



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

Bashir Ali Mohammad

Tariq Ikram

Ronald V. Emerson

Wazir Ali Khoja

Mohamedali R. Habib*

* Executive Director

AUDIT COMMITTEE

Kassim Parekh

Mohamedali R. Habib

COMPANY SECRETARY

Muhammad Imran

REGISTERED OFFICE

Ground Floor, Spencer's Building,

G.P.O. Box 1289, I.I. Chundrigar Road,

Karachi - 74200, Pakistan

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DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present our un-audited accounts for the half year ended June 30, 2011.

During the period under review, Pakistan's economy managed to grow at 2.4%. Trade business was up with exports showing a 29% increase primarily due to the increase in cotton prices as well as export of wheat. Imports grew at a slower rate, 14% due to the lower activity in Large Scale Manufacturing (LSM) sector. The Country's foreign exchange reserves stood at record level of USD 17.47 billion and there was robust growth in workers' remittances, reaching USD 11.2 billion. Higher exports coupled with remittances also pushed the Current Account into surplus. Monetary policy remained stable and tight throughout the period with no changes to discount rates.

Going forward, we expect slow growth over the next few years. The economy seems to be on the path of slow recovery after the floods of 2010. GDP is expected to grow to 4% in FY2012. Imports are expected to continue to grow largely due to the increase in oil prices, but due to the reduction in cotton prices, lower exports are being projected. High levels of home remittance may not be possible with US/European economies facing downturns leading to job losses as well as affect our exports in these key markets. Lower oil prices may affect remittances from the Middle East. The SBP is expected to continue to ease monetary policy on the back of expected declining inflation forecasted in the range of 11-12% in FY12 which is evident from lowering of discount rate in July 2011.

By the grace of Allah, your Bank continues its growth as reflected in the attached financial statements.

During the period under review, your Bank has achieved new milestones. Deposits crossed Rs. 182 billion against Rs. 160 billion in the previous year. Advances increased by Rs. 14 billion as compared with last year and stood at Rs. 114 billion at the end of the Fiscal Year while Total Assets exceeded Rs. 264 billion for the same period. Significantly, our deposit mix has begun to change, with a greater focus on CASA (Current Accounts & Savings Accounts).

The Bank enjoys healthy fee based income and managed to keep administration expenses under control while expanding the network. This financial performance is attributed to a well planned volume based growth as well as enhancement of our product suite that provides both personal and business solutions to our valued customers.

Profit after tax for the half year was Rs. 1,993 million compared to Rs. 2,087 million for the same period in the preceding year. This translates into earning per share of Rs. 1.37.

At the half year end, HMB's net equity stands at Rs. 22.4 billion with a comfortable 12.43% capital adequacy level (Basel II) against the required 10%.



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 the branch network of 143 locations (including 4 Islamic Banking branches), your Bank provides modern and technologically advanced services to its customers including cash management services, e-salary services for corporate employees, on-line utility bills payment solutions on its ATMs and through 24-hour call centre, on-line instant fund transfer facilities, tele-info, web-info and mobile banking alerts (GSM). 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 for the ease and accessibility of customers.

HMB's Islamic Banking business continues to grow and is available through four dedicated branches and Islamic banking counters in all branches across the country. The Bank plans to open more branches to enhance distribution.

Recently, our Director and Chairman Board Audit Committee Mr. Reza S. Habib passed away. Mr. Reza S. Habib was the Joint President of Habib Bank AG Zurich, the holding company of the Bank. The Board expressed profound grief and offered condolence to his family. The Board also wishes to place on record their appreciation for the invaluable contribution made by Mr. Reza S. Habib during his association with the Bank as Director as well as Chairman Board Audit Committee. The Board greatly benefited from his banking experience & technical expertise and his absence will be felt.

I would also like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Last but not least, I would like to thank the staff of Habib Metropolitan Bank for their continued dedication and hard work in improving your Bank's performance.

