators are showing the improvement, the growth outlook is subject to risks: most prominently the domestic security situation & energy shortage, as well as the pace of global economic recovery. Furthermore, the continued military operations, revenue shortfalls and delays in disbursements of pledged donor support have complicated fiscal management, whereas inflation remains a concern.

Despite present conditions, by Allah's grace your bank continues to make steady progress as reflected in the attached financial statements. At the quarter end, the total assets of the Bank stood at Rs. 237 billion. The Bank's deposits stand at Rs. 146 billion as against Rs. 142 billion at the preceding year end while advances closed at Rs.103 billion. The Bank's pre-tax profit for the quarter end amounted to Rs. 1,033 million reflecting an EPS of Rs. 0.93 per share.

Due to prevailing market conditions especially with regard export markets, the Bank recognized an additional Rs. 1.2 billion of non-performing loans and made provisions of Rs. 558 million there-against during the quarter. Additionally, the Bank continues to maintain general provision over and above the required levels.

At quarter end, HMB's net equity stands at Rs. 18.8 billion with a comfortable 11.8% capital adequacy level (Basel II) against the required 10%.

HMB continues to enjoy AA+ (Double A plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA). 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.

With a branch network of 120 branches, HMB is providing a full range of banking services including on-line utility bills payment solutions on its ATMs and through our 24-hour call centre, on-line instant fund transfer facilities, SWIFT, tele-info, web-info and mobile banking



alerts (GSM) to our customers. The Bank plans to open more branches during the year and continue with its program for upgrading existing branches to provide better services. Further, our call centre “HMB Connect”, with a toll free contact number 0800 HABIB (42242), is the Bank's centre point of contact and provides services round the clock. HMB Connect plans to add further innovative services on this platform for the ease and accessibility of customers.

One of our key initiatives has been to participate in the steady growth of the Islamic Banking Sector. HMB Islamic Banking Division is fully capable of catering to the customers seeking Sha'ria compliant products. The Bank has expanded its reach from 4 locations a year ago to 26 locations in 6 cities allowing the Bank to cater to the Islamic banking needs of its customers in a more effective manner.

In the end, I would like to take this opportunity to place on record our sincere gratitude to Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion & sincere efforts.

On behalf of the Board

Karachi: April 21, 2010

Anjum Iqbal
Chief Executive

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT 31 MARCH 2010

	Note	31 March, 2010 (Un-Audited)	31 December, 2009 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		11,122,719	11,192,498
Balances with other banks	5	3,147,963	4,836,399
Lendings to financial institutions	6	4,112,982	150,000
Investments	7	108,512,174	111,679,520
Advances	8	103,217,304	102,293,132
Operating fixed assets	9	2,463,985	2,431,227
Deferred tax assets	10	911,067	824,706
Other assets		3,989,337	4,004,748
		237,477,531	237,412,230
LIABILITIES			
Bills payable		3,012,102	3,111,467
Borrowings	11	63,871,493	68,186,674
Deposits and other accounts	12	146,002,679	142,457,376
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		5,881,800	4,916,200
		218,768,074	218,671,717
NET ASSETS		18,709,457	18,740,513
REPRESENTED BY			
Share capital		7,527,525	7,527,525
Reserves		8,932,239	7,587,835
Unappropriated profit		2,374,464	3,773,782
		18,834,228	18,889,142
Deficit on revaluation of assets - net of tax	13	(124,771)	(148,629)
		18,709,457	18,740,513
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
FOR THE QUARTER ENDED 31 MARCH 2010



