



Habib Metropolitan Bank

(Subsidiary of Habib Bank AG Zurich)

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

CONTENTS

Corporate Information	2
Directors' Review	3
Interim Condensed Balance Sheet	4
Interim Condensed Profit and Loss Account	5
Interim Condensed Cash Flow Statement	6
Interim Condensed Statement of Changes in Equity	7
Interim Condensed Notes to the Accounts	8
Report to the Members on Review of Interim Financial Information	15
Interim Condensed Consolidated Financial Statements	16
Branch Network	28



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 un-audited accounts as well as consolidated accounts for the half-year ended June 30, 2008.

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

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

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

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

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

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

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

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

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

On behalf of the Board

Karachi: August 7, 2008

KASSIM PAREKH
President & Chief Executive



INTERIM CONDENSED BALANCE SHEET AS AT JUNE 30, 2008

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

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

REZA S. HABIB
Director

A. R. WADIWALA
Director

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

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

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

REZA S. HABIB
Director

A. R. WADIWALA
Director

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

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

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

REZA S. HABIB
Director

A. R. WADIWALA
Director

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

	Share Capital	Reserves					Unappropriated Profit	Total
		Shares premium	Statutory reserve	Special reserve	Revenue reserve			
		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	
Issue of bonus shares in the ratio of 67 shares for every 100 shares held	2,013,350	—	—	—	—	(2,013,350)	—	
Profit after taxation	—	—	—	—	—	1,170,725	1,170,725	
Transfer to statutory reserve	—	—	234,145	—	—	(234,145)	—	
Balance as at June 30, 2007	5,018,350	2,550,985	1,767,735	240,361	1,500,000	758,532	11,835,963	
Profit after taxation	—	—	—	—	—	1,626,281	1,626,281	
Transfer to statutory reserve	—	—	324,855	—	—	(324,855)	—	
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 in the ratio of 20 shares for every 100 shares held	1,003,670	—	—	—	—	(1,003,670)	—	
Cash dividend (Re. 1 per share)	—	—	—	—	—	(501,835)	(501,835)	
Profit after taxation	—	—	—	—	—	1,565,005	1,565,005	
Transfer to statutory reserve	—	—	313,000	—	—	(313,000)	—	
Balance as at June 30, 2008	6,022,020	2,550,985	2,405,590	240,361	1,500,000	1,806,458	14,525,414	

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

REZA S. HABIB
Director

A. R. WADIWALA
Director

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

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Ltd. (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I Chundrigar Road, Karachi. The Bank operates 100 (December 31, 2007: 100) branches including 4 (December 31, 2007: 4) Islamic Banking Branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich which is incorporated in Switzerland.

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.
- 2.3 IFAS - 1 "Murabaha" and IFAS - 2 "Ijara" are effective for the financial periods beginning on or after January 01, 2006 and July 01, 2007 respectively. These standards have not been adopted by the Bank pending certain modifications in the accounting system and processes of the Islamic Banking Branches that are imperative for effective implementation of the said standards. Further, the application of IFAS - 2 "Ijarah" also involves certain practical issues for which clarifications have been sought from the SBP by the ICAP. However, the management considers that the effect of the adoption of these standards would not be material to the Bank's financial statements.
- 2.4 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2007.
- 2.5 These are separate interim condensed financial statements of the Bank in which investments in subsidiaries are accounted for on the basis of direct equity interest and are not consolidated.

