



هَذَا مِنْ فَضْلِ رَبِّي



**Habib Metropolitan Bank**

(Subsidiary of Habib Bank AG Zurich)

## Our Vision



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

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## CORPORATE INFORMATION



### BOARD OF DIRECTORS

#### CHAIRMAN

Kassim Parekh

#### CHIEF EXECUTIVE

Anjum Iqbal

#### DIRECTORS

Muhammad H. Habib

Reza S. Habib

Bashir Ali Mohammad

Anwar H. Japanwala

Ronald Victor Emerson

Firasat Ali

Mohamedali R. Habib\*

\* Executive Director

#### AUDIT COMMITTEE

Reza S. Habib

Kassim Parekh

Mohamedali R. Habib

#### COMPANY SECRETARY

Muhammad Imran

#### SHARE REGISTRAR

Noble Computer Services (Private) Limited.  
Mezzanine Floor, House of Habib Building (Siddiqsons Tower)  
3-Jinnah C. H. Society, Main Shahrah-e-Faisal, Karachi - 75350

## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our unaudited accounts for the six months ended June 30, 2009.

During the period under review, our country's trade imbalance reflects improvement mainly on account of reduced cost of imports. And, despite the continued depreciation of the Rupee, the country's foreign exchange reserves have increased supported by the International Monetary Fund program and other multilateral lenders.

Weakening domestic demand, reduced commodity prices & lower government borrowing from SBP has also led to reduction in core inflation. The Country's Stock Exchanges have also managed to regain investor confidence and markets now reflect positive sentiments. Moreover, remittance inflows from overseas Pakistanis have remained strong during this period. These factors, along with the several ongoing policy & structural reforms, have helped improve Pakistan's international ratings by Moody's who have, in August 2009, upgraded the country's outlook from Negative to Stable.

Although an Economic crisis may have been averted and the situation appears almost stabilized, the country's manufacturing and export activities continue to remain under pressure. Power shortages have become a major impediment to economic growth. The Government is developing various short and long term measures to address this key issue. Furthermore, the economy is burdened with the rehabilitation of Internally Displaced Persons (IDPs) while the army operations in the North continue. These will remain vital factors in maintaining economic stability going forward.

The overall liquidity situation in the inter-bank market has eased out and the market rates depict a downward curve which was also translated in a 100 bps reduction by SBP in discount rates. However credit demand by the private sector continues to remain low. The SBP recently announced yet another reduction in the discount rate by 100 bps which will have positive impact on the country's gross domestic product and we expect improvements in private sector credit off-take to meet seasonal commodity requirements as they arise. The SBP has now intimated its intentions to review the monetary policy on bi-monthly basis which will also ensure a closer market rates management.

During the period, the rates offered by the National Savings Schemes have also been reduced along with some fundamental changes with respect to institutional deposits. We expect the banking sector to benefit as it competes for its share of these deposits.

Despite of difficult political conditions and a worsening security situation, by Allah's grace your bank continues to make steady progress as reflected in the attached financial statements. At the period end, the total assets of the Bank stood at Rs. 207 billion as against 182 billion at the preceding year end. The Bank's deposits stand at Rs. 131 billion while advances and investments closed at Rs.105 billion & Rs. 78 billion respectively.

The Bank's profits after taxation amount to Rs.1,746 million for the period reflecting earnings per share of Rs.2.32 and a growth of 12% from the same period last year. The Bank enjoyed healthy fee based income and, despite an increased network, managed to keep administration expenses under control. As of June 2009, HMB enjoys a comfortable +10% capital adequacy calculated on Basel II methodology.

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.

With a branch network of 110 branches, HMB is providing a full range of banking services including on-line instant fund transfer facilities, tele-info, web-info and mobile banking alerts (GSM) to our customers. The Bank plans to open more branches during the year. Further, our call centre "0800-HABIB (42242)" provides informative services to our customers on 24/7 basis. HMB Islamic Banking business continues to grow and our 4 full service Islamic Banking branches are capable of catering the customers seeking Sha'ria compliant products. Additionally, Islamic Banking counters in various branches are operational and more are being opened across the country.