	Note	2010	2009 (Restated)
		Rupees in '000	
Mark-up / return / interest earned		5,806,170	5,065,589
Mark-up / return / interest expensed		(4,136,338)	(3,216,849)
Net mark-up / interest income		1,669,832	1,848,740
Provision against non-performing loans and advances		558,363	327,882
Provision for diminution in the value of investments		—	—
Bad debts written-off directly		—	—
		(558,363)	(327,882)
Net mark-up / interest income after provisions		1,111,469	1,520,858
Non mark-up / interest income			
Fee, commission and brokerage income		402,097	272,843
Dividend income		115,114	41,940
Income from dealing in foreign currencies		330,953	390,781
Gain on sale / redemption of securities		47,135	26,892
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'		—	—
Other income		57,542	75,631
Total non mark-up / interest income		952,841	808,087
		2,064,310	2,328,945
Non mark-up / interest expenses			
Administrative expenses		1,001,311	870,673
Other provisions / write-offs		—	—
Other charges		30,000	39,164
Total non mark-up/interest expenses		(1,031,311)	(909,837)
		1,032,999	1,419,108
Extra ordinary / unusual items		—	—
		1,032,999	1,419,108
Profit before taxation		1,032,999	1,419,108
Taxation – Current		434,369	655,619
– Prior years		—	—
– Deferred		(99,209)	(164,863)
		(335,160)	(490,756)
Profit after taxation		697,839	928,352
			(Restated)
Basic and diluted earnings per share (Rupees)	15	0.93	1.23

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE QUARTER ENDED 31 MARCH 2010

	2010	2009 (Restated)
	Rupees in '000	
Profit after taxation for the period	697,839	928,352
Other comprehensive income	—	—
Comprehensive income transferred to equity	697,839	928,352
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	36,705	1,361,839
Deferred tax on revaluation of investments	(12,847)	(476,643)
	23,858	885,196
	721,697	1,813,548

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE QUARTER ENDED 31 MARCH 2010



	2010	2009 (Restated)
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,032,999	1,419,108
Less: Dividend income	(115,114)	(41,940)
	917,885	1,377,168
Adjustments		
Depreciation	71,086	50,266
Provision against non-performing loans and advances	558,363	327,882
(Reversal)/provision for diminution in the value of investments	(23,897)	—
(Gain) on sale of fixed assets	(846)	(777)
	604,706	377,371
	1,522,591	1,754,539
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,962,982)	(6,975,271)
Advances	(1,482,535)	5,902,438
Other assets	15,411	(371,918)
	(5,430,106)	(1,444,751)
Increase / (decrease) in operating liabilities		
Bills payable	(99,365)	603,308
Borrowings	(3,789,952)	14,864,114
Deposits	3,545,303	(8,922,625)
Other liabilities (excluding taxation and dividend)	450,087	(959,902)
	106,073	5,584,895
	(3,801,442)	5,894,683
Income tax paid	(671,608)	(365,850)
Net cash inflows from operating activities	(4,473,050)	5,528,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	3,927,948	(7,083,600)
Net investments in held-to-maturity securities	(700,000)	(300,000)
Dividend received	115,114	41,940
Investments in operating fixed assets	(104,405)	(97,959)
Proceeds from sale of fixed assets	1,407	883
Net cash inflows from investing activities	3,240,064	(7,438,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	—	(14)
Net cash flows from financing activities	—	(14)
Decrease in cash and cash equivalents	(1,232,986)	(1,909,917)
Cash and cash equivalents at beginning of the period	14,258,618	13,133,170
Effect of exchange rate changes on cash and cash equivalent	(25,917)	38,271
Cash and cash equivalents at the end of the period	12,999,715	11,261,524