On behalf of the Board

Karachi: August 19, 2011

Anjum Iqbal
Chief Executive

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

AS AT 30 JUNE 2011

	Note	30 June 2011 (Un-Audited)	31 December, 2010 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		14,127,433	13,923,393
Balances with other banks	5	3,273,118	3,123,094
Lendings to financial institutions	6	5,429,631	3,190,399
Investments	7	116,407,414	100,993,820
Advances	8	114,368,359	119,827,636
Operating fixed assets	9	3,352,212	3,352,702
Deferred tax assets - net	10	2,235,485	1,868,328
Other assets		5,113,628	5,931,280
		264,307,280	252,210,652
LIABILITIES			
Bills payable		4,574,088	2,572,954
Borrowings	11	48,674,422	62,529,729
Deposits and other accounts	12	182,252,909	160,457,975
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		6,947,482	6,341,861
		242,448,901	231,902,519
NET ASSETS		21,858,379	20,308,133
REPRESENTED BY			
Share capital		10,478,315	8,731,929
Reserves		8,438,443	8,151,443
Unappropriated profit		3,470,524	4,071,055
		22,387,282	20,954,427
Deficit on revaluation of assets - net of deferred tax	13	(528,903)	(646,294)
		21,858,379	20,308,133
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The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2011



Note	30 June 2011		30 June 2010	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Mark-up / return / interest earned	6,424,398	12,866,702	5,760,599	11,566,769
Mark-up / return / interest expensed	(4,529,494)	(9,247,791)	(3,994,685)	(8,131,023)
Net mark-up / interest income	1,894,904	3,618,911	1,765,914	3,435,746
Provision against non-performing loans and advances	833,430	1,640,165	800,161	1,358,524
Provision for diminution in the value of investments	52,829	50,427	84,583	84,583
Bad debts written-off directly	—	—	—	—
	(886,259)	(1,690,592)	(884,744)	(1,443,107)
Net mark-up / interest income after provisions	1,008,645	1,928,319	881,170	1,992,639
Non mark-up / interest income				
Fee, commission and brokerage income	428,435	891,922	402,588	804,685
Dividend income	323,202	574,531	120,180	235,294
Income from dealing in foreign currencies	240,251	803,734	442,600	773,553
Gain on sale / redemption of securities	181,604	216,547	144,331	191,466
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	—	—	—	—
Other income	58,117	116,468	78,620	136,162
Total non mark-up / interest income	1,231,609	2,603,202	1,188,319	2,141,160
	2,240,254	4,531,521	2,069,489	4,133,799
Non mark-up / interest expenses				
Administrative expenses	1,306,763	2,503,011	988,465	1,989,776
Other provisions / write-offs	—	—	—	—
Other charges	30,275	60,548	26,817	56,817
Total non mark-up/interest expenses	(1,337,038)	(2,563,559)	(1,015,282)	(2,046,593)
	903,216	1,967,962	1,054,207	2,087,206
Extra ordinary / unusual items	—	—	—	—
Profit before taxation	903,216	1,967,962	1,054,207	2,087,206
Taxation – Current	574,267	1,028,652	437,903	872,272
– Prior years	—	—	—	—
– Deferred	(347,152)	(493,545)	(157,831)	(257,040)
	(227,115)	(535,107)	(280,072)	(615,232)
Profit after taxation	676,101	1,432,855	774,135	1,471,974
			Rupees (Restated)	
Basic and diluted earnings per share (Rupees) 15	0.65	1.37	0.74	1.40

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

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2011

	30 June 2011		30 June 2010	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	676,101	1,432,855	774,135	1,471,974
Other comprehensive income	-	-	-	-
Comprehensive income transferred to equity	676,101	1,432,855	774,135	1,471,974
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of investments	(68,694)	243,779	(73,837)	(37,132)
Deferred tax on revaluation of investments	(32,870)	(126,388)	25,843	12,996
	(101,564)	117,391	(47,994)	(24,136)
Total comprehensive income	574,537	1,550,246	726,141	1,447,838

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KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2011