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: 25 August 2009

**Anjum Iqbal**  
Chief Executive

**UNCONSOLIDATED CONDENSED INTERIM  
BALANCE SHEET**  
AS AT 30 JUNE 2009

	Note	30 June, 2009 (Un-Audited)	31 December, 2008 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		10,578,644	11,401,384
5 Balances with other banks	5	1,141,976	2,974,237
6 Lendings to financial institutions	6	6,215,252	98,176
7 Investments	7	78,032,607	53,631,532
8 Advances	8	105,368,884	108,261,259
9 Operating fixed assets	9	1,877,789	1,528,913
10 Deferred tax assets	10	668,582	1,144,451
Other assets		3,369,808	3,317,451
		<b>207,253,542</b>	<b>182,357,403</b>
<b>LIABILITIES</b>			
Bills payable		3,110,723	2,372,146
11 Borrowings from financial institutions	11	48,561,402	30,435,543
12 Deposits and other accounts	12	131,488,952	128,369,670
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		6,109,783	6,087,256
		<b>189,270,860</b>	<b>167,264,615</b>
<b>NET ASSETS</b>		<b>17,982,682</b>	<b>15,092,788</b>
<b>REPRESENTED BY</b>			
Share capital		7,527,525	6,022,020
Reserves		7,388,936	7,039,936
Unappropriated profit		3,067,652	3,175,830
13 Deficit on revaluation of assets - net of tax	13	17,984,113 (1,431)	16,237,786 (1,144,998)
		<b>17,982,682</b>	<b>15,092,788</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**ANJUM IQBAL**  
Chief Executive

**KASSIM PAREKH**  
Chairman

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
PROFIT & LOSS ACCOUNT (UN-AUDITED)**  
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2009



	Note	30 June 2009		30 June 2008	
		Quarter ended	Half Year ended	Quarter ended	Half Year ended
Rupees in '000					
<b>Mark-up / return / interest earned</b>		<b>5,055,316</b>	<b>10,044,120</b>	3,970,646	7,613,734
<b>Mark-up / return / interest expensed</b>		<b>(3,544,684)</b>	<b>(6,779,961)</b>	(2,909,443)	(5,522,814)
Net mark-up / interest income		<b>1,510,632</b>	<b>3,264,159</b>	1,061,203	2,090,920
Provision against non-performing loans and advances		<b>533,467</b>	<b>861,349</b>	161,374	193,794
Provision for diminution in the value of investments		<b>32,777</b>	<b>32,777</b>	—	—
Bad debts written-off directly		—	—	—	64
		<b>(566,244)</b>	<b>(894,126)</b>	(161,374)	(193,858)
Net mark-up / interest income after provisions		<b>944,388</b>	<b>2,370,033</b>	899,829	1,897,062
<b>Non mark-up / Interest income</b>					
Fee, commission and brokerage income		<b>342,382</b>	<b>615,225</b>	306,201	594,936
Dividend income		<b>129,551</b>	<b>171,491</b>	374,960	375,795
Income from dealing in foreign currencies		<b>453,413</b>	<b>926,209</b>	484,903	811,225
Gain on sale / redemption of securities		<b>16,612</b>	<b>43,504</b>	36,757	99,820
Unrealized gain / (loss) on revaluation of investment classified as 'held for trading'		—	—	—	—
Other income		<b>75,772</b>	<b>151,403</b>	51,818	104,856
Total non mark-up / interest income		<b>1,017,730</b>	<b>1,907,832</b>	1,254,639	1,986,632
<b>Non mark-up / Interest expenses</b>		<b>1,962,118</b>	<b>4,277,865</b>	2,154,468	3,883,694
Administrative expenses		<b>804,589</b>	<b>1,675,262</b>	794,531	1,503,131
Other provisions / write offs		—	—	—	—
Other charges		<b>17,109</b>	<b>56,273</b>	61,728	62,775
Total non mark-up/interest expenses		<b>(821,698)</b>	<b>(1,731,535)</b>	(856,259)	(1,565,906)
Extra ordinary / unusual items		<b>1,140,420</b>	<b>2,546,330</b>	1,298,209	2,317,788
		—	—	—	—
<b>Profit before taxation</b>		<b>1,140,420</b>	<b>2,546,330</b>	1,298,209	2,317,788
Taxation – Current		<b>288,000</b>	<b>939,000</b>	537,000	963,000
– Prior years		—	—	12,186	12,186
– Deferred		<b>25,866</b>	<b>(138,997)</b>	(143,003)	(222,403)
		<b>(313,866)</b>	<b>(800,003)</b>	(406,183)	(752,783)
<b>Profit after taxation</b>		<b>826,554</b>	<b>1,746,327</b>	892,026	1,565,005
Rupees					
<b>Basic earnings per share</b>	15	<b>1.10</b>	<b>2.32</b>	1.19	2.08
<b>Diluted earnings per share</b>	15	<b>1.10</b>	<b>2.32</b>	1.19	2.08

