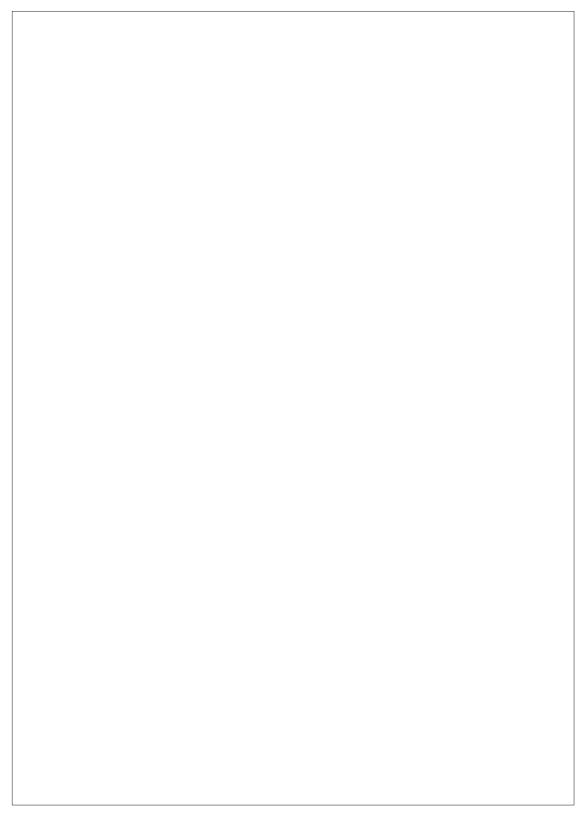


(Formerly Metropolitan Bank Limited)

# Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

ACCOUNTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 (UN-AUDITED)



# هٰذَا مِنْ فَضُلِ رَبِي<del>ّ</del>

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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

\_\_\_\_\_ 2 \_\_

## SHARE REGISTRAR

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

## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank Ltd., I am pleased to present Bank's unaudited accounts for the nine months ended September 30, 2007.

By the grace of Allah, HMB is making steady progress. As at September 30, 2007, the total assets of the Bank stood at Rs. 173 billion compared to Rs 149 billion at December 31, 2006. Deposits increased to Rs 132 billion and investments to Rs 62 billion compared to Rs 102 billion and Rs 40 billion as of December 31, 2006 respectively. The Bank earned a profit after tax of Rs. 1,903 million for the nine months ended September 30, 2007 compared to Rs. 1,339 million earned for the corresponding period of previous year. Earnings per share for the nine months ended works out to Rs 3.79 per share.

For the seventh 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.

During the period under review, the State Bank of Pakistan has announced some significant policy changes in three areas which will affect the Banking industry in general in coming years.

Firstly, SBP has modified procedure for export finance scheme in order to enhance its effetiveness and with a view to correct the monetary (policy) implications in the existing mechanism. Under the revised scheme, SBP will provide only 70% refinance and remaining 30% shall be met by the Bank's own resources. However, this will be achieved in phased manner up to June 2008. These changes will have a liquidity and income implications for the banking sector.

Secondly, SBP has revised the Branch Licencing Policy and Banks are now required to open 20% of their branches in rural/underserved areas to enhance outreach of banking services. SBP has now allowed Banks to open sub-branches; sales & service centers and mobile banking units. This will influence the expansion of the banking industry in metropolitan areas.

Lastly, SBP has amended the Prudential Regulations – Provisioning for loans and advances and withdrawn the benefit of Forced Sale Value (FSV) of collateral from December 31, 2007. This will have a considerable impact on the provisioning requirements for non-performing loans of the banking industry.

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 84 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: October 24, 2007

KASSIM PAREKH President & Chief Executive

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## **INTERIM CONDENSED BALANCE SHEET** AS AT SEPTEMBER 30, 2007

		September 30, 2007 (Un-audited)	December 31, 2006 (Audited)
ASSETS	Note	( )	s in '000
Cash and balances with treasury banks Balances with other banks Lendings to financial institutions Investments Advances Operating fixed assets Deferred tax assets Other assets	4 5 6	11,921,961 3,651,311 9,323,770 62,010,592 83,043,714 766,851 - 2,334,811	11,348,162 6,296,564 5,447,110 39,555,569 83,324,059 649,059 - 2,047,809
LIABILITIES		173,053,010	148,668,395
Bills payable Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liabilities against assets subject to finance lease Deferred tax liabilities Other liabilities	7	2,959,129 20,030,246 132,029,909 - 217,015 5,037,022	1,619,796 29,518,458 102,492,712 - 176,803 3,992,514
		160,273,321	137,800,283
NET ASSETS		12,779,689	10,868,112
REPRESENTED BY			
Share capital Reserves Unappropriated profit		5,018,350 6,205,541 1,344,371	3,005,000 5,824,936 1,835,302
Surplus on revaluation of assets - net of tax		12,568,262 211,427	10,665,238 202,874
	0	12,779,689	10,868,112
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

KASSIM PAREKH President & Chief Executive

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ANWAR H. JAPANWALA Director

FIRASAT ALI Director

**REZA S. HABIB** Director

### **INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UN-AUDITED)** FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