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

				Reserves				
	Share Capital	Shares premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
	Rupees in '000							
Balance as at 1 January 2009	6,022,020	2,550,985	2,748,590	240,361	1,500,000	—	3,087,692	16,149,648
Issue of bonus shares in the ratio of 25 shares for every 100 shares held	—	—	—	—	—	1,505,505	(1,505,505)	—
Changes in equity for the quarter ended 31 March 2009								
Total comprehensive income for the quarter ended 31 March 2009 – profit for the quarter (Restated)	—	—	—	—	—	—	928,352	928,352
Transfer to statutory reserve	—	—	184,000	—	—	—	(184,000)	—
Balance as at 31 March 2009	6,022,020	2,550,985	2,932,590	240,361	1,500,000	1,505,505	2,326,539	17,078,000
Total comprehensive income for the nine months period ended 31 December 2009 – profit for the nine months	—	—	—	—	—	—	1,811,142	1,811,142
Transactions with shareholders recognized directly in equity								
Issue of bonus share in the ratio of 25 shares for every 100 shares held	1,505,505	—	—	—	—	(1,505,505)	—	—
Transfer to statutory reserve	—	—	363,899	—	—	—	(363,899)	—
Balance as at 31 December 2009	7,527,525	2,550,985	3,296,489	240,361	1,500,000	—	3,773,782	18,889,142
Transactions with shareholders recognized directly in equity								
Transfer to reserve for issuance of bonus shares in the ratio of 16 shares for every 100 shares held	—	—	—	—	—	1,204,404	(1,204,404)	—
Cash dividend (Re. 1 per share)	—	—	—	—	—	—	(752,753)	(752,753)
	—	—	—	—	—	1,204,404	(1,957,157)	(752,753)
Changes in equity for the quarter ended 31 March 2010								
Total comprehensive income for the quarter ended 31 March 2010 – profit for the quarter	—	—	—	—	—	—	697,839	697,839
Transfer to statutory reserve	—	—	140,000	—	—	—	(140,000)	—
Balance as at 31 March 2010	7,527,525	2,550,985	3,436,489	240,361	1,500,000	1,204,404	2,374,464	18,834,228

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

MOHAMEDALI R. HABIB
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**
FOR THE QUARTER ENDED 31 MARCH 2010



1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I Chundrigar Road, Karachi. The Bank operates 120 (31 December 2009: 120) branches including 4 (31 December 2009: 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 unconsolidated condensed interim 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 26 August 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 unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.
- 2.3** These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with the requirement of section 245 of the Companies Ordinance, 1984.
- 2.4** These are separate unconsolidated condensed interim financial statements of the Bank in which investment in subsidiary is accounted for on the basis of direct equity interest and is not consolidated.

3. ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

3.1 The accounting policies adopted underlying estimates and methods of computation followed in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009.

3.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended 31 December 2009.

4. BASIS OF PRESENTATION

The disclosures included in these unconsolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated 12 May 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2009.

5. BALANCES WITH OTHER BANKS

	31 March 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
In Pakistan		
– Current accounts	168,810	194,743
– Deposit accounts	3,508	159
	172,318	194,902
Outside Pakistan		
– Current accounts	1,293,889	1,356,074
– Deposit accounts	1,681,756	3,285,423
	2,975,645	4,641,497
	3,147,963	4,836,399

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	3,100,000	100,000
Repurchase agreement lendings (Reserve Repo)	1,012,982	–
Letter of placements	–	50,000
	4,112,982	150,000

7. INVESTMENTS

INVESTMENTS	31 March 2010 (Un-Audited)			31 December 2009 (Audited)			
	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
		Rupees in '000					
Available-for-sale securities							
Market Treasury Bills		32,032,966	31,937,336	63,970,302	36,395,925	34,383,407	70,779,332
Pakistan Investment Bonds		14,094,555	4,775,403	18,869,958	12,736,368	4,788,400	17,524,768
Ordinary shares of listed companies		403,498	—	403,498	276,750	—	276,750
Ordinary shares of unlisted companies		123,101	—	123,101	123,101	—	123,101
Preference shares of a listed company		40,000	—	40,000	40,000	—	40,000
Listed Term Finance Certificates		2,062,048	—	2,062,048	1,911,435	—	1,911,435
Unlisted Term Finance Certificates		4,472,345	—	4,472,345	4,407,393	—	4,407,393
Sukuk Certificates/Bonds		8,216,405	—	8,216,405	8,118,738	—	8,118,738
Open end mutual funds		9,620,336	—	9,620,336	8,524,630	—	8,524,630
Closed end mutual funds		129,261	—	129,261	129,055	—	129,055
		71,194,515	36,712,739	107,907,254	72,663,395	39,171,807	111,835,202
Held-to-maturity securities							
Certificate of Investments		700,000	—	700,000	—	—	—
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	—	300,000	300,000	—	300,000
Investments at cost		72,194,515	36,712,739	108,907,254	72,963,395	39,171,807	112,135,202
Less: Provision for diminution in the value of investments		(203,125)	—	(203,125)	(227,022)	—	(227,022)
Investments – net of provisions		71,991,390	36,712,739	108,704,129	72,736,373	39,170,807	111,908,180
Deficit on revaluation of available-for-sale investments – net	13	(60,163)	(131,792)	(191,955)	(78,405)	(150,255)	(228,660)
Investments after revaluation of available-for-sale investments		71,931,227	36,580,947	108,512,174	72,657,968	39,021,552	111,679,520