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**ANJUM IQBAL**  
Chief Executive

**KASSIM PAREKH**  
Chairman

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2009

	30 June 2009		30 June 2008	
	Quarter ended	Half Year ended	Quarter ended	Half Year ended
	Rupees in '000			
Profit after taxation for the period	826,554	1,746,327	892,026	1,565,005
<b>Components of comprehensive income not transferred to equity</b>				
Surplus / (deficit) on revaluation of investments – available for sale	396,594	1,758,433	(1,041,377)	(1,166,948)
Deferred tax on revaluation of investments – available for sale	(141,565)	(614,866)	364,482	408,432
	255,029	1,143,567	(676,895)	(758,516)
	1,081,583	2,889,894	215,131	806,489

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Chief Executive

**KASSIM PAREKH**  
Chairman

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2009



	Half year ended	
	30 June 2009	30 June 2008
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,546,330	2,317,788
Less: Dividend income	(171,491)	(375,795)
	2,374,839	1,941,993
<b>Adjustments for non-cash charges</b>		
Depreciation	103,721	68,593
Provision against non-performing loans and advances	861,349	193,794
Provision for diminution in the value of investments	32,777	–
(Gain) on sale of fixed assets	(2,522)	(2,075)
	995,325	260,312
	3,370,164	2,202,305
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(6,117,076)	(3,683,211)
Advances	2,031,026	(11,590,799)
Other assets	(52,357)	(430,722)
	(4,138,407)	(15,704,732)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	738,577	(562,670)
Borrowings from financial institutions	17,950,477	10,015,128
Deposits	3,119,282	7,906,942
Other liabilities (excluding taxation and dividend)	38,802	1,334,252
	21,847,138	18,693,652
	21,078,895	5,191,225
	(955,249)	(540,093)
<b>Net cash inflow from operating activities</b>	20,123,646	4,651,132
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	(22,905,419)	(857,989)
Net proceeds from held-to-maturity securities	–	425,000
Dividend received	171,491	375,795
Investments in operating fixed assets	(222,889)	(38,524)
Sale proceeds of operating fixed assets	2,814	3,584
<b>Net cash (used) in / from investing activities</b>	(22,954,003)	(92,134)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(26)	(500,221)
<b>(Decrease) / increase in cash and cash equivalents</b>	(2,830,383)	4,058,777
Cash and cash equivalent at beginning of the period	13,108,496	13,309,131
<b>Cash and cash equivalent at end of the period</b>	10,278,113	17,367,908

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**ANJUM IQBAL**  
Chief Executive

