



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 V. Emerson

Wazir Ali Khoja

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, 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 half year ended June 30, 2010.

During the period under review, supported by a recovery in exports, robust growth in workers' remittances and realization of coalition support fund, external current account continued to show improvement and net foreign exchange reserves also improved to US\$ 13 billion. The foreign exchange market has also remained stable. Modest recovery in the Large Scale Manufacturing, a reasonable harvest of a few major crops and growth in the service sector helped the real GDP grow by 4.1 percent against the target of 3.3 percent. However, inflation is still at considerably high levels and economies, particularly in Europe remain rather fragile. These will continue to present challenges for Pakistan's exporters.

Furthermore, the recent flood will adversely impact the economy of Pakistan as donors and investors' concerns are growing over the disaster's impact on an already fragile economy. The country's economic growth target of 4.5 percent for the fiscal year 2010-2011 would have to be revised downwards once the extent of the damage caused by floods is known.

Despite present conditions, 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. 236 billion. The Bank's deposits stand at Rs. 151 billion as against Rs. 142 billion at the preceding year end while advances closed at Rs. 102 billion. The Bank's pre-tax profit for the period end amounted to Rs. 2,087 million reflecting an EPS of Rs. 1.69 per share. The Bank enjoys healthy fee based income and has managed to keep administration expenses under control despite network expansion.

Due to prevailing market conditions especially with regard to export markets, the Bank recognized an additional Rs. 2.6 billion of non-performing loans and made additional provisions of Rs. 1,359 million there against during the period under review. Additionally, the bank continues to maintain general provision over and above the required levels.

At quarter end, HMB's net equity stands at Rs. 19.6 billion with a comfortable 12.22% capital adequacy level (Basel II) against the required 10%.

During the period, Board co-opted Mr Wazir Ali Khoja - nominee of NIT in place of Mr. Firasat Ali - NIT nominee who resigned. The Board wishes to place on record their profound appreciation for the valuable contribution made by Mr Firasat Ali during his association as Director.

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 124 branches including 2 sub branches, HMB is providing a full range of banking services including on-line utility bills payment solutions on its ATMs and through our 24-hour call centre, on-line instant fund transfer facilities, SWIFT, tele-info, web-info and mobile banking alerts (GSM) to our customers. The Bank plans to open more branches during the year and continue with its program for upgrading existing branches to provide better services. Further, our call centre "HMB Connect", with a toll free contact number 0800 HABIB (42242), is the Bank's centre point of contact and provides services round the clock. HMB Connect plans to add further innovative services on this platform for the ease and accessibility of customers.

One of our Key initiatives has been to participate in the steady growth of the Islamic Banking Sector. HMB Islamic Banking division is fully capable of catering to the customers seeking Sha'ria compliant products. The Bank has expanded its reach to 48 locations in 6 cities to cater to the Islamic banking needs of its customers in a more effective manner.

In the end, I would like to take this opportunity to place on record our sincere gratitude to Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and to our valued customers for their trust and support. I thank the staff members for their devotion & sincere efforts.

On behalf of the Board

Karachi: August 25, 2010

Anjum Iqbal
Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT 30 JUNE 2010

	Note	30 June, 2010 (Un-Audited)	31 December, 2009 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		11,898,488	11,192,498
Balances with other banks	5	1,861,745	4,836,399
Lendings to financial institutions	6	6,500,000	150,000
Investments	7	104,486,150	111,679,520
Advances	8	102,274,205	102,293,132
Operating fixed assets	9	2,804,604	2,431,227
Deferred tax assets - net	10	1,094,741	824,706
Other assets		4,944,686	4,004,748
		235,864,619	237,412,230
LIABILITIES			
Bills payable		3,603,402	3,111,467
Borrowings	11	55,695,420	68,186,674
Deposits and other accounts	12	151,289,812	142,457,376
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		5,840,387	4,916,200
		216,429,021	218,671,717
NET ASSETS		19,435,598	18,740,513
REPRESENTED BY			
Share capital		8,731,929	7,527,525
Reserves		7,881,835	7,587,835
Unappropriated profit		2,994,599	3,773,782
		19,608,363	18,889,142
Deficit on revaluation of assets - net of tax	13	(172,765)	(148,629)
		19,435,598	18,740,513
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial information.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2010