8. ADVANCES			
	Note	31 March 2010 (Un-Audited)	31 December 2009 (Audited)
		Rupees in '000	
Loans, cash credits, running finances, etc.			
In Pakistan		87,474,319	86,998,347
Net investment in finance lease / ijara financing			
In Pakistan		1,289,463	1,385,434
Net assets / investment in ijarah under IFAS 2		329,262	212,552
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,126,401	4,810,638
Payable outside Pakistan		14,183,343	13,515,637
		19,309,744	18,326,275
Advances - gross	8.1	108,402,788	106,922,608
Provision against non-performing advances			
- specific		(4,760,739)	(4,204,731)
- general	8.3	(424,745)	(424,745)
		(5,185,484)	(4,629,476)
Advances - net of provisions		103,217,304	102,293,132
8.1 Advances include Rs. 7,518,071 thousand (2009: Rs 6,364,335 thousand) which have been placed under non-performing status as detailed below:			
		31 March 2010 (Un-Audited)	
		Classified advances	Provision required
			Provision held
		Rupees in '000	
Category of Classification			
Substandard		50,584	4,471
Doubtful		2,625,956	1,036,855
Loss		4,841,531	3,719,413
		7,518,071	4,760,739
		31 December 2009 (Audited)	
		Classified advances	Provision required
			Provision held
		Rupees in '000	
Category of Classification			
Substandard		230,099	32,426
Doubtful		1,082,445	405,567
Loss		5,051,791	3,766,738
		6,364,335	4,204,731

8.2 In accordance with the directives issued by SBP, the Bank has considered the benefit of 40% of FSV of pledged stocks and mortgaged residential, commercial and industrial properties held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provisioning requirements.

8.3 General provision includes provision of Rs. 16,224 million (2009: Rs. 16,195 million) made against consumer portfolio in accordance with the Prudential Regulations issued by the SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 62,795 million (31 March 2009: Rs. 42,345 million) and Rs. 0.562 million (31 March 2009: Rs. 0.106 million) respectively.

10. DEFERRED TAX ASSETS

The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deductions for provisions for doubtful and loss categories of advances and off-balance sheet items are allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognized deferred tax asset on such provision amounting to Rs. 846.493 million.

	31 March 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
11. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	23,733,334	24,820,596
– under long term finance – export oriented projects	1,716,407	1,858,677
– under long term finance – locally manufactured plant and machinery	835,896	677,608
	26,285,637	27,356,881
Repurchase agreement borrowings	36,146,713	38,807,235
	62,432,350	66,164,116
Unsecured		
Call borrowings	–	100,000
Overdrawn nostro accounts	1,240,331	1,755,865
Overdrawn local bank accounts	30,636	40,331
Other short term borrowing	168,176	126,362
	1,439,143	2,022,558
	63,871,493	68,186,674
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	70,141,193	63,745,868
Saving deposits	34,877,677	39,879,767
Current accounts (non-remunerative)	31,961,045	33,250,907
Others	1,334,630	1,478,044
	138,314,545	138,354,586
Financial Institutions		
Remunerative deposits	7,330,652	3,963,566
Non-remunerative deposits	357,482	139,224
	7,688,134	4,102,790
	146,002,679	142,457,376