**KASSIM PAREKH**  
Chairman

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

**UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Share Capital	Shares premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated Profit	Total
	Rupees in '000							
<b>Balance as at 1 January 2008</b>	5,018,350	2,550,985	2,092,590	240,361	1,500,000	–	2,059,958	13,462,244
Transfer to reserve for issuance of bonus shares in the ratio of 20 shares for every 100 shares held	–	–	–	–	–	1,003,670	(1,003,670)	–
Issue of bonus shares	1,003,670	–	–	–	–	(1,003,670)	–	–
Cash dividend (Re 1 per share) for the year ended 31 December 2007	–	–	–	–	–	–	(501,835)	(501,835)
Profit for the six months period ended 30 June 2008	–	–	–	–	–	–	1,565,005	1,565,005
Transfer to statutory reserve	–	–	313,000	–	–	–	(313,000)	–
<b>Balance as at 30 June 2008</b>	6,022,020	2,550,985	2,405,590	240,361	1,500,000	–	1,806,458	14,525,414
Profit for the six months period ended 31 December 2008	–	–	–	–	–	–	1,712,372	1,712,372
Transfer to statutory reserve	–	–	343,000	–	–	–	(343,000)	–
<b>Balance as at 31 December 2008</b>	6,022,020	2,550,985	2,748,590	240,361	1,500,000	–	3,175,830	16,237,786
Transfer to reserve for issuance of bonus shares in the ratio of 25 shares for every 100 shares held	–	–	–	–	–	1,505,505	(1,505,505)	–
Issuance of bonus shares	1,505,505	–	–	–	–	(1,505,505)	–	–
Profit for the six months period ended 30 June 2009	–	–	–	–	–	–	1,746,327	1,746,327
Transfer to statutory reserve	–	–	349,000	–	–	–	(349,000)	–
<b>Balance as at 30 June 2009</b>	<b>7,527,525</b>	<b>2,550,985</b>	<b>3,097,590</b>	<b>240,361</b>	<b>1,500,000</b>	<b>–</b>	<b>3,067,652</b>	<b>17,984,113</b>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**ANJUM IQBAL**  
Chief Executive

**KASSIM PAREKH**  
Chairman

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

**NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE HALF YEAR ENDED 30 JUNE 2009



**1. STATUS AND NATURE OF BUSINESS**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I Chundrigar Road, Karachi. The Bank operates 110 (31 December 2008: 110) branches including 4 (31 December 2008: 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 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.

**2.3** During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from 1 January 2009. The application of this standard has resulted in certain increased disclosures only.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1 January 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

**2.4** These unconsolidated interim financial statements are being submitted to the shareholders in accordance with the requirement of section 245 of Companies Ordinance 1984. These unconsolidated interim financial statements are un-audited but subject to limited scope review by the auditors.

**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, ESTIMATES AND RISK MANAGEMENT POLICIES

**3.1** The accounting policies adopted, underlying estimates and methods of computation followed in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2008, except for the accounting and financial reporting of Ijarahs by the Islamic Banking Branches of the Bank which has been changed to comply with the Islamic Financial Accounting Statements (IFAS-2) requirements. The State Bank of Pakistan, vide its IBD Circular No 1 dated 27 January 2009, has adopted IFAS No 2 for the accounting and financial reporting of "Ijarah" with effect from 01 January 2009. This standard requires Ijarah arrangements to be accounted for as assets held under Ijarah stated at cost less accumulated depreciation and impairment, if any. Accordingly, net assets / investments in Ijarahs during the period from 1 January 2009 to 30 June 2009 have been reflected in note No. 8 to these condensed interim financial statements under "Advances". The rental income on these Ijarahs is recognized on accrual basis in the Bank's profit and loss account. Depreciation is calculated on Ijarah assets on straight line basis over the period of Ijarah from the date of delivery of respective assets to mustajir (lessee) up to the date of maturity / termination of Ijarah agreement and is charged to the profit and loss account. The classification and provisioning of Ijarah assets is done in line with the requirements laid down in SBP Prudential Regulations. Adoption of the above standard and the consequent change in the accounting policy has not resulted in a material impact on these condensed interim financial statements.

**3.2** The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended 31 December 2008.

### 4. BASIS OF PRESENTATION

The disclosures included in these unconsolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated 12 May 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2008.

### 5. BALANCES WITH OTHER BANKS

	(Un-Audited) 30 June 2009	(Audited) 31 December 2008
	Rupees in '000	
In Pakistan		
– Current accounts	198,453	232,907
– Deposit accounts	59,508	8,497
	257,961	241,404
Outside Pakistan		
– Current accounts	884,015	1,204,020
– Deposit accounts	–	1,528,813
	884,015	2,732,833
	1,141,976	2,974,237



### 6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-Audited) 30 June 2009	(Audited) 31 December 2008
	Rupees in '000	
Call money lendings	5,950,000	–
Repurchase agreement lendings (Reserve Repo)	265,252	98,176
	6,215,252	98,176

