



Habib Metropolitan Bank

(Subsidiary of Habib Bank AG Zurich)

ACCOUNTS FOR THE QUARTER ENDED
MARCH 31, 2008
(UN-AUDITED)

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BOARD OF DIRECTORS

CHAIRMAN

Muhammad H. Habib

PRESIDENT & CHIEF EXECUTIVE

Kassim Parekh

DIRECTORS

Reza S. Habib

Anwar H. Japanwala

Bashir Ali Mohammad

Mohamedali R. Habib*

Firasat Ali

A. R. Wadiwala

* Executive Director

AUDIT COMMITTEE

Reza S. Habib

Mohamedali R. Habib

A. R. Wadiwala

COMPANY SECRETARY

Fuzail Abbas

SHARE REGISTRAR

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

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our unaudited account for the quarter ended March 31, 2008.

By Allah's grace, HMB continues to make satisfactory progress despite a very challenging operating environment. During the period under review, economic & political uncertainties within the country continued. And as the new government settles in, it faces great pressures due to unprecedented international energy & commodity prices. These, along with the slowdown of major international economies are adversely affecting Pakistan's economy. Furthermore, the effects of the global financial industry credit crisis are likely to further impact international trade and investments.

As on March 31, 2008, the total assets of the bank stood at Rs. 189 billion. Deposits grew to Rs. 132 billion while advances and investments closed at Rs. 96 billion & Rs. 66 billion respectively. The Bank's profit after tax is Rs. 673 million, for the quarter, reflecting earnings per share of Rs. 1.12.

During 2007, the State Bank of Pakistan (SBP) modified the export refinance scheme. Under revised terms, SBP provides only 70% of the financed amount while the remaining 30% needs to be funded by the Bank's own sources. As HMB is one of the leading participants in this scheme, the change has an impact of the Bank's profitability during the period.

By Allah's grace, 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.

HMB's Islamic Banking business has registered considerable growth during the period under review. Our 4 full service Islamic Banking branches are fully capable of catering the customers seeking Sha'ria compliant products. Additionally, Islamic Banking counters in various branches are operational and more are planned in the future.

During 2007, HMB obtained due permissions and formed a subsidiary company by the name of Habib Metropolitan Financial Services Limited (HMFS). The company's initial plans are to provide (equity) brokerage and custodial services. Set up of the subsidiary's operations are underway and, during the period under review, HMFS gained membership to the Karachi Stock Exchange. We expect full operations to commence during this year.

We wish to place on record our sincere thanks to the 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 devotion and commendable performance.

On behalf of the Board

Karachi: April 9, 2008

KASSIM PAREKH
President & Chief Executive



INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2008

| | | March 31, 2008 (Un-audited) | December 31, 2007 (Audited) |
|---|-------------|--|--|
| | | Rupees in '000 | |
| ASSETS | Note | | |
| Cash and balances with treasury banks | | 12,355,885 | 10,201,545 |
| Balances with other banks | | 3,137,659 | 3,691,183 |
| Lendings to financial institutions | 4 | 8,131,807 | 3,989,249 |
| Investments | 5 | 65,523,006 | 61,735,796 |
| Advances | 6 | 95,629,444 | 89,826,806 |
| Operating fixed assets | | 1,268,726 | 1,294,486 |
| Deferred tax assets | | 62,614 | — |
| Other assets | | 2,463,058 | 2,127,936 |
| | | 188,572,199 | 172,867,001 |
| LIABILITIES | | | |
| Bills payable | | 2,745,896 | 3,210,041 |
| Borrowings from financial institutions | | 34,212,605 | 29,991,633 |
| Deposits and other accounts | 7 | 131,869,566 | 121,066,469 |
| Sub-ordinated loans | | — | — |
| Liabilities against assets subject to finance lease | | — | — |
| Deferred tax liabilities | | — | 60,874 |
| Other liabilities | | 6,136,279 | 5,019,792 |
| | | 174,964,346 | 159,348,809 |
| NET ASSETS | | 13,607,853 | 13,518,192 |
| REPRESENTED BY | | | |
| Share capital | | 6,022,020 | 5,018,350 |
| Reserves | | 6,522,936 | 6,383,936 |
| Unappropriated profit | | 1,088,432 | 2,059,958 |
| | | 13,633,388 | 13,462,244 |
| (Deficit)/Surplus on revaluation of assets - net of tax | | (25,535) | 55,948 |
| | | 13,607,853 | 13,518,192 |
| 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