	31 March 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
13. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX		
Available-for-sale securities:		
Market Treasury Bills	(12,074)	27,645
Pakistan Investment Bonds	(237,479)	(264,249)
Listed Shares	34,817	31,317
Term Finance Certificates	(110,906)	(112,001)
Sukuk Certificates / Bonds	(6,269)	(19,200)
Mutual Funds	139,956	107,828
	(191,955)	(228,660)
Related deferred tax asset - net	67,184	80,031
	(124,771)	(148,629)
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of banking companies and other financial institutions	106,518	106,518
14.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	13,432,035	7,384,640
ii) Banking companies and other financial institutions	160,601	184,431
iii) Others	2,866,940	6,521,564
	16,459,576	14,090,635
14.3 Trade-related contingent liabilities		
Letters of credit	32,176,249	33,926,635
Acceptances	9,454,866	8,815,049
14.4 Commitments in respect of forward exchange contracts		
Purchase	23,040,839	25,374,364
Sale	27,118,688	29,690,658
14.5 Commitments in respect of Repurchase agreement borrowings		
	1,013,273	4,655,405

		31 March 2010	31 December 2009
		(Un-Audited)	(Audited)
		Rupees in '000	
14.6 Commitments in respect of operating leases			
Not later than one year	76,018	81,741	
Later than one year and not later than five years	59,975	65,749	
	135,993	147,490	
14.7 Commitments for the acquisition of operating fixed assets	51,467	14,884	
14.8 Claims against bank not acknowledged as debt	1,680,910	1,634,510	
14.9 Commitments in respect of forward lendings			
The Bank makes commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.			
14.10 Commitments in respect of syndicate financing	653,100	593,191	
14.11 Commitments in respect of investment in Sukuk certificates and Term Finance certificates	325,202	294,696	
14.12	Income tax assessments of the Bank have been finalised upto the tax year 2006 (corresponding to the accounting year ended 31 December 2005). Certain appeals are pending for the tax years 2007, 2008 and 2009 (corresponding to the accounting years ended 31 December 2006, 31 December 2007 and 31 December 2008). However, adequate provisions are being held by the Bank.		
		For the quarter ended 31 March 2010	2009
		(Un-Audited)	(Restated)
		Rupees in '000	
15. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation	697,839	928,352	
		(Restated)	
		Number in '000	
Weighted average number of ordinary shares	752,753	752,753	
		(Restated)	
		Rupees	
Basic and diluted earnings per share	0.93	1.23	
15.1	The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.		

16. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorship, directors, employee benefit plan and key management.

Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	31 March 2010 (Un-Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the period	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Received during the period	1,697,080	39,719,293	106,739,649	73,827	912,760	149,142,609
Repaid during the period	(1,676,202)	(39,714,781)	(108,771,172)	(55,964)	(1,212,118)	(151,430,237)
At the end of the period	40,328	276,398	1,499,892	63,901	551,168	2,431,687
Advances						
At the beginning of the period	–	–	1,740,927	15,540	–	1,756,467
Disbursed during the period	–	–	6,745,853	8,810	–	6,754,663
Recovered during the period	–	–	(6,846,586)	(846)	–	(6,847,432)
At the end of the period	–	–	1,640,194	23,504	–	1,663,698
Bank balances	743	–	7,610	–	–	8,353
Mark-up/return/interest payable	–	2,348	–	–	–	2,348
Management fee payable for technical and consultancy services	148,500	–	–	–	–	148,500
Prepayments	–	–	11,585	–	–	11,585
Trade related contingent liabilities	–	25,000	1,671,253	–	–	1,696,253
Advance received against prepaid card	–	–	4,208	–	–	4,208
Advance received against insurance premium	–	–	17	–	–	17

	31 December 2009 (Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the period	8,111	241,752	1,608,912	7,536	631,034	2,497,615
Received during the period	11,408,758	159,423,257	325,627,006	162,776	2,173,822	498,795,619
Repaid during the period	(11,397,419)	(159,393,123)	(323,704,503)	(124,274)	(1,954,600)	(496,573,919)
At the end of the period	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Advances						
At the beginning of the period	–	–	1,550,222	11,409	–	1,561,631
Disbursed during the period	–	–	28,110,309	7,202	–	28,117,511
Recovered during the period	–	–	(27,919,604)	(3,071)	–	(27,922,675)
At the end of the period	–	–	1,740,927	15,540	–	1,756,467
Bank balances	30,875	–	6,504	–	–	37,379
Mark-up/return/interest payable	–	2,403	–	–	–	2,403
Management fee payable for technical and consultancy services	126,400	–	–	–	–	126,400
Prepayments	–	–	13,891	–	–	13,891
Trade related contingent liabilities	–	25,000	2,287,830	–	–	2,312,830
Advance received against prepaid card	–	–	2,907	–	–	2,907
Advance received against insurance premium	–	–	60	–	–	60