]EQMOB\_\_\_\_

Mark-up / return / interest expensed    2,994,026    8,723,361    1,722,448    4,816,291      Mark-up / return / interest expensed    2,117,547    8,303,160    (1,093,172)    (2,978,861)      Net mark-up / interest income    2,793,201    629,276    5,306,60    51,412      Provision for diminution in value of investments    -    60,359    (5,066)    51,412      Provision for diminution in value of investments    -    (60,435)    5,066    (51,620)      Net mark-up / interest income    -    (60,435)    5,066    (51,620)      Provision on abok rage income    -    (70,035)    136,801    383,408      Dividend income    -    -    (20,724)    136,801    383,408      Dividend income    -    -    (20,724)    136,801    383,408    24,152      Gain on sale of securities    -    -    -    -    21,292    155,087    60,444    145,038    -    -    21,929    155,087    60,444    145,038    -    -    21,929    59,466    -    <		Note	Quarter ended Septemb	Nine Months ended er 30, 2007 Rupees	ended Septembe	Nine Months ended r 30, 2006 ated)
Provision/(reversal) against non-performing loans and advances  -  60,359  (5,066)  51,412    Provision for diminution in value of investments  -  (60,435)  5,066  (51,629)    Bad debts written off directly  -  (60,435)  5,066  (51,629)    Net mark-up / interest income Fee, commission and brokerage income Divided income  240,724  720,254  136,801  383,408    Quart Pees, commission and brokerage income Divided income  240,724  720,254  136,801  383,408    Quart Pees, commission and brokerage income  240,724  720,254  136,801  383,408    Quart Pees, commission and brokerage income  141,179  9,062  241,152  416,190    Gain on sale of securities  -				8,723,361	1,722,448	
Loans and advances    -    60,359    (5,066)    51,412      Bad debts written off directly    -    -    76    -    217      Net mark-up / interest income    -    (60,435)    5,066    (51,629)      Non mark-up interest income    -    (60,435)    5,066    (51,629)      Non mark-up interest income    240,724    136,801    383,408      Dividend income    1,0013    387,977    155,087    4416,190      Gain on sale of securities    306,919    378,977    155,087    4416,190      Unrealized gain/(loss) on revaluation of investment    -	Net mark-up / interest income		876,479	2,793,201	629,276	1,836,430
Loss datase micht on dateday	loans and advances		_	60,359	(5,066)	51,412
Net mark-up / interest income after provisions    876,479    2,732,766    634,342    1,784,801      Non mark-up interest income Fee, commission and brokerage income Dividend income from dealing in foreign currencies Gain on sale of securities    720,254    136,801    383,408      Income from dealing in foreign currencies Gain on sale of securities    720,254    136,801    383,408      Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'    714,181    90,62    145,038      Total non mark-up / interest expenses    772,134    2,151,653    383,323    1,028,254      Administrative expenses    617,229    1,773,855    294,112    859,447      Other provisions/write offs    617,229    1,017,665    2,813,055      Non mark-up interest expenses    617,229    1,017,665    2,813,055      Administrative expenses    617,229    1,773,855    204,112    859,447      Other provisions/write offs    1,031,298    3,109,662    723,533    1,953,321      Total non mark-up / unusual items    -    -    -    -    -    -    20    229,600    73,3321	Bad debts written off directly		-	76	-	217
Non mark-up interest income Dividend income Income from dealing in foreign currencies Gain on sale of securities Unrealized gain/(loss) on revaluation of investment classified as 'held for trading' Other income    Z40,724 10,013 306,919 174,181    T20,254 148,905 878,977 418,905    136,801 9,062    383,408 24,152 416,190      Total non mark-up / interest expenses Administrative expenses Other charges    772,134 1,648,613    2,191,653 4,884,419    1,017,665    2,813,055      Non mark-up interest expenses Administrative expenses Other charges    617,229 - 86    1,773,855    294,112 - 20    859,447 - 287      Total non mark-up interest expenses    617,229 - 86    1,773,855    294,112 - 20    859,447 - 287      Total non mark-up interest expenses    617,315)    (1,774,757)    (294,132)    (859,734)      Total non mark-up interest expenses    617,3129    3,109,662    723,533    1,953,321      Total non mark-up interest expenses    (617,315)    (1,774,757)    (294,132)    (859,734)      Total non mark-up interest expenses    (617,315)    (1,774,757)    (294,132)    (859,734)      Total non mark-up interest expenses    (617,315)    (1,774,757)    (294,132)    (859,734)      Total non mark-up interest expenses    (			-	(60,435)	5,066	(51,629)
Fee, commission and brokerage income  240,724  720,254  136,801  383,408    Dividend income  10,001  306,919  878,977  141,79  9,062  24,152    Income from dealing in foreign currencies  306,919  878,977  418,905  60,444  145,038    Unrealized gain/(loss) on revaluation of investment  -  -  -  -  -    Other income  -  -  -  -  -  -  -    Total non mark-up / interest income  772,134  2,151,653  383,323  1,028,254  1,017,665  2,813,055    Non mark-up interest expenses  617,229  1,773,856  294,112  859,447  -  20  -  287    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,132)  (859,734)  1,953,321    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,132)  (859,734)    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,132)  (859,734)    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,102)  (850,734)	Net mark-up / interest income after provisions		876,479	2,732,766	634,342	1,784,801
Other income  40,297  119,338  21,929  59,466    Total non mark-up / interest income  772,134  2,151,653  383,323  1,028,254    1,648,613  4,884,419  1,017,665  2,813,055    Non mark-up interest expenses  617,229  1,773,855  294,112  859,447    Other provisions/write offs  -  86  416  20  287    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,132)  (859,734)    Other charges  (617,315)  (1,774,757)  (294,132)  (859,734)    Profit before taxation  1,031,298  3,109,662  723,533  1,953,321    Taxation- current  145,000  1,017,000  229,600  703,600    - prior years  - deferred  74,887  1,903,024  491,566  1,338,771    Unappropriated profit brought forward  732,299  1,93,302  1,497,184  2,617,184    Profit after taxation  1,490,831  3,738,326  1,497,184  2,617,184    Profit after taxation  1,490,831  3,738,326  1,497,184  2,617,184    Profit aft	Fee, commission and brokerage income Dividend income Income from dealing in foreign currencies Gain on sale of securities Unrealized gain/(loss) on revaluation of investmer	nt	10,013 306,919	14,179 878,977	9,062 155,087	24,152 416,190