BASHIR ALI MOHAMMAD
Director

ANWAR H. JAPANWALA
Director

FIRASAT ALI
Director

INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UN-AUDITED) **FOR THE QUARTER ENDED MARCH 31, 2008**

| | For the quarter ended March 31, | |
|--|---------------------------------|--------------------|
| | 2008 | 2007 |
| Note | Rupees in 000's | |
| Mark-up / return / interest earned | 3,393,338 | 2,867,164 |
| Mark-up / return / interest expensed | (2,363,621) | (1,846,124) |
| Net mark-up / interest income | 1,029,717 | 1,021,040 |
| Provision against non-performing loans and advances | 32,420 | 7,185 |
| Provision for diminution in the value of investments | - | - |
| Bad debts written off directly | 64 | - |
| | (32,484) | (7,185) |
| Net mark-up / interest income after provisions | 997,233 | 1,013,855 |
| Non Mark-up Interest Income | | |
| Fee, commission and brokerage income | 288,735 | 231,366 |
| Dividend income | 835 | 703 |
| Income from dealing in foreign currencies | 326,322 | 257,307 |
| Gain on sale of securities | 63,063 | 100,313 |
| Unrealized gain/(loss) on revaluation of investment classified as 'held for trading' | - | - |
| Other income | 53,038 | 35,672 |
| Total non mark-up / interest income | 731,993 | 625,361 |
| | 1,729,226 | 1,639,216 |
| Non Mark-up/Interest Expenses | | |
| Administrative expenses | 708,600 | 594,031 |
| Other provisions/write offs | - | - |
| Other charges | 1,047 | 3 |
| Total non mark-up interest expenses | (709,647) | (594,034) |
| | 1,019,579 | 1,045,182 |
| Extraordinary / unusual items | - | - |
| Profit before taxation | 1,019,579 | 1,045,182 |
| Taxation - Current | 426,000 | 407,000 |
| - Prior years | - | - |
| - Deferred | (79,400) | (21,810) |
| | (346,600) | (385,190) |
| Profit after taxation | 672,979 | 659,992 |
| Unappropriated profit brought forward | 2,059,958 | 1,835,302 |
| Profit available for appropriation | 2,732,937 | 2,495,294 |
| Basic and diluted earnings per share (Rupees) | 9 | 1.12 |
| | | 1.10 |

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

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

ANWAR H. JAPANWALA
Director

FIRASAT ALI
Director

INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2008

| | March 31, 2008 | March 31, 2007 |
|--|-------------------|-------------------|
| | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,019,579 | 1,045,182 |
| Less: Dividend income | (835) | (703) |
| | 1,018,744 | 1,044,479 |
| Adjustment for non-cash charges: | | |
| Depreciation | 32,851 | 16,809 |
| Provision against non-performing advances - net | 32,420 | 7,185 |
| (Gain) on sale of fixed assets | (1,148) | (1,305) |
| | 64,123 | 22,689 |
| | 1,082,867 | 1,067,168 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (4,142,558) | (5,355,342) |
| Advances | (5,835,058) | 10,300 |
| Other assets (excluding advance taxation) | (335,122) | (242,637) |
| | (10,312,738) | (5,587,679) |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | (464,145) | 836,839 |
| Borrowings from financial institutions | 3,497,513 | (1,899,261) |
| Deposits | 10,803,097 | 10,642,085 |
| Other liabilities (excluding taxation and dividend) | 458,587 | 386,813 |
| | 14,295,052 | 9,966,476 |
| Income tax paid | 5,065,181 | 5,445,965 |
| | (269,935) | (185,529) |
| Net cash inflow from operating activities | 4,795,246 | 5,260,436 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments | (3,912,781) | (4,790,414) |
| Dividend income | 835 | 703 |
| Investments in operating fixed assets | (8,260) | (2,474) |
| Sales proceeds of property and equipments disposed-off | 2,317 | 2,562 |
| Net cash used in investing activities | (3,917,889) | (4,789,623) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Receipts / (Payments) of Sub-ordinated loan | — | — |
| Dividend paid | — | — |
| Net cash flow from financing activities | — | — |
| Increase in cash and cash equivalents | 877,357 | 470,813 |
| Cash and cash equivalent at beginning of the period | 13,309,131 | 17,306,630 |
| Cash and cash equivalent at the end of the period | 14,186,488 | 17,777,443 |