### 7. INVESTMENTS

	(Un-Audited) 30 June 2009			(Audited) 31 December 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
<b>Available-for-sale securities</b>						
Market Treasury Bills	25,385,663	21,842,029	47,227,692	25,869,803	6,480,493	32,350,296
Pakistan Investment Bonds	13,346,882	400,000	13,746,882	10,924,261	–	10,924,261
Ordinary shares of listed companies	150,888	–	150,888	58,974	–	58,974
Ordinary shares of unlisted companies	123,101	–	123,101	123,101	–	123,101
Preference shares of a listed company	40,000	–	40,000	40,000	–	40,000
Preference shares of an unlisted company	25,000	–	25,000	25,000	–	25,000
Listed Term Finance Certificates	1,496,480	–	1,496,480	1,462,796	–	1,462,796
Unlisted Term Finance Certificates	1,449,507	–	1,449,507	1,550,809	–	1,550,809
Sukuk Bonds	4,785,101	–	4,785,101	1,900,000	–	1,900,000
Open ended mutual funds	8,786,040	–	8,786,040	6,380,460	–	6,380,460
Closed ended mutual funds	127,773	–	127,773	177,348	–	177,348
	55,716,435	22,242,029	77,958,464	48,512,552	6,480,493	54,993,045
<b>Held-to-maturity securities</b>						
Certificate of Investments	60,000	–	60,000	350,000	–	350,000
<b>Subsidiaries</b>						
Habib Metropolitan Trade Services Limited	79	–	79	79	–	79
Hong Kong (under winding-up)	300,000	–	300,000	300,000	–	300,000
Habib Metropolitan Financial Services Limited	300,079	–	300,079	300,079	–	300,079
	56,076,514	22,242,029	78,318,543	49,162,631	6,480,493	55,643,124
<b>Investments at cost</b>						
Less: Provision for diminution in value of investments	(237,001)	–	(237,001)	(250,057)	–	(250,057)
	55,839,513	22,242,029	78,081,542	48,912,574	6,480,493	55,393,067
<b>Investments – net of provisions</b>						
(Deficit) on revaluation of available-for-sale investments-net	(176,505)	127,570	(48,935)	(1,745,634)	(15,901)	(1,761,535)
	55,663,008	22,369,599	78,032,607	47,166,940	6,464,592	53,631,532



## 8. ADVANCES

	Note	(Un-Audited) 30 June 2009	(Audited) 31 December 2008
Rupees in '000			
Loans, cash credits, running finances, etc. In Pakistan		83,637,025	85,304,478
Net investment in finance lease / Ijara financing In Pakistan		2,037,881	2,560,428
Net assets / investment in Ijarah		97,941	—
Bills discounted and purchased (excluding Market Treasury Bills) Payable in Pakistan		5,026,844	5,382,542
Payable outside Pakistan		17,558,090	17,143,916
		22,584,934	22,526,458
Advances - gross	8.1	108,357,781	110,391,364
Provision against non-performing advances Specific		(1,881,287)	(1,083,785)
General	8.2	(1,107,610)	(1,046,320)
		(2,988,897)	(2,130,105)
Advances - net of provisions		105,368,884	108,261,259

8.1 Advances include Rs. 3,060.069 million (2008: Rs 1,747.599 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2009 (Un-audited)		
	Domestic advances	Provision Required	Provision Held*
Rupees in '000			
Substandard	657,080	164,270	164,270
Doubtful	1,356,353	729,385	729,385
Loss	1,046,636	987,632	987,632
	3,060,069	1,881,287	1,881,287
31 December 2008 (Audited)			
Category of Classification	Domestic advances	Provision Required	Provision Held*
Rupees in '000			
Substandard	715,558	178,890	178,890
Doubtful	231,698	142,088	142,088
Loss	800,343	762,807	762,807
	1,747,599	1,083,785	1,083,785

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

8.2 General provision includes provision made against consumer portfolio amounting to Rs. 15.817 million (2008:Rs. 21.050 million) in accordance with the Prudential Regulations issued by the SBP at 1.5% of fully secured and at 5% of unsecured consumer portfolio.

## 9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 388.079 million (30 June 2008: 32.658 million) and Rs. 0.292 million (30 June 2008: 1.509 million) respectively.

## 10. DEFERRED TAX ASSETS

10.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 1% of total advances. Amount of bad debts classified as Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowable as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management is of the view that they would be able to get deduction of provision in excess of 1% of total advances (provided for half year) and have recognized deferred tax asset on such provision amounting to Rs. 111.846 million.

