



(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)



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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.

## **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 effectiveness 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

**KASSIM PAREKH**  
President & Chief Executive

Karachi: October 24, 2007



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

		September 30, 2007 (Un-audited)	December 31, 2006 (Audited)
		Rupees in '000	
<b>ASSETS</b>	Note		
Cash and balances with treasury banks		11,921,961	11,348,162
Balances with other banks		3,651,311	6,296,564
Lendings to financial institutions	4	9,323,770	5,447,110
Investments	5	62,010,592	39,555,569
Advances	6	83,043,714	83,324,059
Operating fixed assets		766,851	649,122
Deferred tax assets		—	—
Other assets		2,334,811	2,047,809
		<b>173,053,010</b>	<b>148,668,395</b>
<b>LIABILITIES</b>			
Bills payable		2,959,129	1,619,796
Borrowings from financial institutions		20,030,246	29,518,458
Deposits and other accounts	7	132,029,909	102,492,712
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		217,015	176,803
Other liabilities		5,037,022	3,992,514
		<b>160,273,321</b>	<b>137,800,283</b>
<b>NET ASSETS</b>		<b>12,779,689</b>	<b>10,868,112</b>
<b>REPRESENTED BY</b>			
Share capital		5,018,350	3,005,000
Reserves		6,205,541	5,824,936
Unappropriated profit		1,344,371	1,835,302
		<b>12,568,262</b>	<b>10,665,238</b>
Surplus on revaluation of assets - net of tax		211,427	202,874
		<b>12,779,689</b>	<b>10,868,112</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

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

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

	Quarter ended September 30, 2007	Nine Months ended September 30, 2007	Quarter ended September 30, 2006 (Restated)	Nine Months ended September 30, 2006 (Restated)
Note				
	Rupees in '000			
<b>Mark-up / return / interest earned</b>	<b>2,994,026</b>	<b>8,723,361</b>	<b>1,722,448</b>	<b>4,816,291</b>
<b>Mark-up / return / interest expensed</b>	<b>(2,117,547)</b>	<b>(5,930,160)</b>	<b>(1,093,172)</b>	<b>(2,979,861)</b>
Net mark-up / interest income	876,479	2,793,201	629,276	1,836,430
Provision/(reversal) against non-performing loans and advances	—	60,359	(5,066)	51,412
Provision for diminution in value of investments	—	—	—	—
Bad debts written off directly	—	76	—	217
	—	(60,435)	5,066	(51,629)
Net mark-up / interest income after provisions	876,479	2,732,766	634,342	1,784,801
<b>Non mark-up interest income</b>				
Fee, commission and brokerage income	240,724	720,254	136,801	383,408
Dividend income	10,013	14,179	9,062	24,152
Income from dealing in foreign currencies	306,919	878,977	155,087	416,190
Gain on sale of securities	174,181	418,905	60,444	145,038
Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'	—	—	—	—
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
<b>Non mark-up interest expenses</b>				
Administrative expenses	617,229	1,773,855	294,112	859,447
Other provisions/write offs	—	486	—	—
Other charges	86	416	20	287
Total non mark-up interest expenses	(617,315)	(1,774,757)	(294,132)	(859,734)
	1,031,298	3,109,662	723,533	1,953,321
Extraordinary / unusual items	—	—	—	—
<b>Profit before taxation</b>	<b>1,031,298</b>	<b>3,109,662</b>	<b>723,533</b>	<b>1,953,321</b>
Taxation- current	145,000	1,017,000	229,600	703,600
- prior years	74,887	141,903	—	—
- deferred	79,112	47,735	2,367	(89,050)
	(298,999)	(1,206,638)	(231,967)	(614,550)
<b>Profit after taxation</b>	<b>732,299</b>	<b>1,903,024</b>	<b>491,566</b>	<b>1,338,771</b>
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
<b>Appropriations:</b>				
Issue of bonus shares	—	2,013,350	—	520,000
Transfer to revenue reserve	—	—	—	600,000
Transfer to statutory reserve	146,460	380,605	—	—
	146,460	2,393,955	—	1,120,000
Unappropriated profit carried forward	1,344,371	1,344,371	1,497,184	1,497,184
<b>Basic and diluted earnings per share (Rupees)</b> 9	<b>1.46</b>	<b>3.79</b>	<b>1.20</b>	<b>3.27</b>