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

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHMMAD
Director

ANWAR H. JAPANWALA
Director

FIRASAT ALI
Director

**INTERIM CONDENSED STATEMENT OF CHANGES
IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2008**

| | | Reserves | | | | | |
|--|----------------|---------------|-------------------|-----------------|-----------------|-----------------------|------------|
| | Share capital | Share premium | Statutory reserve | Special reserve | Revenue reserve | Unappropriated profit | Total |
| | Rupees in '000 | | | | | | |
| Balance as at January 1, 2007 | 3,005,000 | 2,550,985 | 1,533,590 | 240,361 | 1,500,000 | 1,835,302 | 10,665,238 |
| Profit after taxation for the period | — | — | — | — | — | 659,992 | 659,992 |
| Balance as at March 31, 2007 | 3,005,000 | 2,550,985 | 1,533,590 | 240,361 | 1,500,000 | 2,495,294 | 11,325,230 |
| Issue of bonus shares | 2,013,350 | — | — | — | — | (2,013,350) | — |
| Profit after taxation for the period | — | — | — | — | — | 2,137,014 | 2,137,014 |
| Transfer to statutory reserve | — | — | 559,000 | — | — | (559,000) | — |
| Balance as at December 31, 2007 | 5,018,350 | 2,550,985 | 2,092,590 | 240,361 | 1,500,000 | 2,059,958 | 13,462,244 |
| Issue of bonus shares December 31, 2007 | 1,003,670 | — | — | — | — | (1,003,670) | — |
| Cash dividend December 31, 2007 | — | — | — | — | — | (501,835) | (501,835) |
| Profit after taxation for the period | — | — | — | — | — | 672,979 | 672,979 |
| Transfer to statutory reserve | — | — | 139,000 | — | — | (139,000) | — |
| Balance as at March 31, 2008 | 6,022,020 | 2,550,985 | 2,231,590 | 240,361 | 1,500,000 | 1,088,432 | 13,633,388 |

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

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

ANWAR H. JAPANWALA
Director

FIRASAT ALI
Director

**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2008**

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 100 (December 31, 2007: 100) branches including 4 (December 31, 2007: 4) Islamic Banking Branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich which is incorporated in Switzerland.

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standards (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 During 2005, the SECP notified the IFAS - 1 "Murabaha" issued by the ICAP relating to accounting for murabaha transactions which is effective for financial periods beginning on or after January 1, 2006. The standard has not been adopted by the Bank pending certain modifications in the Bank's accounting system and processes that are imperative for effective implementation of the said standard. However, the management consider's that the effect of the adoption of the standard would not be material to the Bank's financial statements.
- 2.4 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No.2, dated May 12, 2004 and the 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, 2007.

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, 2007.

4. LENDINGS TO FINANCIAL INSTITUTIONS

| | March 31, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| | (Un-Audited) | (Audited) |
| Call money lendings | 4,300,000 | 2,000,000 |
| Repurchase agreement lendings (Reserve Repo) | 3,831,807 | 1,989,249 |
| | 8,131,807 | 3,989,249 |