Non mark-up interest expenses Administrative expenses Other provisions/write offs1,648,6134,884,4191,017,6652,813,055Non mark-up interest expenses Other charges $617,229$ - 86 $1,773,855$ - 486 416 $294,112$ - 207 $859,447$ - 287Total non mark-up interest expenses $(617,315)$ ( $1,774,757)$ ( $294,132)$ $(859,734)$ ( $859,734)$ Extraordinary / unusual items $-$ - - $-$ - $-$ -Profit before taxation - prior years - deferred $1,031,298$ 3,109,662 $3,109,662$ 723,533 $723,533$ 1,953,321Taxation- current - prior years - deferred $145,000$ 79,112 $1,017,000$ 1,298,000 $229,600$ ( $298,999)$ Profit after taxation Unappropriated profit brought forward $732,299$ 758,532 $(231,967)$ ( $614,550)$ Profit available for appropriation Transfer to revenue reserve Transfer to revenue reserve Transfer to revenue reserve Transfer to statutory reserve $-$ $146,460$ $-$ $2,393,955$ $-$ $1,4497,184$ $520,000$ $-$ $-$ $1,244,371Unappropriated profit carried forward1,344,3711,344,3711,497,1841,497,1841,497,184$			40,297	119,338	21,929	59,466
Non mark-up interest expenses Administrative expenses Other provisions/write offs Other charges    617,229 -86    1,773,855 486    294,112 -20    859,447 -287      Total non mark-up interest expenses    (617,315)    (1,774,757)    (294,132)    (859,734)      Extraordinary / unusual items    1,031,298    3,109,662    723,533    1,953,321      Profit before taxation    1,031,298    3,109,662    723,533    1,953,321      Taxation- current - prior years - deferred    145,000    141,903    229,600    703,600      (298,999)    (1,206,638)    (231,967)    (614,550)    (89,050)      Profit after taxation Unappropriated profit brought forward    732,299    1,903,024    491,566    1,338,771      Profit after taxation Unappropriated profit brought forward    732,299    1,903,024    491,566    1,338,771      Profit after taxation Unappropriated profit brought forward    732,299    1,903,024    491,566    1,338,771      Unappropriated profit carried forward    1,490,831    3,738,326    1,497,184    2,617,184      Mappropriated profit carried forward    146,460    2,393,955    -    1,120,000 <td>Total non mark-up / interest income</td> <td></td> <td>772,134</td> <td>2,151,653</td> <td>383,323</td> <td>1,028,254</td>	Total non mark-up / interest income		772,134	2,151,653	383,323	1,028,254
Administrative expenses Other provisions/write offs Other charges  617,229 - 86  1,773,855 486  294,112 - 20  859,447 - 287    Total non mark-up interest expenses  (617,315)  (1,774,757)  (294,132)  (859,734)    Extraordinary / unusual items  -  -  -  -  -    Profit before taxation  1,031,298  3,109,662  723,533  1,953,321    Taxation- current - prior years - deferred  145,000  74,887  79,112  47,735  2,367  (89,050)    (298,999)  (1,206,638)  (231,967)  (614,550)  -			1,648,613	4,884,419	1,017,665	2,813,055
Extraordinary / unusual items1,031,2983,109,662723,5331,953,321Profit before taxation1,031,2983,109,662723,5331,953,321Taxation- current - prior years - deferred145,00074,887723,5331,953,321Totation- current - prior years - deferred145,0001,017,000229,600703,600Profit after taxation Unappropriated profit brought forward732,2991,903,024491,5661,338,771Profit available for appropriation Transfer to revenue reserve Transfer to statutory reserve-2,013,350-520,000Unappropriated profit carried forward520,000520,000Unappropriated profit carried forward-1,344,3711,497,1841,497,184	Administrative expenses Other provisions/write offs		_	486		
Extraordinary / unusual items1,031,2983,109,662723,5331,953,321Profit before taxation1,031,2983,109,662723,5331,953,321Taxation- current - prior years - deferred145,00074,887723,5331,953,321Totation- current - prior years - deferred145,0001,017,000229,600703,600Profit after taxation Unappropriated profit brought forward732,2991,903,024491,5661,338,771Profit available for appropriation Transfer to revenue reserve Transfer to statutory reserve-2,013,350-520,000Unappropriated profit carried forward520,000520,000Unappropriated profit carried forward-1,344,3711,497,1841,497,184	Total non mark-up interest expenses		(617.315)	(1.774.757)	(294,132)	(859,734)
Taxation - current - prior years - deferred145,000 $74,887$ 1,017,000 $141,903$ 229,600 - $2,367$ 703,600 (89,050)Profit after taxation Unappropriated profit brought forward(298,999)(1,206,638)(231,967)(614,550)Profit available for appropriation Transfer to revenue reserve Transfer to statutory reserve732,299 758,5321,903,024 1,835,302491,566 1,005,6181,338,771 1,278,413Unappropriations: Issue of bonus shares Transfer to revenue reserve520,000 600,000Unappropriated profit carried forward600,000 -Unappropriated profit carried forward1,344,3711,497,1841,497,184						
- prior years - deferred  74,887 79,112  141,903 47,735  -  -    Profit after taxation Unappropriated profit brought forward  732,299 758,532  1,903,024 1,903,024  491,566 491,566  1,338,771 1,278,413    Profit available for appropriation Transfer to revenue reserve Transfer to statutory reserve  -  2,013,350 -  -  -    141,903 (298,999)  -  -  -  (80,050)    0  -  -  -  -  -    1,903,024 (1,005,618  491,566 1,278,413  1,278,413  -  -    Profit available for appropriation Transfer to revenue reserve Transfer to statutory reserve  -  -  -  -    0  -  -  -  -  -  600,000    -  -  -  -  -  -  600,000    -  -  -  -  -  -  -  -  -    146,460  2,393,955  -  -  1,120,000  -  -  -    0  -  -  -  -  -  -  -  - <td>Profit before taxation</td> <td>-</td> <td>1,031,298</td> <td>3,109,662</td> <td>723,533</td> <td>1,953,321</td>	Profit before taxation	-	1,031,298	3,109,662	723,533	1,953,321
Profit after taxation Unappropriated profit brought forward    732,299 758,532    1,903,024    491,566    1,338,771      Profit available for appropriation Susce of bonus shares Transfer to revenue reserve Transfer to statutory reserve    1,490,831    3,738,326    1,497,184    2,617,184      Unappropriated profit carried forward    –    2,013,350    –    –    520,000      Unappropriated profit carried forward    1,344,371    1,344,371    1,497,184    1,497,184	- prior years		74,887	141,903		
Unappropriated profit brought forward  758,532  1,835,302  1,005,618  1,278,413    Profit available for appropriation  1,490,831  3,738,326  1,497,184  2,617,184    Appropriations:		-	(298,999)	(1,206,638)	(231,967)	(614,550)
Appropriations:    Issue of bonus shares    Transfer to revenue reserve    Transfer to statutory reserve    146,460    2,913,350    -    -    146,460    2,393,955    -    1,344,371    1,497,184		-				
Issue of bonus shares  -  2,013,350  -  520,000    Transfer to revenue reserve  146,460  380,605  -  -  600,000    Transfer to statutory reserve  146,460  2,393,955  -  1,120,000    Unappropriated profit carried forward  1,344,371  1,497,184  1,497,184	Profit available for appropriation		1,490,831	3,738,326	1,497,184	2,617,184
Unappropriated profit carried forward <b>1,344,371 1,344,371 1,497,184 1,497,184</b>	Issue of bonus shares Transfer to revenue reserve		_ 146,460		_ _ _	
		-	146,460	2,393,955	_	1,120,000
Basic and diluted earnings per share (Rupees)    9    1.46    3.79    1.20    3.27	Unappropriated profit carried forward		1,344,371	1,344,371	1,497,184	1,497,184
	Basic and diluted earnings per share (Rupees)	9	1.46	3.79	1.20	3.27