	30 June	
	2011	2010
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,967,962	2,087,206
Less: Dividend income	(574,531)	(235,294)
	1,393,431	1,851,912
Adjustments		
Depreciation	192,333	148,855
Provision against non-performing loans and advances – net	1,640,165	1,358,524
Provision for diminution in the value of investments – net	49,440	60,686
Net loss / (gain) on sale of fixed assets	128	(3,026)
	1,882,066	1,565,039
	3,275,497	3,416,951
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,239,232)	(6,350,000)
Advances	3,819,112	(1,339,597)
Other assets	817,652	(939,938)
	2,397,532	(8,629,535)
Increase / (decrease) in operating liabilities		
Bills payable	2,001,134	491,935
Borrowings	(14,236,794)	(12,824,329)
Deposits and other accounts	21,794,934	8,832,436
Other liabilities (excluding taxation and dividend)	785,938	1,057,333
	10,345,212	(2,442,625)
	16,018,241	(7,655,209)
Income tax paid	(1,208,341)	(1,007,868)
Net cash flows from operating activities	14,809,900	(8,663,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(16,269,255)	7,745,552
Net investments in held-to-maturity securities	1,050,000	(650,000)
Dividend received	574,531	235,294
Investments in operating fixed assets	(192,883)	(525,177)
Proceeds from sale of fixed assets	912	5,971
Net cash flows from investing activities	(14,836,695)	6,811,640
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(628)	(750,302)
Net cash flows from financing activities	(628)	(750,302)
Decrease in cash and cash equivalents	(27,423)	(2,601,739)
Cash and cash equivalents at beginning of the period	15,619,091	14,176,319
Effect of exchange rate changes on cash and cash equivalent	58,771	56,382
Cash and cash equivalents at the end of the period	15,650,439	11,630,962

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

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Reserves					Unappropriated profit	Total
	Share Capital	Share premium	Statutory reserve	Special reserve	Revenue reserve		
	Rupees in '000						
Balance as at 1 January 2010	7,527,525	2,550,985	3,296,489	240,361	1,500,000	3,773,782	18,889,142
Changes in equity for the period ended 30 June 2010							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,471,974	1,471,974
Transactions with owners, recorded directly in equity							
Issue of bonus shares in the ratio of 16 shares for every 100 shares held for the year ended 31 December 2009	1,204,404	-	-	-	-	(1,204,404)	-
Cash dividend (Re. 1 per share)	-	-	-	-	-	(752,753)	(752,753)
	1,204,404	-	-	-	-	(1,957,157)	(752,753)
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
Changes in equity for the period ended 31 December 2010							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,346,064	1,346,064
Transactions with owners, recorded directly in equity							
Transfer to statutory reserve	-	-	269,608	-	-	(269,608)	-
Balance as at 31 December 2010	8,731,929	2,550,985	3,860,097	240,361	1,500,000	4,071,055	20,954,427
Changes in equity for the period ended 30 June 2011							
Total comprehensive income (profit for the period)	-	-	-	-	-	1,432,855	1,432,855
Transactions with owners recorded directly in equity							
Issue of bonus shares in the ratio of 20 shares for every 100 shares held for the year ended 31 December 2010	1,746,386	-	-	-	-	(1,746,386)	-
Transferred to statutory reserve	-	-	287,000	-	-	(287,000)	-
Balance as at 30 June 2011	10,478,315	2,550,985	4,147,097	240,361	1,500,000	3,470,524	22,387,282

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

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2011



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 the three stock exchanges in Pakistan. The Bank operates 135 (2010: 135) branches including 4 (2010: 4) Islamic banking branches and 8 (2010: 8) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company) which is incorporated in Switzerland.

The registered office of the Bank is situated at Spencer's Building, I. I. Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

2.2 These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with the requirement of section 245 of the Companies Ordinance 1984. These unconsolidated condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

3.2 The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the annual unconsolidated financial statements of the Bank for the year ended 31 December 2010.

5. BALANCES WITH OTHER BANKS

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
In Pakistan		
– Current accounts	328,560	414,336
– Deposit accounts	6,293	17,205
	334,853	431,541
Outside Pakistan		
– Current accounts	789,132	978,819
– Deposit accounts	2,149,133	1,712,734
	2,938,265	2,691,553
	3,273,118	3,123,094

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	1,750,000	2,100,000
Repurchase agreement lendings (Reverse repo)	3,679,631	640,399
Letter of placements	–	450,000
	5,429,631	3,190,399