5. INVESTMENTS

| | March 31, 2008 (Un-Audited) | | | December 31, 2007 (Audited) | | |
|--|--------------------------------|------------------------|-------------------|--------------------------------|------------------------|-------------------|
| | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total |
| | Rupees in '000 | | | | | |
| Available-for-sale securities | | | | | | |
| Market Treasury Bills | 21,437,051 | 15,669,061 | 37,106,112 | 26,470,917 | 11,266,204 | 37,737,121 |
| Pakistan Investment Bonds | 7,814,596 | 2,000,000 | 9,814,596 | 7,000,014 | 2,492,491 | 9,492,505 |
| Ordinary shares of listed companies | 54,302 | — | 54,302 | 70,405 | — | 70,405 |
| Ordinary shares of unlisted companies | 88,101 | — | 88,101 | 88,101 | — | 88,101 |
| Preference shares of a listed company | 40,000 | — | 40,000 | 40,000 | — | 40,000 |
| Preference shares of an unlisted company | 25,000 | — | 25,000 | 25,000 | — | 25,000 |
| Term Finance Certificates | 1,641,882 | — | 1,641,882 | 1,738,964 | — | 1,738,964 |
| Sukuk Bonds | 1,075,000 | — | 1,075,000 | 1,075,000 | — | 1,075,000 |
| Open ended mutual funds | 11,057,215 | — | 11,057,215 | 6,659,830 | — | 6,659,830 |
| Closed ended mutual funds | 177,348 | — | 177,348 | 179,848 | — | 179,848 |
| | 43,410,495 | 17,669,061 | 61,079,556 | 43,348,079 | 13,758,695 | 57,106,774 |
| Held-to-maturity securities | | | | | | |
| Certificate of Investments | 4,450,000 | — | 4,450,000 | 4,550,000 | — | 4,550,000 |
| Subsidiaries | | | | | | |
| Habib Metropolitan Trade Services Limited | | | | | | |
| Ordinary shares of HKD 1 each | 79 | — | 79 | 79 | — | 79 |
| Habib Metropolitan Financial Services Limited | | | | | | |
| Ordinary shares of Rs 10/= each | 40,000 | — | 40,000 | 1 | — | 1 |
| | 40,079 | — | 40,079 | 80 | — | 80 |
| Investments at cost | 47,900,574 | 17,669,061 | 65,569,635 | 47,898,159 | 13,758,695 | 61,656,854 |
| Less: Provision for diminution in value of investments | (7,344) | — | (7,344) | (7,344) | — | (7,344) |
| | 47,893,230 | 17,669,061 | 65,562,291 | 47,890,815 | 13,758,695 | 61,649,510 |
| Surplus on revaluation of available- for-sale investments-net | 22,720 | (62,005) | (39,285) | 89,254 | (2,968) | 86,286 |
| Investments at market value | 47,915,950 | 17,607,056 | 65,523,006 | 47,980,069 | 13,755,727 | 61,735,796 |

6. ADVANCES

| | Note | March 31, 2008 Rupees in '000 (Un-Audited) | December 31, 2007 (Audited) |
|---|------|---|-----------------------------------|
| Loans, cash credits, running finances, etc. In Pakistan | | 74,573,568 | 70,318,994 |
| Net investment in finance lease/Ijara financing In Pakistan | | 2,349,802 | 2,180,889 |
| Bills discounted and purchased (excluding market treasury bills) Payable in Pakistan | | 4,864,045 | 4,570,152 |
| Payable outside Pakistan | | 15,074,047 | 13,974,026 |
| | 6.1 | 19,938,092 | 18,544,178 |
| | | 96,861,462 | 91,044,061 |
| Provision against non-performing advances Specific | | (683,130) | (700,981) |
| General | 6.2 | (548,888) | (516,274) |
| | | (1,232,018) | (1,217,255) |
| Advances - net of provisions | | 95,629,444 | 89,826,806 |

6.1 Advances include Rs. 822,819 thousand (December 31, 2007: Rs 804,247 thousand) 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 | — | — | — | — | — |
| Doubtful | 187,998 | — | 187,998 | 87,361 | 87,361 |
| Loss | 634,821 | — | 634,821 | 595,769 | 595,769 |
| | 822,819 | — | 822,819 | 683,130 | 683,130 |

6.2 The general provision includes provision made against consumer portfolio amounting to Rs. 17,123 thousand (December 31, 2007: Rs. 17,454 thousand) in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

7. DEPOSITS AND OTHER ACCOUNTS

| | March 31, 2008 | December 31, 2007 |
|-----------------------------------|--------------------|----------------------|
| | Rupees in '000 | |
| | (Un-Audited) | (Audited) |
| Customers | | |
| Fixed deposits | 62,707,501 | 54,812,561 |
| Saving deposits | 38,537,908 | 28,326,985 |
| Current accounts-non-remunerative | 26,497,131 | 33,326,687 |
| Others | 1,516,385 | 1,185,870 |
| | 129,258,925 | 117,652,103 |
| Financial Institutions | | |
| Remunerative deposits | 2,526,406 | 3,209,976 |
| Non-remunerative deposits | 84,235 | 204,390 |
| | 2,610,641 | 3,414,366 |
| | 131,869,566 | 121,066,469 |

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

3,901 12,435

8.2 Transaction-related contingent liabilities

Government
Financial institutions
Others

7,525,181 7,437,940
61,108 121,190
2,060,482 2,165,057
9,646,771 9,724,187

8.3 Trade-related contingent liabilities

Letter of credits
Acceptances

31,620,101 34,103,602
13,032,206 10,287,128

8.4 Commitments in respect of forward lendings

Forward repurchase agreement lendings

291,549 —

8.5 Commitments in respect of forward exchange contracts

Purchase
Sale

11,963,138 17,048,483
21,445,429 26,389,901

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

20,410 28,073
316,107 346,117
— —
336,517 374,190

8.7 Commitments for the acquisition of operating fixed assets

24,562 24,562

9. BASIC AND DILUTED EARNINGS PER SHARE

| | For the quarter ended | |
|--|--------------------------------|-------------------|
| | March 31, 2008 | March 31, 2007 |
| | Rupees in '000 (Un-Audited) | |
| Profit after taxation (Rupees in '000) | 672,979 | 659,992 |
| Weighted average number of ordinary shares | 602,202 | 602,202 |
| Basic and diluted earnings per share | 1.12 | 1.10 |