	30 June 2010		30 June 2009		
Note	Quarter ended	Half year ended	Quarter ended	Half year ended	
	(Restated)				
	Rupees in '000				
Mark-up / return / interest earned	5,760,599	11,566,769	5,067,175	10,132,764	
Mark-up / return / interest expensed	(3,994,685)	(8,131,023)	(3,533,229)	(6,750,078)	
Net mark-up / interest income	1,765,914	3,435,746	1,533,946	3,382,686	
Provision against non-performing loans and advances	800,161	1,358,524	533,467	861,349	
Provision for diminution in the value of investments	84,583	84,583	32,777	32,777	
Bad debts written-off directly	—	—	—	—	
	(884,744)	(1,443,107)	(566,244)	(894,126)	
Net mark-up / interest income after provisions	881,170	1,992,639	967,702	2,488,560	
Non mark-up / interest income					
Fee, commission and brokerage income	402,588	804,685	342,382	615,225	
Dividend income	120,180	235,294	129,551	171,491	
Income from dealing in foreign currencies	442,600	773,553	416,407	807,188	
Gain on sale / redemption of securities	144,331	191,466	16,612	43,504	
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	—	—	—	—	
Other income	78,620	136,162	75,772	151,403	
Total non mark-up / interest income	1,188,319	2,141,160	980,724	1,788,811	
	2,069,489	4,133,799	1,948,426	4,277,371	
Non mark-up / interest expenses					
Administrative expenses	988,465	1,989,776	804,589	1,675,262	
Other provisions / write-offs	—	—	—	—	
Other charges	26,817	56,817	17,109	56,273	
Total non mark-up/interest expenses	(1,015,282)	(2,046,593)	(821,698)	(1,731,535)	
	1,054,207	2,087,206	1,126,728	2,545,836	
Extra ordinary / unusual items	—	—	—	—	
Profit before taxation	1,054,207	2,087,206	1,126,728	2,545,836	
Taxation – Current	437,903	872,272	283,208	938,827	
– Prior years	—	—	—	—	
– Deferred	(157,831)	(257,040)	25,866	(138,997)	
	(280,072)	(615,232)	(309,074)	(799,830)	
Profit after taxation	774,135	1,471,974	817,654	1,746,006	
	Rupees				
	(Restated)				
Basic and diluted earnings per share (Rupees)	15	0.89	1.69	0.94	2.00

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial information.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2010

	30 June 2010		30 June 2009	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	(Restated)			
	Rupees in '000			
Profit after taxation for the period	774,135	1,471,974	817,654	1,746,006
Other comprehensive income	—	—	—	—
Comprehensive income transferred to equity	774,135	1,471,974	817,654	1,746,006
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of investments	(73,837)	(37,132)	396,594	1,758,433
Deferred tax on revaluation of investments	25,843	12,996	(138,223)	(614,866)
	(47,994)	(24,136)	258,371	1,143,567
Total comprehensive income	726,141	1,447,838	1,076,025	2,889,573

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KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

**UNCONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2010



	30 June 2010	30 June 2009 (Restated)
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,087,206	2,545,836
Less: Dividend income	(235,294)	(171,491)
	1,851,912	2,374,345
Adjustments		
Depreciation	148,855	103,721
Provision against non-performing loans and advances	1,358,524	861,349
Provision for diminution in the value of investments – net	60,686	32,777
(Gain) on sale of fixed assets	(3,026)	(2,522)
	1,565,039	995,325
	3,416,951	3,369,670
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,350,000)	(6,117,076)
Advances	(1,339,597)	2,031,026
Other assets	(939,938)	(181,612)
	(8,629,535)	(4,267,662)
Increase / (decrease) in operating liabilities		
Bills payable	491,935	738,577
Borrowings	(12,824,329)	17,950,477
Deposits	8,832,436	3,146,088
Other liabilities (excluding taxation and dividend)	1,057,333	114,104
	(2,442,625)	21,949,246
	(7,655,209)	21,051,254
Income tax paid	(1,007,868)	(955,248)
Net cash flows from operating activities	(8,663,077)	20,096,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	7,745,552	(22,905,419)
Net investments in held-to-maturity securities	(650,000)	–
Dividend received	235,294	171,491
Investments in operating fixed assets	(525,177)	(168,442)
Proceeds from sale of fixed assets	5,971	2,814
Net cash flows from investing activities	6,811,640	(22,899,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(750,302)	(26)
Net cash flows from financing activities	(750,302)	(26)
Decrease in cash and cash equivalents	(2,601,739)	(2,803,576)
Cash and cash equivalents at beginning of the period	14,176,319	13,055,680
Effect of exchange rate changes on cash and cash equivalent	56,382	115,761
Cash and cash equivalents at the end of the period	11,630,962	10,367,865

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2010

	Share Capital	Reserves					Unappropriated profit	Total
		Share premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares		
Balance as at 1 January 2009	6,022,020	2,550,985	2,748,590	240,361	1,500,000	—	3,087,692	16,149,648
Comprehensive income transferred to equity (profit for the period) - Restated	—	—	—	—	—	—	1,746,006	1,746,006
Transactions with owners, recorded directly in equity								
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)	—
Issue of bonus share in the ratio of 25 shares for every 100 shares held	1,505,505	—	—	—	—	(1,505,505)	—	—
Transferred to statutory reserve	—	—	313,000	—	—	—	(313,000)	—
Balance as at 30 June 2009	7,527,525	2,550,985	3,061,590	240,361	1,500,000	—	3,015,193	17,895,654
Comprehensive income transferred to equity (profit for the period)	—	—	—	—	—	—	993,488	993,488
Transfer to statutory reserve	—	—	234,899	—	—	—	(234,899)	—
Balance as at 31 December 2009	7,527,525	2,550,985	3,296,489	240,361	1,500,000	—	3,773,782	18,889,142
Comprehensive income transferred to equity	—	—	—	—	—	—	1,471,974	1,471,974
Transaction with owners, recorded directly in equity								
Transfer to reserve for issuance of bonus share in the ratio of 16 shares for every 100 shares held	—	—	—	—	—	1,204,404	(1,204,404)	—
Cash dividend (Re. 1 per share)	—	—	—	—	—	—	(752,753)	(752,753)
Issue of bonus share in the ratio of 16 shares for every 100 shares held	1,204,404	—	—	—	—	(1,204,404)	—	—
Transferred to statutory reserve	—	—	294,000	—	—	—	(294,000)	—
Balance as at 30 June 2010	8,731,929	2,550,985	3,590,489	240,361	1,500,000	—	2,994,599	19,608,363

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial information.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2010



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 120 (31 December 2009: 120) branches including 4 (31 December 2009: 4) Islamic Banking Branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich, which is incorporated in Switzerland.

2. BASIS OF PREPARATION

- 2.1** These financial information are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated interim financial information do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2009.
- 2.2** These unconsolidated interim financial information are being submitted to the shareholders in accordance with the requirement of section 245 of Companies Ordinance 1984. These unconsolidated interim financial information are unaudited but subject to limited scope review by the auditors.
- 2.3** These are separate interim condensed financial information 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 AND ESTIMATES

- 3.1** The accounting policies and methods of computation followed in the preparation of these unconsolidated interim financial information are consistent with those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2009.
- 3.2** The basis for accounting estimates adopted in the preparation of these unconsolidated interim financial information are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2009.

4. FINANCIAL RISK MANAGEMENT

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 2009.