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

## INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	September 30, 2007	September 30, 2006
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,109,662	1,953,321
Less: dividend income	(14,179)	(24,152)
	<b>3,095,483</b>	<b>1,929,169</b>
Adjustment for non-cash charges:		
Depreciation	56,432	33,975
Provision against non-performing advances - net	60,359	51,412
(Gain) on sale of fixed assets	(2,528)	(1,537)
	<b>114,263</b>	<b>83,850</b>
	<b>3,209,746</b>	<b>2,013,019</b>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,876,660)	(2,908,614)
Advances	219,986	(3,570,357)
Other assets (excluding advance taxation)	(287,002)	(483,780)
	<b>(3,943,676)</b>	<b>(6,962,751)</b>
Increase / (decrease) in operating liabilities		
Bills payable	1,339,333	603,856
Borrowings	(9,848,139)	7,813,595
Deposits and other accounts	29,537,197	3,663,937
Other liabilities (excluding taxation)	1,032,856	577,775
	<b>22,061,247</b>	<b>12,659,163</b>
	<b>21,327,317</b>	<b>7,709,431</b>
Income tax paid	(1,147,251)	(458,955)
Net cash flow from operating activities	<b>20,180,066</b>	<b>7,250,476</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(24,363,994)	(8,461,457)
Net redemption of held-to-maturity securities	1,910,000	2,488,078
Dividend received	14,179	24,152
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	<b>(22,611,447)</b>	<b>(6,008,531)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	—	(9)
(Decrease)/Increase in cash and cash equivalents	<b>(2,431,381)</b>	<b>1,241,936</b>
Cash and cash equivalent at beginning of the period	<b>17,306,630</b>	<b>5,926,929</b>
Cash and cash equivalent at the end of the period	<b>14,875,249</b>	<b>7,168,865</b>

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



**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	Unappropriated profit	Total
	Rupees 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

# **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 Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or 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**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>(Un-Audited)</b>	<b>(Audited)</b>
	Rupees in '000	
Call money lendings	<b>1,750,000</b>	3,150,000
Repurchase agreement lendings (Reserve Repo)	<b>7,573,770</b>	2,031,883
Other placements	<b>—</b>	265,227
	<b>9,323,770</b>	<b>5,447,110</b>

## 5. INVESTMENTS

	September 30, 2007 (Un-Audited)			December 31, 2006 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>Available-for-sale securities</b>	Rupees in '000					
Market Treasury Bills	39,425,882	481,998	39,907,880	13,757,882	6,322,593	20,080,475
Pakistan Investment Bonds	5,790,236	3,500,000	9,290,236	5,296,716	4,282,172	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	7,922,869	—	7,922,869	3,309,591	—	3,309,591
Units of closed ended mutual funds	209,848	—	209,848	176,814	—	176,814
Ordinary shares of Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	—	1,740	1,740	—	1,740
	56,173,091	3,981,998	60,155,089	25,186,330	10,604,765	35,791,095
<b>Held-to-maturity securities</b>						
Certificate of Investments	1,540,000	—	1,540,000	3,450,000	—	3,450,000
<b>Subsidiary</b>						
Habib Metropolitan Trade Services Limited						
Ordinary Shares of HKD 1 each	79	—	79	79	—	79
<b>Associate</b>						
Ordinary shares of Pakistan Export Finance Guarantee Agency Limited	11,361	—	11,361	11,361	—	11,361
<b>Investments at cost</b>	57,724,531	3,981,998	61,706,529	28,647,770	10,604,765	39,252,535
<b>Less: Provision for diminution in value of investments</b>	—	—	—	—	—	—
<b>Investments - net of provisions</b>	57,724,531	3,981,998	61,706,529	28,647,770	10,604,765	39,252,535
<b>Surplus on revaluation of available-for-sale investments</b>	57,486	246,577	304,063	120,679	182,355	303,034
<b>Total Investments at market value</b>	57,782,017	4,228,575	62,010,592	28,768,449	10,787,120	39,555,569

## 6. ADVANCES

	Note	September 30, 2007 (Un-Audited)	December 31, 2006 (Audited)
Rupees in '000			
Loans, cash credits, running finances, etc.			
In Pakistan		64,069,837	66,804,583
Net investment in finance lease/Ijara financing			
In Pakistan		2,154,387	1,950,224
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		3,614,813	4,007,200
Payable outside Pakistan		14,047,644	11,380,087
		17,662,457	15,387,287
	6.1	83,886,681	84,142,094
Provision against non-performing advances			
Specific		(398,746)	(304,575)
General	6.2	(444,221)	(513,460)
		(842,967)	(818,035)
<b>Advances - net of provisions</b>		83,043,714	83,324,059