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

KASSIM PAREKH	ANWAR H. JAPANWALA	FIRASAT ALI	REZA S. HABIB
President & Chief Executive	Director	Director	Director
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### **INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)** FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

Rupees in '000      CASH FLOW FROM OPERATING ACTIVITIES Profit before taxation Less: dividend income    3,109,662 (14,179)    1,953,321 (24,152)      Adjustment for non-cash charges: Depreciation (Gain) on sale of fixed assets    3,095,483    1,929,169      Adjustment for non-cash charges: Depreciation (Gain) on sale of fixed assets    56,432 (1,537)    3,975 (2,529)    51,412 (1,537)      Increase / decrease in operating assets Lendings to financial institutions Advances Other assets (excluding advance taxation)    (3,876,660) (2,908,614)    (2,908,614) (3,570,577)      Increase / (decrease) in operating liabilities Bills payable Borrowings Deposits and other accounts Other liabilities (excluding taxation)    (3,943,676)    (6,962,751)      Income tax paid Income tax paid    11,147,237 (1,147,2317)    7,709,431 (458,955)    20,180,066      Net cash flow from operating activities    (24,363,994) (1,147,217)    (8,461,457) (248,078) (24,80,78)    (8,461,457) (2,480,78)      Net cash flow from operating nixel assets Dividend received Investments in operating nixel assets Sale proceeds of property and equipment disposed-off    (24,31,381)    (8,461,457) (2,480,78)      Net cash used in investing activities    (22,611,4477)    (6,008,531)      CASH FLOW FROM FINANCING ACTIVITIES Dividend paid    -    (9) (Decrease)/Increase in cash and cash equivalents Cash and cash equiva		September 30, 2007	September 30, 2006
Profit before taxation  3,109,662  1,953,321    Less: dividend income  (14,179)  (24,152)    Adjustment for non-cash charges:  3,095,483  1,929,169    Depreciation  56,432  33,975    Provision against non-performing advances - net  (6,359)  (2,528)    (Increase) / decrease in operating assets  114,263  83,850    Lendings to financial institutions  3,209,746  2,013,019    Advances  (2,908,614)  (2,908,614)    Other assets (excluding advance taxation)  (3,876,660)  (2,908,614)    Increase / (decrease) in operating liabilities  (3,943,676)  (6,962,751)    Bills payable  (3,943,676)  (6,962,751)    Deposits and other accounts  (3,943,676)  (6,962,751)    Deposits and other accounts  (3,943,676)  (6,962,751)    Income tax paid  1,339,333  (9,848,139)  29,863    Net cash flow from operating activities  (1,147,725)  (2,651,447)  2,659,163    Net cash flow from operating activities  (2,4363,994)  (8,461,457)  2,488,078    Dividend received  1,910,000  1,910,000  24,152		Rupees	s in '000
(Gain) on sale of fixed assets  (2,528)  (1,537)    (Increase) / decrease in operating assets  3,209,746  2,013,019    Lendings to financial institutions  3,209,746  2,013,019    Advances  (2,908,614)  (3,570,357)    Other assets (excluding advance taxation)  (3,943,676)  (6,962,751)    Increase / (decrease) in operating liabilities  1,339,333  603,856    Borrowings  29,986  7,813,595    Deposits and other accounts  29,937,197  577,775    Other liabilities (excluding taxation)  21,927,317  7,709,431    Income tax paid  (1,147,251)  (458,955)    Net cash flow from operating activities  20,180,066  7,250,476    CASH FLOW FROM INVESTING ACTIVITIES  (24,363,994)  2,4152    Investments in operating fixed assets  (22,611,447)  (24,41,457)    Sale proceeds of property and equipment disposed-off  5,282  1,881    Net cash used in investing activities  (22,611,447)  (6,008,531)    CASH FLOW FROM FINANCING ACTIVITIES  (22,611,447)  (6,008,531)    Dividend paid  -  (9)  (2,431,381)  1,241,936	Profit before taxation Less: dividend income Adjustment for non-cash charges: Depreciation	(14,179) 3,095,483 56,432	(24,152) 1,929,169 33,975
(Increase) / decrease in operating assets Lendings to financial institutions Advances    3,209,746    2,013,019      (Increase) / decrease in operating assets Lendings to financial institutions Advances    (3,876,660) 219,986 (287,002)    (2,908,614) (3,570,357)      Other assets (excluding advance taxation)    (3,943,676)    (6,962,751)      Increase / (decrease) in operating liabilities Bills payable Borrowings Deposits and other accounts Other liabilities (excluding taxation)    1,339,333    603,856      1,339,333    603,856    7,813,595    3,663,937      29,537,197    3,663,937    577,775      22,061,247    12,659,163    7,250,476      CASH FLOW FROM INVESTING ACTIVITIES Net investments in available-for-sale securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off    (24,363,994)    (8,461,457)      Net cash used in investing activities    (22,611,447)    (6,008,531)      CASH FLOW FROM FINANCING ACTIVITIES Dividend paid    -    (9)      (Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period    -    (9)	(Gain) on sale of fixed assets	(2,528)	(1,537)
(Increase) / decrease in operating assets Lendings to financial institutions Advances Other assets (excluding advance taxation)(3,876,660) (287,002)(2,908,614) (3,570,357) (483,780)(Increase / (decrease) in operating liabilities Bills payable Borrowings Deposits and other accounts Other liabilities (excluding taxation)(3,943,676)(6,962,751)(Increase / (decrease) in operating liabilities Borrowings Deposits and other accounts Other liabilities (excluding taxation)(3,943,676)(6,962,751)(Increase / (decrease) in operating liabilities Borrowings Deposits and other accounts Other liabilities (excluding taxation)(3,943,676)(6,962,751)(Income tax paid Income tax paid(1,339,333) (1,147,251)603,856 (7,813,595)7,813,595 (3,663,937)Net cash flow from operating activities(2,061,247)12,659,163 (1,147,251)7,709,431 (1,147,251)Net investments in available-for-sale securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off(2,4363,994) (1,76,914) (1,76,914) (1,881)(8,461,457) (2,488,078) (2,41,185) (1,881)CASH FLOW FROM FINANCING ACTIVITIES Dividend paid (Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period-(9) (2,431,381)(Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period(2,431,381) (1,306,630)5,926,929			