7. INVESTMENTS

Note	30 June 2011 (Un-Audited)			31 December 2010 (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	41,470,627	19,741,523	61,212,150	20,254,957	24,133,119	44,388,076
Pakistan Investment Bonds	23,338,670	—	23,338,670	12,475,620	8,955,800	21,431,420
Ordinary shares of listed companies	452,712	—	452,712	241,530	—	241,530
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	2,229,965	—	2,229,965	2,282,470	—	2,282,470
Unlisted Term Finance Certificates	3,871,472	—	3,871,472	4,060,056	—	4,060,056
Sukuk Certificates and Bonds	14,681,412	—	14,681,412	18,192,348	—	18,192,348
Open end mutual funds	11,226,606	—	11,226,606	10,147,832	—	10,147,832
Close end mutual funds	67,000	—	67,000	67,000	—	67,000
	97,501,565	19,741,523	117,243,088	67,884,914	33,088,919	100,973,833
Held-to-maturity securities						
Certificate of Investments	—	—	—	1,050,000	—	1,050,000
Subsidiary						
Habib Metropolitan Financial Services Limited	300,000	—	300,000	300,000	—	300,000
Investments at cost	97,801,565	19,741,523	117,543,088	69,234,914	33,088,919	102,323,833
Less: Provision for diminution in the value of investments 7.1	(305,372)	—	(305,372)	(255,932)	—	(255,932)
Investments – net of provisions	97,496,193	19,741,523	117,237,716	68,978,982	33,088,919	102,067,901
Deficit on revaluation of available-for-sale securities – net 13	(806,886)	(23,416)	(830,302)	(726,452)	(347,629)	(1,074,081)
Investments after revaluation of available-for-sale securities	96,689,307	19,718,107	116,407,414	68,252,530	32,741,290	100,993,820

7.1 Particulars of provision for diminution in the value of investments

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
Rupees in '000		
Opening balance	255,932	227,022
Charge for the period / year	50,427	103,785
Reversal of provision upon disposal of investments	(987)	(74,875)
Closing balance	305,372	255,932

8. ADVANCES			
	Note	30 June 2011	31 December 2010
		(Un-Audited)	(Audited)
		Rupees in '000	
Loans, cash credits, running finances, etc.			
In Pakistan		97,462,479	100,914,709
Net investments in finance lease / ijarah financing			
In Pakistan		699,762	906,984
Net assets in ijarah under IFAS 2		975,474	901,886
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		5,455,178	6,344,275
Payable outside Pakistan		18,799,886	18,282,153
		24,255,064	24,626,428
Advances - gross		123,392,779	127,350,007
Provision against non-performing advances			
- specific		(8,954,290)	(7,463,452)
- general		(70,130)	(58,919)
	8.3	(9,024,420)	(7,522,371)
Advances - net of provisions		114,368,359	119,827,636
8.1 Advances include Rs. 12,947,460 thousand (2010: Rs 10,961,145 thousand) which have been placed under non-performing status as detailed below:			
30 June 2011 (Un-Audited) in Pakistan			
Category of Classification	Classified advances	Provision Required	Provision Held
	Rupees in '000		
Substandard	657,365	152,202	152,202
Doubtful	2,744,338	978,658	978,658
Loss	9,545,757	7,823,430	7,823,430
	12,947,460	8,954,290	8,954,290
31 December 2010 (Audited) in Pakistan			
Category of Classification	Classified advances	Provision Required	Provision Held
	Rupees in '000		
Substandard	348,017	73,725	73,725
Doubtful	2,417,408	836,356	836,356
Loss	8,195,720	6,553,371	6,553,371
	10,961,145	7,463,452	7,463,452

8.2 In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the State Bank of Pakistan, during the year the Bank has further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 98.812 million and profit after taxation for the half year ended 30 June 2011 would have been lower by approximately Rs. 64.228 million. As of 30 June 2011, had the benefit of FSVs not taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 2,079.031 million and accumulated profit would have been lower by Rs. 1,351.370 million. This amount of Rs. 1,351.370 million is not available for the distribution of cash and stock dividend to the shareholders.