- 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:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
			Rupees in '000		
Substandard	6,852	—	6,852	1,713	1,713
Doubtful	24,198	—	24,198	12,099	12,099
Loss	540,194	—	540,194	384,934	384,934
	<u>571,244</u>	<u>—</u>	<u>571,244</u>	<u>389,746</u>	<u>389,746</u>

- 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. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
<b>Customers</b>		
Fixed deposits	58,256,316	48,511,732
Saving deposits	32,655,149	21,718,834
Current accounts-non-remunerative	33,369,634	23,492,021
Margin and other accounts	1,167,333	868,231
	<u>125,448,432</u>	<u>94,590,818</u>
<b>Financial Institutions</b>		
Remunerative deposits	5,251,217	7,803,210
Non-remunerative deposits	1,330,260	98,684
	<u>6,581,477</u>	<u>7,901,894</u>
	<u>132,029,909</u>	<u>102,492,712</u>

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Direct credit substitutes - Others

Includes general guarantees of indebtedness, 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 5,991,347  
133,849 173,654  
1,848,408 1,517,038  
9,070,090 7,682,039

### 8.3 Trade-related contingent liabilities

Letter of credits  
Acceptances

29,406,880 23,867,267  
12,196,150 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 10,993,202  
28,226,709 20,109,135

### 8.6 Commitments in respect of operating leases

Not later than one year  
Later than one year and not later than five years  
Later than five years

19,515 181,260  
374,715 313,785  
14,582 9,816  
408,812 504,861

### 8.7 Commitments for the acquisition of operating fixed assets

57,320 66,562

## 9. BASIC AND DILUTED EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE	Quarter ended	Nine Months ended	Quarter ended	Nine Months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
	(Un-Audited)		(Restated)	
	Rupees in '000			
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	September 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
<b>Entities with common directorship</b>		
Deposits	4,861,482	802,934
Advances	484,977	410,678
Nostro balances	1,733,462	3,717,119
Trade related contingent liabilities	1,674,905	2,550,648
<b>Key management personnel</b>		
Deposits	18,496	14,072
Advances	17,092	24,278
<b>Transactions for the period</b>	Nine months ended	
	September 30, 2007	September 30, 2006
	Rupees in '000	
	(Un-Audited)	
<b>Entities with common directorship</b>		
Mark-up/interest earned	132,923	636
Mark-up/interest expensed	323,893	131,596
Commission/bank charges recovered	5,900	1,756
Rent income	351	396
<b>Key management personnel</b>		
Mark-up/interest earned	533	142
Mark-up/interest expensed	246	237
Salaries and allowances	43,253	17,481
Charge for defined benefit plan	989	101
Contribution to defined contribution plan	1,054	581
Directors' fees	160	400

## 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 in '000	
	(Un-Audited)	(Audited)
<b>ASSETS</b>		
Cash and balances with treasury banks	718,822	561,385
Balances with and due from financial institutions	816,412	956,035
Investments	392,500	140,228
Financing and receivables		
- Murahaba	993,837	1,308,287
- Ijara	1,529,650	1,392,648
- Diminishing musharaka	527,944	112,061
Other assets	234,623	119,456
	5,213,788	4,590,100
<b>LIABILITIES</b>		
Bills payable	79,518	21,279
Deposits and other accounts	4,231,042	3,817,299
Other liabilities	401,672	316,686
	4,712,232	4,155,264
<b>NET ASSETS</b>	501,556	434,836
<b>REPRESENTED BY</b>		
Islamic banking fund	401,517	401,523
Unappropriated profit	100,039	33,313
	501,556	434,836

## 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:

	Quarter ended September 30, 2006 (Rupees in '000) (Un-Audited)	Nine Months ended September 30, 2006 (Rupees in '000) (Un-Audited)
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 Metropolitan Bank Limited only.

13.3 The figures have been rounded off to nearest thousand rupees.

**KASSIM PAREKH**  
President & Chief Executive

**ANWAR H. JAPANWALA**  
Director

**FIRASAT ALI**  
Director

**REZA S. HABIB**  
Director