Increase / (decrease) in operating liabilities Bills payable Borrowings Deposits and other accounts Other liabilities (excluding taxation) 1,339,333 (9,848,139) 29,537,197 1,032,856 22,061,247 12,659,163 21,327,317 7,709,431 (1,147,251) Net cash flow from operating activities Net redemption of held-to-maturity securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash used in investing activities CASH FLOW FROM FINANCING ACTIVITIES Net cash used in investing activities CASH FLOW FROM FINANCING ACTIVITIES Net cash used in investing activities Dividend paid (Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period Net cash and cash equivalents Cash and cash equivalent at beginning of the period Net cash and cash equivalents Cash and cash equivalent at beginning of the period Net cash used in investing activities Cash and cash equivalent at beginning of the period	Lendings to financial institutions Advances	(3,876,660) 219,986	(2,908,614) (3,570,357)
Bills payable  1,339,333  603,856    Borrowings  9,848,139)  29,537,197  3,663,937    Deposits and other accounts  21,327,317  7,709,431    Other liabilities (excluding taxation)  21,327,317  7,709,431    Income tax paid  21,327,317  7,709,431    Net cash flow from operating activities  20,180,066  7,250,476    CASH FLOW FROM INVESTING ACTIVITIES  (24,363,994)  (4,457)    Net investments in available-for-sale securities  (24,363,994)  (8,461,457)    Dividend received  1,4,179  (458,955)    Investments in operating fixed assets  (176,914)  (61,185)    Sale proceeds of property and equipment disposed-off  5,282  1,881    Net cash used in investing activities  (22,611,447)  (6,008,531)    CASH FLOW FROM FINANCING ACTIVITIES  –  (9)    Other diabilities  (24,31,381)  1,241,936    CASH FLOW FROM FINANCING ACTIVITIES  –  (9)    Obvidend paid  –  (9)    Other ease in cash and cash equivalents  5,926,929  5,926,929		(3,943,676)	(6,962,751)
Income tax paid21,327,317 (1,147,251)7,709,431 (458,955)Net cash flow from operating activities20,180,0667,250,476CASH FLOW FROM INVESTING ACTIVITIES Net investments in available-for-sale securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash used in investing activities(24,363,994) 1,910,000 14,179 (24,152)(8,461,457) 2,488,078 2,4152 (61,185) 1,881Net cash used in investing activities(22,611,447)(6,008,531)CASH FLOW FROM FINANCING ACTIVITIES Dividend paid-(9) (1,241,336)(Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period17,306,6305,926,929	Bills payable Borrowings Deposits and other accounts	(9,848,139) 29,537,197	7,813,595 3,663,937
Income tax paid(1,147,251)(458,955)Net cash flow from operating activities20,180,0667,250,476CASH FLOW FROM INVESTING ACTIVITIES Net investments in available-for-sale securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off(24,363,994) 1,910,000 14,179 (24,152) (176,914) 5,282(8,461,457) 2,488,078 24,152 (61,185) 1,881Net cash used in investing activities(22,611,447)(6,008,531)CASH FLOW FROM FINANCING ACTIVITIES Dividend paid (Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period-(9) (2,431,381) 1,241,936 5,926,929		22,061,247	12,659,163
CASH FLOW FROM INVESTING ACTIVITIES Net investments in available-for-sale securities Dividend received Investments in operating fixed assets Sale proceeds of property and equipment disposed-off Net cash used in investing activities(24,363,994) 1,910,000 14,179 (176,914) 5,282(8,461,457) 2,488,078 24,152 (61,185) 1,881Net cash used in investing activities(22,611,447)(6,008,531)CASH FLOW FROM FINANCING ACTIVITIES Dividend paid-(9) (1,241,381)(2,431,381) 1,241,936 5,926,929	Income tax paid		· · · · · · · · · · · · · · · · · · ·
Net investments in available-for-sale securities Net redemption of held-to-maturity securities(24,363,994) 1,910,000 14,179 (176,914)(8,461,457) 2,488,078 24,152 (176,914)Investments in operating fixed assets Sale proceeds of property and equipment disposed-off(176,914) 5,282(61,185) 1,881Net cash used in investing activities(22,611,447)(6,008,531)CASH FLOW FROM FINANCING ACTIVITIES Dividend paid–(9) (10 ccrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period17,306,6305,926,929	Net cash flow from operating activities	20,180,066	7,250,476
CASH FLOW FROM FINANCING ACTIVITIES Dividend paid-(9)(Decrease)/Increase in cash and cash equivalents Cash and cash equivalent at beginning of the period(2,431,381)1,241,93617,306,6305,926,929	Net investments in available-for-sale securities Net redemption of held-to-maturity securities Dividend received Investments in operating fixed assets	1,910,000 14,179 (176,914)	2,488,078 24,152 (61,185)
Dividend paid-(9)(Decrease)/Increase in cash and cash equivalents(2,431,381)1,241,936Cash and cash equivalent at beginning of the period17,306,6305,926,929	Net cash used in investing activities	(22,611,447)	(6,008,531)
Cash and cash equivalent at beginning of the period <b>17,306,630</b> 5,926,929			(9)
Cash and cash equivalent at the end of the period			, ,
	Cash and cash equivalent at the end of the period	14,875,249	7,168,865