5. BALANCES WITH OTHER BANKS

	30 June 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
In Pakistan		
– Current accounts	180,955	194,743
– Deposit accounts	5,512	159
	186,467	194,902
Outside Pakistan		
– Current accounts	820,187	1,356,074
– Deposit accounts	855,091	3,285,423
	1,675,278	4,641,497
	1,861,745	4,836,399

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	6,500,000	100,000
Letter of placements	–	50,000
	6,500,000	150,000

7. INVESTMENTS

INVESTMENTS		30 June 2010 (Un-Audited)			31 December 2009 (Audited)		
		Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral
Rupees in '000							
Available-for-sale securities							
Market Treasury Bills		35,671,029	22,249,907	57,920,936	36,395,925	34,383,407	70,779,332
Pakistan Investment Bonds		14,098,195	7,272,967	21,371,162	12,736,368	4,788,400	17,524,768
Ordinary shares of listed companies		459,733	–	459,733	276,750	–	276,750
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
Listed Term Finance Certificates		2,050,519	–	2,050,519	1,911,435	–	1,911,435
Unlisted Term Finance Certificates		4,212,602	–	4,212,602	4,407,393	–	4,407,393
Sukuk Certificates / Bonds		8,325,318	–	8,325,318	8,118,738	–	8,118,738
Open end mutual funds		9,450,629	–	9,450,629	8,524,630	–	8,524,630
Closed end mutual funds		135,650	–	135,650	129,055	–	129,055
		74,566,776	29,522,874	104,089,650	72,663,395	39,171,807	111,835,202
Held-to-maturity securities							
Certificate of Investments		650,000	–	650,000	–	–	–
Subsidiary							
Habib Metropolitan Financial Services Limited		300,000	–	300,000	300,000	–	300,000
Investments at cost							
Less: Provision for diminution in the value of investments		(287,708)	–	(287,708)	(227,022)	–	(227,022)
Investments – net of provisions							
Deficit on revaluation of available-for-sale investments – net	13	(40,671)	(225,121)	(265,792)	(78,405)	(150,255)	(228,660)
Investments after revaluation of available-for-sale investments							
		75,188,397	29,297,753	104,486,150	72,657,968	39,021,552	111,679,520

8. ADVANCES

	Note	30 June 2010 (Un-Audited)	31 December 2009 (Audited)
		Rupees in '000	
Loans, cash credits, running finances, etc. – In Pakistan		83,851,626	86,998,347
Net investment in finance lease / ijarah financing – In Pakistan		1,170,482	1,385,434
Net assets / investment in ijarah under IFAS 2		361,445	212,552
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,612,729	4,810,638
Payable outside Pakistan		17,254,105	13,515,637
		22,866,834	18,326,275
Advances - gross		108,250,387	106,922,608
Provision against non-performing advances			
– specific	8.1	(5,426,182)	(4,204,731)
– general	8.3	(550,000)	(424,745)
		(5,976,182)	(4,629,476)
Advances - net of provisions		102,274,205	102,293,132

8.1 Advances include Rs. 8,920,134 thousand (2009: Rs 6,364,335 thousand) which have been placed under non-performing status as detailed below:

30 June 2010 (Un-Audited)					
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000				
Substandard	454,555	–	454,555	94,343	94,343
Doubtful	3,339,538	–	3,339,538	1,360,649	1,360,649
Loss	5,126,041	–	5,126,041	3,971,190	3,971,190
	8,920,134	–	8,920,134	5,426,182	5,426,182
31 December 2009 (Audited)					
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000				
Substandard	230,099	–	230,099	32,426	32,426
Doubtful	1,082,445	–	1,082,445	405,567	405,567
Loss	5,051,791	–	5,051,791	3,766,738	3,766,738
	6,364,335	–	6,364,335	4,204,731	4,204,731

8.2 In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). The State Bank of Pakistan vide its Circular dated 20 October 2009 has further increased the limit for consideration of FSV benefit from 30% to 40% and has also allowed the FSV of industrial property for calculation of provisioning requirement. Had the benefit of FSV not been availed by the Bank, the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at 30 June 2010 would have been lower by approximately Rs 1,412.804 million (31 December 2009: Rs.1,303.499 million). Increase in profit is not available for the distribution of cash and stock dividend to shareholders.