3. ACCOUNTING POLICIES

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

4. LENDINGS TO FINANCIAL INSTITUTIONS

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

5. INVESTMENTS

	June 30, 2008 (Un-Audited)			December 31, 2007 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available-for-sale securities						
Market Treasury Bills	20,407,309	16,958,373	37,365,682	26,470,917	11,266,204	37,737,121
Pakistan Investment Bonds	4,446,771	6,446,482	10,893,253	7,000,014	2,492,491	9,492,505
Ordinary shares of listed companies	54,302	—	54,302	70,405	—	70,405
Ordinary shares of unlisted companies	123,101	—	123,101	88,101	—	88,101
Preference shares of a listed company	40,000	—	40,000	40,000	—	40,000
Preference shares of an unlisted company	25,000	—	25,000	25,000	—	25,000
Term Finance Certificates	2,977,432	—	2,977,432	1,738,964	—	1,738,964
Sukuk Bonds	675,000	—	675,000	1,075,000	—	1,075,000
Open ended mutual funds	5,333,646	—	5,333,646	6,659,830	—	6,659,830
Closed ended mutual funds	177,348	—	177,348	179,848	—	179,848
	34,259,909	23,404,855	57,664,764	43,348,079	13,758,695	57,106,774
Held-to-maturity securities						
Certificate of Investments	4,125,000	—	4,125,000	4,550,000	—	4,550,000
Subsidiaries						
Habib Metropolitan Trade Services Limited						
Hong Kong	79	—	79	79	—	79
Habib Metropolitan Financial Services Limited	300,000		300,000	1		1
	300,079	—	300,079	80	—	80
Investments at cost	38,684,988	23,404,855	62,089,843	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)
Investments – net of provisions	38,677,644	23,404,855	62,082,499	47,890,815	13,758,695	61,649,510
(Deficit)/Surplus on revaluation of available-for-sale investments-net	(487,001)	(593,661)	(1,080,662)	89,254	(2,968)	86,286
Total Investments	38,190,643	22,811,194	61,001,837	47,980,069	13,755,727	61,735,796

6. ADVANCES

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

6.1 Advances include Rs. 841.163 million (December 31, 2007: Rs 804.247 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held*
	Rupees in '000				
Substandard	2,015	—	2,015	485	485
Doubtful	229,887	—	229,887	108,305	108,305
Loss	609,261	—	609,261	571,761	571,761
	841,163	—	841,163	680,551	680,551

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

6.2 The general provision includes provision made against consumer portfolio amounting to Rs. 20.954 (December 31, 2007: Rs. 17.454) million in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts - non-remunerative
Margins and others accounts

Financial Institutions

Remunerative deposits
Non-remunerative deposits

June 30, 2008
(Un-Audited)
December 31, 2007
(Audited)
Rupees in '000

61,149,983	54,812,561
34,122,422	28,326,985
27,467,309	33,326,687
2,933,425	1,185,870
125,673,139	117,652,103
2,912,960	3,209,976
387,312	204,390
3,300,272	3,414,366
128,973,411	121,066,469

8. (DEFICIT)/SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities:

Market Treasury Bills
Pakistan Investment Bonds
Term Finance Certificates
Listed Shares
Mutual Funds

(240,052)	(20,352)
(739,845)	16,464
17,462	22,070
(3,528)	4,172
(114,699)	63,932
(1,080,662)	86,286
378,232	(30,338)
(702,430)	55,948

Related deferred tax asset/(liability)

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct credit substitutes

Standby letters of credit serving as financial guarantees
for loans and securities

3,168	12,435
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9.2 Transaction-related contingent liabilities

Contingent liabilities in respect of guarantees favouring:

Government
Banking companies and other financial institutions
Others

8,591,809	7,437,940
163,651	121,190
1,626,115	2,165,057
10,381,575	9,724,187

9.3 Trade-related contingent liabilities

Letter of credits
Acceptances

31,613,313	34,103,602
15,230,970	10,287,128
46,844,283	44,390,730

9.4 Commitments in respect of forward exchange contracts

Purchase
Sale

11,791,668	17,048,483
21,522,464	26,389,901

9.5 Commitments in respect of operating leases

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

141,823	28,073
154,104	346,117
295,927	374,190

9.6 Commitments for the acquisition of operating fixed assets

24,562	24,562
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10. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended June 30, 2008	Half Year ended June 30, 2008	Quarter ended June 30, 2007	Half Year ended June 30, 2007
			(Un-Audited)	(Restated)
Profit after taxation (Rupees in '000)	<u>892,026</u>	<u>1,565,005</u>	510,733	1,170,725
Weighted average number of ordinary shares (in'000)	<u>602,202</u>	<u>602,202</u>	602,202	602,202
Basic and diluted earnings per share (Rupees)	<u>1.48</u>	<u>2.60</u>	0.85	1.94

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

11. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, subsidiaries and entities with common directorships, directors and their close family members, staff retirement benefit funds, key executives and major shareholders of the Bank. The details of transactions with related parties during the half year are as follows:

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

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

12. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment results for the period are as follows:

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

* Includes inter-segment revenues and expenses

13. KEY ISLAMIC BANKING OPERATIONS

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

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

14. GENERAL

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

15. DATE OF AUTHORISATION FOR ISSUE

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

REZA S. HABIB
Director

A. R. WADIWALA
Director

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

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

Scope of Review

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

Conclusion

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

Karachi: August 7, 2008

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