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

KASSIM PAREKH President & Chief Executive

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ANWAR H. JAPANWALA Director FIRASAT ALI Director REZA S. HABIB Director

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#### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

		Reserves					
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Unappro- priated profit	Total
			Ru	pees in '000	)		
Balance as at January 1, 2006 -restated	1,560,000	_	1,114,590	240,361	900,000	1,278,413	5,093,364
Issue of bonus shares in the ratio of 1 share for every 3 shares held	520,000	-	_	_	_	(520,000)	_
Profit after taxation for the period - restated	_	-	-	_	_	1,338,771	1,338,771
Transfer to revenue reserve	-	-	-	-	600,000	(600,000)	-
Balance as at September 30, 2006 - restated	2,080,000	_	1,114,590	240,361	1,500,000	1,497,184	6,432,135
Issue of share capital upon amalgamation	925,000	2,550,985	-	-	_	_	3,475,985
Profit after taxation for the period - restated	_	-	_	-	_	757,118	757,118
Transfer to statutory reserve	-	-	419,000	-	-	(419,000)	-
Balance as at December 31, 2006 - restated	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 for the period	-	-	-	-	-	1,903,024	1,903,024
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	1,344,371	12,568,262

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

KASSIM PAREKH President & Chief Executive ANWAR H. JAPANWALA Director FIRASAT ALI Director REZA S. HABIB Director

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#### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

#### 1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and commenced its banking operations from October 21, 1992. 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 is a fully accredited scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. It operates 84 branches (December 31, 2006: 82 branches) including four 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 to banks in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever 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 State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Said directives take precedence.
- 2.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3 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". 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, 2006.

#### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31,2006.

4.	LENDINGS TO FINANCIAL INSTITUTIONS	September 30, 2007	December 31, 2006
		Rupee	s in '000
		(Un-Audited)	(Audited)
	Call money lendings	1,750,000	3,150,000
	Repurchase agreement lendings (Reserve Repo)	7,573,770	2,031,883
	Other placements	-	265,227
		9,323,770	5,447,110

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5.	INVESTMENTS	September 30, 2007 (Un-Audited)			De	cember 31, 2 (Audited)	2006
		Held by Bank	Given as collateral	Total	Held by Bank in '000	Given as collateral	
	Available-for-sale securities Market Treasury Bills Pakistan Investment Bonds	39,425,882 5,790,236	481,998 3,500,000	— Rupees 39,907,880 9,290,236	13,757,882	6,322,593 4,282,172	20,080,475 9,578,888
	Term Finance Certificates	1,848,676	-	1,848,676	1,874,139	-	1,874,139
	WAPDA Bonds/Sukuk Bonds	775,000	-	775,000	525,000	-	525,000
	Ordinary shares of listed companies	58,840	-	58,840	104,448	-	104,448
	Ordinary shares of unlisted companies	75,000	-	75,000	75,000	-	75,000
	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
	Units of open ended mutual funds Units of closed ended mutual funds	7,922,869 209.848	_	7,922,869 209.848	3,309,591 176.814	_	3,309,591 176.814
	Ordinary shares of Society for Worldwide Interbank Financial Telecommunication	209,040	-	209,040	170,014	-	170,014
	(SWIFT)	1,740	-	1,740	1,740	-	1,740
	Used to moturity accurities	56,173,091	3,981,998	60,155,089	25,186,330	10,604,765	35,791,095
	Held-to-maturity securities Certificate of Investments Subsidiary	1,540,000	-	1,540,000	3,450,000	-	3,450,000
	Habib Metropolitan Trade Services Limited Ordinary Sahres of HKD 1 each Associate	79	-	79	79	-	79
	Ordinary shares of Pakistan Export Finance Guarantee Agency Limited	11,361	-	11,361	11,361	-	11,361
	Investments at cost	57,724,531	3,981,998	61,706,529	28,647,770	10,604,765	39,252,535
	Less: Provision for diminution in value of investments	-	-	-	_	-	-
	Investments - net of provisions	57,724,531	3,981,998	61,706,529	28,647,770	10,604,765	39,252,535
	Surplus on revaluation of available- for-sale investments	57,486	246,577	304,063	120,679	182,355	303,034
	Total Investments at market value	57,782,017	4,228,575	62,010,592	28,768,449	10,787,120	39,555,569
6.	ADVANCES			Note	September 2007		2006
	Loans, cash credits, running finances, et	c			Ru (Un-Audite	pees in '00 ed)	00 (Audited)
	In Pakistan				64,069,8	<b>37</b> 6	6,804,583
	Net investment in finance lease/ljara fina In Pakistan	0			2,154,3	87	1,950,224
	Bills discounted and purchased (excludin	ng market tre	asury bills	)	0.044.0	40	4 007 000
	Payable in Pakistan Payable outside Pakistan				3,614,8		4,007,200 1,380,087
	Fayable outside Fakistan						
				0.4	17,662,4		5,387,287
	Provision against non-performing advance	ces		6.1	83,886,6		4,142,094
	Specific General			6.2	(398,74		(304,575) (513,460)
	Conordi			0.2	(842,96		(818,035)
	Advances not of provision-					<u> </u>	( , ,
	Advances - net of provisions				83,043,7	<u>14</u> 8	3,324,059

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6.1 Advances include Rs. 571.244 million (December 31, 2006: Rs 443.248 million) which have been placed under non-performing status as detailed below:

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Category of Classification	Domestic	Overseas	Total — Rupees in '000	Provision Required	Provision Held
Substandard Doubtful	6,852 24,198	-	6,852 24.198	1,713 12.099	1,713 12.099
Loss	540,194		540,194	384,934	384,934
	571,244		571,244	389,746	389,746

6.2 The general provision includes provisions made against consumer portfolio amounting to Rs. 18.063 million (December 31, 2006: Rs. 13.460 million) in accordance with Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