8.3 Particulars of specific provision against non-performing advances:

	30 June 2011 (Un-Audited)			31 December 2010 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	7,463,452	58,919	7,522,371	4,204,731	424,745	4,629,476
Charge for the period	1,984,880	11,211	1,996,091	3,826,217	–	3,826,217
Reversals	(355,926)	–	(355,926)	(522,628)	(365,826)	(888,454)
Net charge for the period / year	1,628,954	11,211	1,640,165	3,303,589	(365,826)	2,937,763
Amount written off	(138,116)	–	(138,116)	(44,868)	–	(44,868)
Closing balance	8,954,290	70,130	9,024,420	7,463,452	58,919	7,522,371

8.4 General provision includes provision of Rs. 22.130 million (2010: Rs. 22.117 million) made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 97.347 million (30 June 2010: Rs. 194.738 million) and Rs. 1.040 million (30 June 2010: Rs. 2.945 million) respectively.

10. DEFERRED TAX ASSETS – NET

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances. Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off. With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2,258.141 million.

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
11. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
– under export refinance scheme	21,470,029	25,710,819
– under long term financing – export oriented projects	938,907	1,300,872
– under long term financing facility – locally manufactured plant and machinery	1,829,872	1,418,938
	24,238,808	28,430,629
Repurchase agreement borrowings	19,568,554	32,630,475
	43,807,362	61,061,104
Unsecured		
Call borrowings	2,988,000	100,000
Overdrawn nostro accounts	1,740,514	1,357,698
Overdrawn local bank accounts	9,598	10,927
Other short term borrowing	128,948	–
	4,867,060	1,468,625
	48,674,422	62,529,729
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	85,765,389	69,954,427
Saving deposits	42,759,877	38,873,120
Current accounts (non-remunerative)	45,315,926	37,316,518
Others	2,015,765	1,818,566
	175,856,957	147,962,631
Financial Institutions		
Remunerative deposits	6,032,698	12,111,834
Non-remunerative deposits	363,254	383,510
	6,395,952	12,495,344
	182,252,909	160,457,975



30 June 31 December
2011 2010
(Un-Audited) (Audited)
Rupees in '000

13. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities:

Federal Government Securities

Market Treasury Bills	1,549	(132,006)
Pakistan Investment Bonds	(871,752)	(1,140,910)
GOP Ijarah Sukuk	22,709	73,714

Fully paid-up ordinary shares – Listed 40,770 (762)

Preference shares of a listed company 2,080 –

Term Finance Certificates

Listed	(23,621)	(46,592)
Unlisted	(107)	(4,915)

Sukuk Certificates and Bonds (2,251) (30,806)

Mutual funds

Open end	(26,187)	189,756
Close end	26,508	18,440

(830,302) (1,074,081)

Related deferred tax asset - net 301,399 427,787

(528,903) (646,294)

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Bank guarantees of indebtedness in favour of:

– Banking companies and other financial institutions 226,686 238,522

14.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, advance payment guarantees and shipping guarantees favouring:

i) Government	11,068,557	9,351,603
ii) Banking companies and other financial institutions	31,922	286,415
iii) Others	2,320,181	3,711,022

13,420,660 13,349,040

14.3 Trade-related contingent liabilities

Letters of credit 43,546,698 49,231,412

Acceptances 12,813,296 10,313,588

14.4 Commitments in respect of forward exchange contracts

Purchase 68,132,428 55,991,653

Sale 85,093,001 68,631,860

	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
14.5 Commitments in respect of operating leases		
Not later than one year	50,198	57,991
Later than one year and not later than five years	24,913	30,154
	75,111	88,145
14.6 Commitments for the acquisition of operating fixed assets	82,114	62,154
14.7 Claims against bank not acknowledged as debt	2,401,910	2,229,910
14.8 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.		
14.9 Commitments in respect of syndicate financing	150,000	253,691
14.10 Commitments in respect of investment in sukuk certificates and term finance certificates	—	48,572

14.11 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2008 (corresponding to the accounting year ended 31 December 2007). Certain appeals are pending for the tax years 2009 and 2010 (corresponding to the accounting years ended 31 December 2008 and 31 December 2009). However, adequate provisions are being held by the Bank.

15. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended 30 June 2011	Half year ended 30 June 2011	Quarter ended 30 June 2010	Half year ended 30 June 2010
	(Un-Audited)		(Un-Audited)	
	Rupees in '000			
Profit after taxation	676,101	1,432,855	774,135	1,471,974
	Number in '000			
Weighted average number of ordinary shares	1,047,831	1,047,831	1,047,831	1,047,831
	Rupees			
Basic and diluted earnings per share	0.65	1.37	0.74	1.40

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. TRANSACTIONS WITH RELATED PARTIES

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

Contributions in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

30 June 2011 (Un-Audited)

	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At beginning of the period	93,074	143,544	3,220,383	60,493	1,233,885	4,751,379
Received during the period	6,169,120	31,964,637	252,960,710	139,461	1,618,900	292,852,828
Repaid during the period	(6,110,444)	(31,986,515)	(250,289,881)	(134,105)	(1,491,579)	(290,012,524)
At the end of the period	151,750	121,666	5,891,212	65,849	1,361,206	7,591,683
Advances						
At the beginning of the period	-	-	2,198,466	22,276	-	2,220,742
Disbursed during the period	-	-	22,326,914	7,175	-	22,334,089
Recovered during the period	-	-	(22,925,145)	(2,348)	-	(22,927,493)
At the end of the period	-	-	1,600,235	27,103	-	1,627,338
Bank balances held by the Bank	219,047	-	4,840	-	-	223,887
Receivable against sale of securities	-	9,237	-	-	-	9,237
Overdrawn bank balances held by the Bank	-	-	(1,232,971)	-	-	(1,232,971)
Mark-up/return/interest payable	-	1,015	-	-	-	1,015
Management fee payable for technical and consultancy services*	232,259	-	-	-	-	232,259
Prepayments	-	-	32,093	-	-	32,093
Transaction-related contingent liabilities	-	25,000	1,069,984	-	-	1,094,984
Trade-related contingent liabilities	-	-	1,606,549	-	-	1,606,549
Advance received against prepaid card	-	-	1,534	-	-	1,534
Advance received against insurance premium	-	-	28	-	-	28

* Management fee is as per the agreement with the holding company

	31 December 2010 (Audited)					
	Holding Company	Subsidiary	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the year	19,450	271,886	3,531,415	46,038	850,526	4,719,315
Received during the year	10,155,609	132,920,884	401,599,525	192,382	4,451,142	549,319,542
Repaid during the year	(10,081,985)	(133,049,226)	(401,910,557)	(177,927)	(4,067,783)	(549,287,478)
At the end of the year	93,074	143,544	3,220,383	60,493	1,233,885	4,751,379
Advances						
At the beginning of the year	–	–	1,740,927	15,540	–	1,756,467
Disbursed during the year	–	–	30,558,362	12,331	–	30,570,693
Recovered during the year	–	–	(30,100,823)	(5,595)	–	(30,106,418)
At the end of the year	–	–	2,198,466	22,276	–	2,220,742
Bank balances held by the bank	164,431	–	57,588	–	–	222,019
Overdrawn bank balances held by the bank	(48,942)	–	(763,041)	–	–	(811,983)
Mark-up/return/interest payable	–	1,515	–	–	–	1,515
Management fee payable for technical and consultancy services*	137,100	–	–	–	–	137,100
Prepayments	–	–	14,789	–	–	14,789
Transaction-related contingent liabilities	–	25,000	1,023,991	–	–	1,048,991
Trade-related contingent liabilities	–	–	2,002,067	–	–	2,002,067
Advance received against prepaid card	–	–	1,609	–	–	1,609
Advance received against insurance premium	–	–	54	–	–	54

* Management fee is as per the agreement with the holding company

Transactions during the period	For the period ended 30 June 2011 (Un-Audited)						Total
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plans	
	Rupees in '000						
Mark-up/return/interest earned	-	-	59,111	703	-	-	59,814
Mark-up/return/interest expensed	-	6,085	279,399	4,263	-	122,080	411,827
Commission/brokerage/bank charges recovered	-	233	5,160	-	-	-	5,393
Rent income	-	600	491	-	-	-	1,091
Salaries and allowances	-	-	-	56,931	-	-	56,931
Directors' fees	-	-	-	-	2,550	-	2,550
Contribution to defined benefit plan	-	-	-	-	-	36,000	36,000
Contribution to defined contribution plan	-	-	-	-	-	43,327	43,327
Bank charges paid	1,131	93	7,738	-	-	-	8,962
Rent expenses	-	-	8,389	-	-	-	8,389
Insurance premium expensed	-	-	16,132	-	-	-	16,132
Maintenance, Electricity, Stationary & Entertainment	-	-	15,998	-	-	-	15,998
Management fee expense for technical and consultancy services*	95,159	-	-	-	-	-	95,159
Donation	-	-	960	-	-	-	960
Share registration charges	-	-	699	-	-	-	699