8.3 General provision includes provision of Rs. 22.367 million (31 December 2009: Rs.16.195 million) made against consumer portfolio in accordance with the Prudential Regulations issued by the SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio. The Bank also maintains general provision on the basis of management's assessment of credit risk characteristics and general banking risk such as nature of credit, collateral type, industry sector and other relevant factors as approved by Board of Directors of the Bank.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 194.738 million (30 June 2009: Rs. 388.079 million) and Rs. 2.945 million (30 June 2009: Rs. 0.292 million) respectively.

10. DEFERRED TAX ASSETS – NET

The Finance Act 2009 and 2010, has made certain significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Deductions for provisions against doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 5% of Small and Medium Enterprises (SMEs) and consumer advances and up to 1% of other advances. The amount of bad debts classified as OAEM (in Agriculture) and Substandard under Prudential Regulation issued by State Bank of Pakistan is not allowable as an expense. Provisioning in excess of 5% and 1% of respective advances is allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 5% of SMEs and consumer advances and 1% of other advances and have recognized deferred tax asset on such provision amounting to Rs. 991.818 million.



	30 June 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
13. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX		
Available-for-sale securities:		
Market Treasury Bills	(7,668)	27,645
Pakistan Investment Bonds	(296,022)	(264,249)
Listed Shares	(5,113)	31,317
Term Finance Certificates	(68,093)	(112,001)
Sukuk Certificates / Bonds	32,795	(19,200)
Mutual Funds	78,309	107,828
	<u>(265,792)</u>	<u>(228,660)</u>
Related deferred tax asset - net	93,027	80,031
	<u>(172,765)</u>	<u>(148,629)</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Bank guarantees of indebtedness in favour of:		
– Banking companies and other financial institutions	<u>106,518</u>	<u>106,518</u>
14.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:		
i) Government	13,282,066	7,384,640
ii) Banking companies and other financial institutions	185,206	184,431
iii) Others	2,902,666	6,521,564
	<u>16,369,938</u>	<u>14,090,635</u>
14.3 Trade-related contingent liabilities		
Letters of credit	40,849,112	33,926,635
Acceptances	<u>10,503,797</u>	<u>8,815,049</u>
14.4 Commitments in respect of forward exchange contracts		
Purchase	<u>40,852,157</u>	<u>25,374,364</u>
Sale	<u>47,605,823</u>	<u>29,690,658</u>
14.5 Commitments in respect of repurchase agreement borrowings	<u>5,069,785</u>	<u>4,655,405</u>

	30 June 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
14.6 Commitments in respect of operating leases		
Not later than one year	66,283	81,741
Later than one year and not later than five years	46,596	65,749
	112,879	147,490
14.7 Commitments for the acquisition of operating fixed assets	147,271	14,884
14.8 Claims against bank not acknowledged as debt	2,236,910	1,634,510
14.9 Commitments in respect of forward lendings		
The Bank makes commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn.		
14.10 Commitments in respect of syndication financing	433,106	593,191
14.11 Commitments in respect of investment in sukuk certificates and term finance certificates	146,603	294,696

14.12 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2006 (corresponding to the accounting year ended 31 December 2005). Certain appeals are pending for the tax years 2007, 2008 and 2009 (corresponding to the accounting years ended 31 December 2006, 31 December 2007 and 31 December 2008). However, adequate provisions are being held by the Bank.

15. BASIC AND DILUTED EARNINGS PER SHARE	30 June 2010		30 June 2009	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	(Un-Audited)		(Restated)	
	Rupees in '000			
Profit after taxation	774,135	1,471,974	817,654	1,746,006
	(Restated)			
	Number in '000			
Weighted average number of ordinary shares (in '000)	873,193	873,193	873,193	873,193
	(Restated)			
	Rupees			
Basic and diluted earnings per share	0.89	1.69	0.94	2.00

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

The Bank has related party relationships with its subsidiary, companies with common directorship, directors, employee benefit plan and key management personnel.

Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	30 June 2010 (Un-Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Received during the period	3,997,488	78,386,193	219,530,693	103,058	3,170,007	305,187,439
Repaid during the period	(4,001,785)	(78,381,404)	(217,406,921)	(86,026)	(2,894,481)	(302,770,617)
At the end of the period	15,153	276,675	5,655,187	63,070	1,126,052	7,136,137
Advances						
At the beginning of the period	-	-	1,740,927	15,540	-	1,756,467
Disbursed during the period	-	-	21,907,878	9,996	-	21,917,874
Recovered during the period	-	-	(22,469,153)	(2,413)	-	(22,471,566)
At the end of the period	-	-	1,179,652	23,123	-	1,202,775
Bank balances	42,412	-	18,692	-	-	61,104
Management fee payable for technical and consultancy services	177,008	-	-	-	-	177,008
Prepayments	-	-	30,376	-	-	30,376
Transaction-related contingent liabilities	-	25,000	891,935	-	-	916,935
Trade-related contingent liabilities	-	-	642,602	-	-	642,602
Advance received against prepaid card	-	-	2,654	-	-	2,654
Advance received against insurance premium	-	-	29	-	-	29

	31 December 2009 (Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the year	8,111	241,752	1,608,912	7,536	631,304	2,497,615
Received during the year	11,408,758	159,423,257	325,627,006	162,776	2,173,822	498,795,619
Repaid during the year	(11,397,419)	(159,393,123)	(323,704,503)	(124,274)	(1,954,600)	(496,573,919)
At the end of the year	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Advances						
At the beginning of the year	–	–	1,550,222	11,409	–	1,561,631
Disbursed during the year	–	–	28,110,309	7,202	–	28,117,511
Recovered during the year	–	–	(27,919,604)	(3,071)	–	(27,922,675)
At the end of the year	–	–	1,740,927	15,540	–	1,756,467
Bank balances	30,875	–	6,504	–	–	37,379
Mark-up/return/interest payable	–	2,403	–	–	–	2,403
Management fee payable for technical and consultancy services	126,400	–	–	–	–	126,400
Prepayments	–	–	13,891	–	–	13,891
Transaction-related contingent liabilities	–	25,000	944,168	–	–	969,168
Trade-related contingent liabilities	–	–	1,343,662	–	–	1,343,662
Advance received against prepaid card	–	–	2,907	–	–	2,907
Advance received against insurance premium	–	–	60	–	–	60

Transactions for the period
For the period ended 30 June 2010 (Un-Audited)

	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plan	Directors' Fees	Total
	Rupees in '000						
Mark-up/return/interest earned	-	-	57,422	693	-	-	58,115
Management fee for technical and consultancy services	50,608	-	-	-	-	-	50,608
Mark-up/return/interest expensed	-	14,123	283,620	3,083	97,093	-	397,919
Commission/brokerage/bank charges recovered	-	255	4,649	-	-	-	4,904
Rent income	-	-	447	-	-	-	447
Remuneration	-	-	-	55,997	-	-	55,997
Directors' fees	-	-	-	-	-	3,070	3,070
Contribution to defined benefit plan	-	-	-	-	24,000	-	24,000
Contribution to defined contribution plan	-	-	-	-	35,792	-	35,792
Bank charges	2,011	109	4,516	-	-	-	6,636
Insurance premium expensed	-	-	15,086	-	-	-	15,086
Rent expenses	-	-	8,113	-	-	-	8,113
Maintenance, electricity, stationary & entertainment	-	-	11,197	-	-	-	11,197
Share registration charges	-	-	745	-	-	-	745

Transactions for
the period

For the period ended 30 June 2009 (Un-Audited)

	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plan	Directors' Fees	Total
	Rupees in '000						
Mark-up/return/interest earned	3,840	–	73,348	328	–	–	77,516
Management fee for technical and consultancy services	52,545	–	–	–	–	–	52,545
Mark-up/return/interest expensed	–	15,122	208,567	160	38,924	–	262,773
Commission/brokerage/bank charges recovered	–	107	5,365	–	–	–	5,472
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
Bank charges	1,703	315	5,484	–	–	–	7,502
Insurance premium expense	–	–	7,421	–	–	–	7,421
Rent expenses	–	–	7,612	–	–	–	7,612
Maintenance, electricity, stationary & entertainment	–	–	1,315	–	–	–	1,315
Share registration charges	–	–	701	–	–	–	701