10. RELATED PARTY TRANSACTIONS

The related parties comprise holding company and subsidiaries, 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 the period are as follows:

| <u>Balance outstanding at period / year end</u> | March 31, 2008 | December 31, 2007 |
|---|--|----------------------|
| | Rupees in '000 (Un-Audited) (Audited) | |
| Holding company/subsidiaries | | |
| Bank Balances | 1,240,576 | 1,275,738 |
| Management fee payable | 103,601 | 82,601 |
| Entities with common directorship | | |
| Deposit | 4,833,898 | 3,645,792 |
| Advances | 1,050,394 | 753,624 |
| Trade related contingent liabilities | 1,706,618 | 1,769,635 |
| Key management personnel | | |
| Deposit | 14,518 | 15,384 |
| Advances | 13,364 | 16,828 |
| <u>Transactions for the period</u> | For the quarter ended | |
| | March 31, 2008 | March 31, 2007 |
| | Rupees in '000 (Un-Audited) (Audited) | |
| Holding company/subsidiaries | | |
| Mark-up/interest earned | 14,681 | 23,112 |
| Management fee for technical and consultancy services | 21,000 | 19,000 |
| Entities with common directorship | | |
| Mark-up/interest earned | 17,403 | 39,113 |
| Mark-up/interest expensed | 74,749 | 51,558 |
| Commission/bank charges recovered | 1,252 | 1,654 |
| Rent income | 181 | 66 |
| Key management personnel | | |
| Mark-up/interest earned | 245 | 264 |
| Mark-up/interest expensed | 96 | 86 |
| Salaries and allowances | 12,302 | 8,050 |
| Charge for defined benefit plan | 283 | 226 |
| Contribution to defined contribution plan | 341 | 266 |
| Directors' fees | 60 | 70 |

11. KEYS ISLAMIC BANKING OPERATIONS

The Bank is operating 4 islamic banking branches as of the balance sheet date (December 31, 2007: 4 branches). The balance sheet of these branches as at March 31, 2008 is as follows:

| | March 31, 2008 (Un-audited) | December 31, 2007 (Audited) |
|---|-----------------------------------|-----------------------------------|
| | Rupees in '000 | |
| ASSETS | | |
| Cash and balances with treasury banks | 935,472 | 551,062 |
| Balances with and due from financial institutions | 852,077 | 800,632 |
| Investments | 456,713 | 432,500 |
| Financing and receivables | | |
| - Murabaha | 2,376,814 | 1,842,382 |
| - Ijara | 1,799,672 | 1,820,897 |
| - Diminishing musharaka | 944,223 | 1,033,550 |
| Other assets | 208,955 | 173,076 |
| | 7,573,926 | 6,654,099 |
| LIABILITIES | | |
| Bills payable | 27,228 | 61,806 |
| Deposits and other accounts | | |
| - Current accounts | 271,077 | 344,106 |
| - Saving accounts | 2,027,930 | 1,261,557 |
| - Term accounts | 1,597,007 | 1,691,342 |
| - Deposits from financial institutions- remunerative | 2,146,535 | 1,824,198 |
| - Deposits from financial institutions- non-remunerative | 30 | 30 |
| Due to head office | 312,332 | 393,037 |
| Other liabilities | 646,291 | 538,788 |
| | 7,028,430 | 6,114,864 |
| NET ASSETS | 545,496 | 539,235 |
| REPRESENTED BY | | |
| Islamic banking fund | 501,568 | 401,550 |
| Unappropriated profit | 42,215 | 137,685 |
| | 543,783 | 539,235 |
| Surplus on revaluation of assets | 1,713 | - |
| | 545,496 | 539,235 |

12. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on April 9, 2008.

13. GENERAL

13.1 These interim condensed financial statements are being issued to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

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

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHMMAD
Director

ANWAR H. JAPANWALA
Director

FIRASAT ALI
Director