* Management fee is as per the agreement with the holding company

Transactions during the period	For the period ended 30 June 2010 (Un-Audited)						Total
	Holding Company	Subsidiary	Associates	Key Management Personnel	Directors' Fee	Retirement Benefit Plan	
	Rupees in '000						
Mark-up/return/interest earned	—	—	57,422	693	—	—	58,115
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	—	600	447	—	—	—	1,047
Salaries and allowances	—	—	—	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 paid	2,011	109	4,516	—	—	—	6,636
Rent expenses	—	—	8,113	—	—	—	8,113
Insurance premium expensed	—	—	15,086	—	—	—	15,086
Maintenance, Electricity, Stationary & Entertainment	—	—	11,197	—	—	—	11,197
Management fee expense for technical and consultancy services*	50,608	—	—	—	—	—	50,608
Donation	—	—	960	—	—	—	960
Share registration charges	—	—	745	—	—	—	745

* Management fee is as per the agreement with the holding company

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

	30 June 2011 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000 -			
Revenues*	7,047,278	4,238,740	7,159,302	18,445,320
Expenses*	(5,954,968)	(4,090,335)	(6,432,055)	(16,477,358)
Net Income	1,092,310	148,405	727,247	1,967,962
Segment assets (gross)	131,421,974	1,201,119	131,684,187	264,307,280
Segment liabilities	24,435,614	101,669,105	116,344,182	242,448,901

	30 June 2010 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	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	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

* Includes inter-segment revenues and expenses

18. KEY ISLAMIC BANKING OPERATIONS

18.1 The Bank is operating 4 (2010: 4) Islamic banking branches in Pakistan. The balance sheet of these branches as at 30 June 2011 is as follows:

BALANCE SHEET	30 June 2011 (Un-Audited)	31 December 2010 (Audited)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	735,973	713,721
Balances with and due from financial institutions	—	—
Investments	8,412,989	8,949,438
Financing and receivables		
- Murabaha	4,862,009	2,955,742
- Ijara	1,222,740	1,340,624
- Diminishing Musharaka	614,274	495,831
- Export Refinance Murabaha	439,772	443,775
- Foreign Documentary Bills Purchased	8,023	229,866
	7,146,818	5,465,838
Other assets	504,003	936,743
	16,799,783	16,065,740
LIABILITIES		
Bills payable	130,274	91,025
Deposits and other accounts		
- Current deposits	1,096,783	1,089,391
- Saving deposits	3,211,464	3,132,614
- Term deposits	6,226,992	5,120,843
- Deposits from financial institutions - remunerative	3,476,183	3,922,899
- Deposits from financial institutions - non-remunerative	1,315	2,946
	14,012,737	13,268,693
Borrowings	439,772	468,775
Due to head office	136,786	198,331
Other liabilities	858,146	898,358
	15,577,715	14,925,182
NET ASSETS	1,222,068	1,140,558
REPRESENTED BY		
Islamic banking fund	1,002,149	802,141
Unappropriated profit	220,793	313,875
	1,222,942	1,116,016
(Deficit) / surplus on revaluation of assets	(874)	24,542
	1,222,068	1,140,558



19. GENERAL

The figures have been rounded off to nearest thousand rupees.

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 19 August 2011.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

BASHIR ALI MOHAMMAD
Director

MOHAMEDALI R. HABIB
Director

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited as at 30 June 2011 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the six-months then ended (herein after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of the unconsolidated condensed 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 unconsolidated condensed 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 unconsolidated condensed 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 unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended 30 June 2011.

Karachi: August 19, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
Aamir Pirani