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

	30 June 2010 (Unaudited)			Total
	Trading and sales	Retail Banking	Commercial Banking	
	Rupees in '000			
Revenues*	6,391,625	3,861,955	6,257,141	16,510,721
Expenses*	(5,313,054)	(3,752,620)	(5,357,841)	(14,423,515)
Net Income before tax	1,078,571	109,335	899,300	2,087,206
Segment assets (gross)	119,202,457	1,156,151	115,506,011	235,864,619
Segment liabilities	32,317,664	92,869,751	91,241,606	216,429,021

	30 June 2009 (Unaudited)			Total
	Trading and sales	Retail Banking	Commercial Banking	
	Rupees in '000			
Revenues*	3,911,936	3,310,356	7,497,672	14,719,964
Expenses*	(3,828,005)	(3,191,829)	(5,154,294)	(12,174,128)
Net Income before tax	83,931	118,527	2,343,378	2,545,836
Segment assets (gross)	88,812,926	1,079,201	117,789,673	207,681,800
Segment liabilities	24,777,843	77,731,608	87,278,125	189,787,576

* Includes inter-segment revenues and expenses

18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 4 (2009: 4) Islamic banking branches. The balance sheet of these branches as at 30 June 2010 is as follows:

BALANCE SHEET

	30 June 2010 (Un-Audited)	31 December 2009 (Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	705,276	729,330
Balances with and due from financial institutions	478	478
Investments	7,775,299	7,740,463
Financing and receivables		
- Murabaha	2,426,583	2,069,501
- Ijara	1,036,564	1,196,447
- Diminishing musharaka	639,431	418,286
- Export refinance murabaha	420,000	—
- Foreign Documentary Bills Purchased	152,243	—
Due from head office	—	110,924
Other assets	959,256	501,465
	14,115,130	12,766,894
LIABILITIES		
Bills payable	104,474	31,952
Deposits and other accounts		
- Current accounts	869,398	734,112
- Saving accounts	3,226,363	4,543,425
- Term deposits	4,668,416	4,425,802
- Deposits from financial institutions - remunerative	3,168,007	1,370,586
- Deposits from financial institutions - non-remunerative	1,678	509
Borrowings	420,000	—
Due to Head Office	69,564	—
Other liabilities	805,714	780,998
	13,333,614	11,887,384
NET ASSETS	781,516	879,510
REPRESENTED BY		
Islamic banking fund	602,138	602,106
Unappropriated profit	130,887	253,690
	733,025	855,796
Surplus on revaluation of assets	48,491	23,714
	781,516	879,510



19. RESTATEMENT IN CORRESPONDING FIGURES OF PROFIT AND LOSS ACCOUNT

Corresponding figures of Profit and Loss account have been restated due to the change in accounting policy made in the unconsolidated annual financial statements of the Bank for the year ended 31 December 2009. The change was made to segregate income earned on Foreign Documentary Bills Purchased (FDBP) into Income from dealing in foreign currencies and Discount Income, which is now recognized on amortization basis over the term of FDBP and reflected in the bank's mark-up / return / interest earned. Previously, the income was recognized as income from dealing in foreign currencies over the FDBP tenor. Effect of the change and restatement in the Profit and Loss account is not material (profit for the half year ended 30 June 2009 have reduced by Rs. 0.3 million). The above restatement has resulted in corresponding restatement of the statement of comprehensive income and cash flow statement for the half year ended 30 June 2009.

20. GENERAL

The figures have been rounded off to nearest thousand rupees.

21. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial information were authorised for issue by the Board of Directors on 25 August 2010.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

MOHAMEDALI R. HABIB
Director

BASHIR ALI MOHAMMAD
Director

AUDITORS' REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2010 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (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 2010 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 2010 in the condensed interim unconsolidated profit and loss account have not been reviewed and we do not express a conclusion on them.

Karachi: August 25, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Amin Pirani