10.2 The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banking Association (PBA) have taken up this matter with Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized through 31 December 2008 relating to provisions for advances and off balance sheet items amounting to Rs. 744.642 million has been carried forward.

## 11. BORROWINGS

	(Un-Audited) 30 June 2009	(Audited) 31 December 2008
Rupees in '000		
<b>Secured</b>		
Borrowings from State Bank of Pakistan under		
– Export refinance scheme	22,322,029	20,550,658
– Long term finance under export oriented projects	2,254,837	2,237,881
	24,576,866	22,788,539
Repurchase agreement borrowings	22,242,029	6,379,879
	46,818,895	29,168,418
<b>Unsecured</b>		
Call borrowings	300,000	—
Overdrawn nostro accounts	1,338,203	1,203,093
Overdrawn local bank accounts	104,304	64,032
	48,561,402	30,435,543

	Note	(Un-Audited) 30 June 2009	(Audited) 31 December 2008
Rupees in '000			
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		55,003,710	62,433,207
Saving deposits		36,042,211	29,654,843
Current accounts - non-remunerative		32,004,096	31,190,498
Margin and others accounts		1,691,930	1,804,305
		<b>124,741,947</b>	<b>125,082,853</b>
<b>Financial Institutions</b>			
Remunerative deposits		6,615,380	3,197,655
Non-remunerative deposits		131,625	89,162
		<b>6,747,005</b>	<b>3,286,817</b>
		<b>131,488,952</b>	<b>128,369,670</b>

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

<b>Available-for-sale securities:</b>			
Market Treasury Bills		149,435	(77,273)
Pakistan Investment Bonds		(10,492)	(1,316,755)
Term Finance Certificates/bonds		(144,381)	30,530
Listed Shares		35,225	—
Mutual Funds		(32,889)	(398,037)
		<b>(3,102)</b>	<b>(1,761,535)</b>
Related deferred tax asset	13.1	1,671	616,537
		<b>(1,431)</b>	<b>(1,144,998)</b>

13.1 This includes amount of Rs. 45.833 million of reversal of provision against diminution in the value of investment.

### 14. CONTINGENCIES AND COMMITMENTS

<b>14.1 Direct credit substitutes</b>			
Standby letters of credit serving as financial guarantees for loans and securities		107,785	1,900
<b>14.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of guarantees favouring:			
Government		8,432,350	7,967,160
Banking companies and other financial institutions		185,271	95,529
Others		3,201,524	2,034,386
		<b>11,819,145</b>	<b>10,097,075</b>
<b>14.3 Trade-related contingent liabilities</b>			
Letter of credits		27,687,788	23,253,326
Acceptances		10,279,607	8,105,504
		<b>37,967,395</b>	<b>31,358,830</b>
<b>14.4 Commitments in respect of forward exchange contracts</b>			
Purchase		22,791,800	13,207,319
Sale		32,941,486	25,402,670
<b>14.5 Commitments in respect of operating leases</b>			
Not later than one year		102,035	130,293
Later than one year and not later than five years		85,669	123,255
		<b>187,704</b>	<b>253,548</b>

		(Un-Audited) 30 June 2009	(Audited) 31 December 2008
Rupees in '000			
<b>14.6</b>	<b>Commitments for the acquisition of operating fixed assets</b>	<b>45,776</b>	33,250
<b>14.7</b>	<b>Claims against bank not acknowledged as debt</b>	<b>579,561</b>	458,141

14.8 The Bank had filed returns under self assessment scheme as envisaged in the section 120 of the Income Tax Ordinance 2001, for the tax years 2007 and 2008. Income tax department has amended the assessment of tax for tax years 2007 and 2008 under section 122(5A) of Income Tax Ordinance, 2001. These amended assessment orders have been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs. 311.828 million. The Bank has filed appeals before Commissioner of Income Tax (Appeals) on these disallowances and has made adequate provision against the adding / disallowing of certain expenses / deductions. The Bank and its Tax Advisor are confident that the decision of the appellate authorities will be in favour of the Bank.