7.	DEPO	DSITS AND OTHER ACCOUNTS	September 30, 2007	December 31, 2006
			Rupees	
	Custo	omers	(Un-Audited)	(Audited)
	Fixed Savin Curre	deposits g deposits nt accounts-non-remunerative n and other accounts	58,256,316 32,655,149 33,369,634 1,167,333	48,511,732 21,718,834 23,492,021 868,231
			125,448,432	94,590,818
	Finan	cial Institutions		
		nerative deposits emunerative deposits	5,251,217 1,330,260	7,803,210 98,684
			6,581,477	7,901,894
			132,029,909	102,492,712
8.	CON	TINGENCIES AND COMMITMENTS		
	8.1	Direct credit substitutes - Others		
	0.1	Includes general guarantees of indebtness, bank acceptances and standby letters of credit serving as financial guarantees		
		for loans and securities - others	13,702	14,969
	8.2	Transaction-related contingent liabilities Government Financial institutions Others	7,087,833 133,849 1,848,408	5,991,347 173,654 1,517,038
	8.3	Trade-related contingent liabilities	9,070,090	7,682,039
		Letter of credits Acceptances	29,406,880 12,196,150	23,867,267 10,455,474
	8.4	Commitments in respect of forward lendings Forward repurchase agreement lendings		688,200
	8.5	Commitments in respect of forward exchange contracts Purchase Sale	15,533,858 28,226,709	10,993,202 20,109,135
	8.6	<b>Commitments in respect of operating leases</b> Not later than one year Later than one year and not later than five years Later than five years	19,515 374,715  408,812	181,260 313,785 9,816 504,861
	8.7	Commitments for the acquisition of operating fixed assets	57,320	66,562
	0.1	commenter for the dequicition of operating fixed doords		

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#### 9. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended	Nine Months ended	Quarter I ended	Nine Months ended
	Septemb	er 30, 2007	Septembe	er 30, 2006
		(Un-Audi	ted)	
			(Res	tated)
		— Rupees in	ʻ000 ——	
Profit after taxation	732,299	1,903,024	419,566	1,338,771
Weighted average number of ordinary shares	501,835	501,835	409,335	409,335
Basic and diluted earnings per share (Rupees)	1.46	3.79	1.20	3.72

9.1 The earnings per share for the quarter and nine months ended September 30, 2006 have been adjusted for the effect of bonus issue during the period.

#### **10. RELATED PARTY TRANSACTION**

The related parties comprise a subsidiary and an associate, entities with common directorship, directors and their close family members, staff retirement benefit funds, key executives and major shareholders of the Bank. The transactions with related parties are substantially on commercial terms except for transactions with executives that are undertaken at terms in accordance with employment agreements and service rules.

The details of transactions with related parties during nine months are as follows:

Balance outstanding at period / year end		2006 s in '000
Entities with common directorship Deposits	(Un-Audited) 4,861,482	(Audited) 802,934
Advances Nostro balances Trade related contingent liabilities	484,977 1,733,462 1,674,905	410,678 3,717,119 2,550,648
Key management personnel Deposits Advances	18,496 17,092	14,072 24,278
Transactions for the period	Nine mo September 30, 2007	nths ended September 30, 2006
Entities with common directorship	Rupees in '000 (Un-Audited)	
Mark-up/interest earned Mark-up/interest expensed Commission/bank charges recovered Rent income	132,923 323,893 5,900 351	636 131,596 1,756 396
Key management personnel		
Mark-up/interest earned Mark-up/interest expensed Salaries and allowances Charge for defined benefit plan Contribution to defined contribution plan Directors' fees	533 246 43,253 989 1,054 160	142 237 17,481 101 581 400

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#### 11. KEY ISLAMIC BANKING OPERATIONS

The Bank is operating 4 islamic banking branches as of the balance sheet date (December 31, 2006: 4 branches). The balance sheet of these branches as at September 30, 2007 is as follows:

September 30, 2007	December 31, 2006	
Rupees	Rupees in '000	
(Un-Audited)	(Audited)	
718,822 816,412 392,500	561,385 956,035 140,228	
993,837 1,529,650 527,944 234,623	1,308,287 1,392,648 112,061 119,456	
5,213,788	4,590,100	
79,518 4,231,042 401,672	21,279 3,817,299 316,686	
4,712,232	4,155,264	
501,556	434,836	
401,517 100,039 501,556	401,523 33,313 434,836	
	2007 Rupees (Un-Audited) 718,822 816,412 392,500 993,837 1,529,650 527,944 234,623 5,213,788 79,518 4,231,042 401,672 4,712,232 501,556 401,517 100,039	

#### 12. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on October 24, 2007.

#### 13. GENERAL

13.1 Corresponding figures for the quarter and nine months ended September 30, 2006 have been restated due to the change in accounting policy as disclosed in note 5.1.2 to the annual financial statements of the Bank for the year ended December 31, 2006. The effects of the said restatement are as follows:

	(Rupee	Nine Months ended er 30, 2006 s in '000) udited)
Increase in income from dealing in foreign currency	21,710	35,611
Increase in profit before taxation	21,710	35,611
Increase in profit after taxation	14,110	23,011

- 13.2 During the year ended December 31, 2006, the shareholders of the Bank approved a "Scheme of Amalgamation" of the Habib Bank AG Zurich Pakistan Operations with and into the Bank. The said amalgamation was accounted for with effect from October 26, 2006. Accordingly, corresponding figures except for the balance sheet figures as reported in the interim condensed financial statements are not comparable for the reason that these represent the results of Metropolitain Bank Limited only.
- 13.3 The figures have been rounded off to nearest thousand rupees.

KASSIM PAREKH	ANWAR H. JAPANWALA	FIRASAT ALI	REZA S. HABIB
President & Chief Executive	Director	Director	Director

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