For the period ended 31 March 2010 (Un-Audited)

Transactions during the period	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plan	Directors' Fees	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	31,805	341	-	-	32,146
Management fee for technical and consultancy services	22,100	-	-	-	-	-	22,100
Mark-up/return/interest expensed	-	6,958	100,552	1,497	49,693	-	158,700
Commission/brokerage/bank charges recovered	-	124	6,150	-	-	-	6,274
Rent income	-	-	223	-	-	-	223
Remuneration	-	-	-	27,799	-	-	27,799
Directors' fees	-	-	-	-	-	2,050	2,050
Contribution to defined benefit plan	-	-	-	-	12,000	-	12,000
Contribution to defined contribution plan	-	-	-	-	15,384	-	15,384
Bank charges	82	56	2,239	-	-	-	2,377
Insurance premium expensed	-	-	7,316	-	-	-	7,316
Rent expenses	-	-	4,163	-	-	-	4,163
Maintenance, electricity, stationary & entertainment	-	-	5,087	-	-	-	5,087
Share registration charges	-	-	334	-	-	-	334

For the period ended 31 March 2009 (Un-Audited)							
Transactions during the period	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plan	Directors' Fees	Total
	Rupees in '000						
Mark-up/return/interest earned	3,840	—	39,442	168	—	—	43,450
Management fee for technical and consultancy services	26,500	—	—	—	—	—	26,500
Mark-up/return/interest expensed	—	7,587	88,173	74	28,787	—	124,621
Commission/brokerage/bank charges recovered	—	2	3,219	—	—	—	3,221
Rent income	—	—	208	—	—	—	208
Remuneration	—	—	—	25,315	—	—	25,315
Directors' fees	—	—	—	—	—	90	90
Contribution to defined benefit plan	—	—	—	—	9,000	—	9,000
Contribution to defined contribution plan	—	—	—	—	13,286	—	13,286
Bank charges	54	231	1,291	—	—	—	1,576
Insurance premium expensed	—	—	7,051	—	—	—	7,051
Rent expenses	—	—	3,324	—	—	—	3,324
Maintenance, electricity, stationary & entertainment	—	—	475	—	—	—	475
Share registration charges	—	—	327	—	—	—	327



17. ISLAMIC BANKING OPERATIONS

17.1 The Bank is operating 4 (2009: 4) Islamic banking branches. The balance sheet of these branches as at 31 March 2010 is as follows:

BALANCE SHEET

	31 March 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	488,939	729,330
Balances with and due from financial institutions	478	478
Investments	7,258,061	7,740,463
Financing and receivables		
- Murabaha	2,064,060	2,069,501
- Ijara	1,145,887	1,196,447
- Diminishing musharaka	590,725	418,286
- Export refinance murabaha	285,000	—
Due from head office	158,701	110,924
Other assets	355,032	501,465
	12,346,883	12,766,894
LIABILITIES		
Bills payable	50,297	31,952
Deposits and other accounts		
- Current accounts	661,635	734,112
- Saving accounts	2,479,979	4,543,425
- Term deposits	4,633,655	4,425,802
- Deposits from financial institutions - remunerative	2,832,005	1,370,586
- Deposits from financial institutions - non-remunerative	778	509
Borrowings	285,000	—
Due to Head Office	—	—
Other liabilities	709,119	780,998
	11,652,468	11,887,384
NET ASSETS	694,415	879,510
REPRESENTED BY		
Islamic banking fund	602,102	602,106
Unappropriated profit	65,972	253,690
	668,074	855,796
Surplus on revaluation of assets	26,341	23,714
	694,415	879,510

18. GENERAL

The figures have been rounded off to nearest thousand rupees.

19. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on 21 April 2010.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director