### 15. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)			
	30 June 2009		30 June 2008	
	Quarter ended	Half Year ended	Quarter ended	Half Year ended
Rupees in '000				
Profit after taxation	826,554	1,746,327	892,026	1,565,005
Number in '000				
Weighted average number of ordinary shares	752,753	752,753	752,753	752,753
Rupees				
Basic and diluted earnings per share	1.10	2.32	1.19	2.08

15.1 The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

## 16. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprises of the holding company, subsidiaries and entities with common directorships, directors and their close family members, staff retirement benefit funds, key management personnel and major shareholders of the Bank. Contributions to and accruals in respect of staff retirement benefit plans are more in accordance with the actuarial valuation contribution plan / employment terms. Remuneration of key management personnel are in accordance with their terms of employment. All other transactions are at agreed terms.

30 June 2009 (Un-Audited)						
	Holding Company	Associates	Subsidiaries	Key Management Personnel	Retirement Benefit Plans	Total
Rupees in '000						
<b>Deposits</b>						
At the beginning of the period	-	1,197,119	241,752	7,536	631,304	2,077,711
Received during the period	-	145,441,578	83,067,014	49,163	1,088,169	229,645,924
Repaid during the period	-	(143,380,281)	(83,067,428)	(47,525)	(987,160)	(227,482,394)
At the end of the period	-	3,258,416	241,338	9,174	732,313	4,241,241
<b>Advances</b>						
At the beginning of the period	-	1,548,253	-	11,409	-	1,559,662
Received during the period	-	10,620,321	-	275	-	10,620,596
Repaid during the period	-	(10,671,864)	-	(1,605)	-	(10,673,469)
At the end of the period	-	1,496,710	-	10,079	-	1,506,789
Bank balances	(39,548)	-	-	-	-	(39,548)
Management fee payable for technical and consultancy services	164,715	-	-	-	-	164,715
Prepaid insurance	-	247	-	-	-	247
Trade related contingent liabilities	-	1,664,332	-	-	-	1,664,332

31 December 2008 (Audited)						
	Holding Company	Associates	Subsidiaries	Key Management Personnel	Retirement Benefit Plans	Total
Rupees in '000						
<b>Deposits</b>						
At the beginning of the period	-	3,165,383	-	15,384	480,409	3,661,176
Received during the period	-	251,294,001	64,957,652	138,682	1,020,256	317,410,591
Repaid during the period	-	(253,262,265)	(64,715,900)	(146,530)	(869,361)	(318,994,056)
At the end of the period	-	1,197,119	241,752	7,536	631,304	2,077,711
<b>Advances</b>						
At the beginning of the period	-	753,624	-	16,828	-	770,452
Received during the period	-	17,350,601	-	985	-	17,351,586
Repaid during the period	-	(16,555,972)	-	(6,404)	-	(16,562,376)
At the end of the period	-	1,548,253	-	11,409	-	1,559,662
Bank balances	1,015,486	-	-	-	-	1,015,486
Management fee payable for technical and consultancy services	112,170	-	-	-	-	112,170
Prepaid insurance	-	988	-	-	-	988
Trade related contingent liabilities	-	1,256,265	-	-	-	1,256,265

	For the period ended 30 June 2009 (Un-Audited)						
	Holding Company	Subsidiaries	Associates	Key Management personnel	Directors' fees	Retirement benefit plan	Total
	Rupees in '000						
Transactions for the period							
Mark-up/return/interest earned	3,840	-	73,252	328	-	-	77,420
Management fee for technical and consultancy services	52,545	-	-	-	-	-	52,545
Mark-up/return/interest expensed	-	-	177,433	160	-	31,924	209,517
Commission/bank charges recovered	-	-	5,365	-	-	-	5,365
Rent income	-	-	410	-	-	-	410
Remuneration	-	-	-	47,616	-	-	47,616
Directors' fees	-	-	-	-	3,100	-	3,100
Contribution to defined benefit plan	-	-	-	-	-	18,000	18,000
Contribution to defined contribution plan	-	-	-	-	-	30,867	30,867
Insurance premium expense	-	-	1,235	-	-	-	1,235

	For the period ended 30 June 2008 (Un-Audited)						
	Holding Company	Subsidiaries	Associates	Key Management personnel	Directors' fees	Retirement benefit plan	Total
	Rupees in '000						
Mark-up/return/interest earned	29,823	—	44,340	379	—	—	74,542
Management fee for technical and consultancy services	50,543	—	—	—	—	—	50,543
Mark-up/return/interest expensed	—	—	153,841	147	—	12,407	166,395
Commission/bank charges recovered	—	—	4,189	—	—	—	4,189
Rent income	—	—	366	—	—	—	366
Remuneration	—	—	—	27,429	—	—	27,429
Directors' fees	—	—	—	—	110	—	110
Contribution to defined benefit plan	—	—	—	—	—	25,000	25,000
Contribution to defined contribution plan	—	—	—	—	—	24,351	24,351
Transfer to KSE membership at book value	—	34,750	—	—	—	—	34,750
Investment made during the period	—	299,999	—	—	—	—	299,999
Insurance premium expense	—	—	1,140	—	—	—	1,140

## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment results for the period are as follows:

	30 June 2009 (Un-Audited)			
	Trading and sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Revenues*	3,912,430	3,310,356	7,497,672	14,720,458
Expenses*	(3,828,005)	(3,191,829)	(5,154,294)	(12,174,128)
Net income before tax	84,425	118,527	2,343,378	2,546,330
Segment assets (gross)	88,384,668	1,079,201	117,789,673	207,253,542
Segment liabilities	24,261,127	77,731,608	87,278,125	189,270,860
	30 June 2008 (Un-Audited)			
	Trading and sales	Retail banking	Commercial banking	Total
	Rupees in '000			
Revenues*	3,463,129	2,535,441	5,891,930	11,890,500
Expenses*	(2,752,410)	(2,119,939)	(4,700,363)	(9,572,712)
Net income before tax	710,719	415,502	1,191,567	2,317,788
Segment assets (gross)	68,696,931	1,186,622	122,569,394	192,452,947
Segment liabilities	23,104,984	69,154,321	86,370,658	178,629,963

\* Includes inter-segment revenues and expenses

## 18. ISLAMIC BANKING BUSINESS

18.1 The Bank is operating 4 (2008: 4) Islamic banking branches. The balance sheet of these branches as at 30 June 2009 is as follows:

	(Un-audited) 30 June 2009	(Audited) 31 December 2008
	Rupees in '000	
<b>ASSETS</b>		
Cash and balances with treasury banks	635,809	986,565
Balances with and due from financial institutions	50,478	478
Investments	5,121,216	1,429,020
Financing and receivables		
- Murabaha	1,751,716	2,449,851
- Ijara	1,469,130	1,804,204
- Diminishing musharaka	910,176	1,184,840
Due from head office	102,525	198,271
Operating fixed assets	21,797	24,093
Other assets	309,284	168,372
	<b>10,372,131</b>	<b>8,245,694</b>
<b>LIABILITIES</b>		
Bills payable	120,148	33,231
Deposits and other accounts		
- Current accounts	789,307	434,020
- Saving accounts	2,449,562	847,305
- Term deposits	3,359,831	2,527,470
- Deposits from financial institutions - remunerative	1,936,141	2,781,327
- Deposits from financial institutions - non-remunerative	524	17,423
Due to head office	-	-
Other liabilities	1,015,036	796,701
	<b>9,670,549</b>	<b>7,437,477</b>
<b>NET ASSETS</b>	<b>701,582</b>	<b>808,217</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	602,036	601,977
Unappropriated profit	128,431	217,220
	<b>730,467</b>	<b>819,197</b>
(Deficit) on revaluation of assets	(28,885)	(10,980)
	<b>701,582</b>	<b>808,217</b>

## 19. GENERAL

The figures have been rounded off to nearest thousand rupees.

## 20. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on 25 August 2009.

ANJUM IQBAL  
Chief Executive

KASSIM PAREKH  
Chairman

BASHIR ALI MOHAMMAD  
Director

FIRASAT ALI  
Director

# **INDEPENDENT REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE MEMBERS**

## **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. 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 as at 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarter ended 30 June 2009 in the condensed interim unconsolidated profit and loss account have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the half year ended 30 June 2008 and for the year ended 31 December 2008 were reviewed and audited by another firm of auditors whose reports dated 7 August 2008 and 2 March 2009, expressed an unqualified conclusion and opinion thereon respectively.

Karachi: August 25, 2009

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Amyr Pirani