



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 nine months ended 30 September 2009.

During the period under review, our country's trade imbalance reflects improvement mainly on account of reduced costs and lower demand of imports. The country's improved foreign exchange reserves have been supported by the International Monetary Fund program and strong home remittance inflows. This has helped improve liquidity in the economy and translated into stability in the foreign exchange market. The country's Stock Exchanges also demonstrated robust returns and investor confidence reflects a positive sentiment. Also, during the period, upward revisions in Pakistan's economic outlook by international rating agencies improved to "stable" from previously "negative" levels, also reflect in positive portfolio inflows.

The SBP remained very active and has conducted regular open market operations to maintain liquidity and the overall interest rates reflect a stable trend. The discount rate was reduced by 100bps from 14% to 13% in August 2009 which also translates in lower interbank rates. Pakistan's core inflation also declined, and therefore, the SBP did not adjust the discount rate further in its last Monetary Policy decision of September 2009. Due to the recent environment, the frequency of monetary policy decisions has been increased from four to six in a year and an Independent Monetary Policy Committee was constituted for active monitoring.

Improvement in the external current account, gradually emerging economic recovery, stable foreign exchange reserves and reduced interest rates hold positive prospects for Pakistan's economy. However, power shortages, a stressed fiscal position and the on-going war on terrorism with the army onslaught in Waziristan Region presents major challenges for the economy.

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. 234 billion as against 182 billion at the preceding year end. The Bank's deposits stand at Rs. 135 billion while advances closed at Rs.99 billion. Our advances portfolio does not reflect growth during this period due to lower credit demand from the private sector and the bank's strategy to keep risk exposures at an acceptable levels.

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.

Alhamdulillah, your Bank's post-tax profits amount to Rs. 2,703 million for the period



reflecting earnings per share of Rs.3.59, reflecting 11% growth from the same period last year. The Bank enjoys healthy fee based income and has managed to keep administration expenses under control despite network expansion. As of September 30, 2009, HMB enjoys a comfortable +11% capital adequacy calculated on Basle II methodology.

The bank is following a strategy to attain enhanced efficiency in operations and to create capacity for further growth through the ongoing projects to centralize various operations.

Since January 2009, some of branches were relocated to areas carrying higher growth prospects. With a branch network of 111 branches in 17 cities, HMB is providing a full range of banking services including on-line instant fund transfer facilities, tele-info, web-info and mobile banking (GSM) alert services to our valued customers. Further, our call centre "0800-HABIB (42242)" provides informative services on 24/7 basis. HMB Islamic Banking business continues to grow at a healthy pace and our 4 full service Islamic Banking branches with 21 Islamic banking counters at our branches in 6 cities are catering the customers seeking Sha'ria compliant products. Your Bank plans to open more branches including Islamic Banking counters during the year.

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

On behalf of the Board

Karachi: 20 October 2009

Anjum Iqbal
Chief Executive

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

	Note	30 September 2009 (Un-audited)	31 December 2008 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		11,499,493	11,401,384
Balances with other banks	5	3,826,589	2,974,237
Lendings to financial institutions	6	4,750,000	98,176
Investments	7	108,256,220	53,631,532
Advances	8	99,141,611	108,261,259
Operating fixed assets	9	2,422,125	1,528,913
Deferred tax assets	10	818,332	1,144,451
Other assets		3,602,047	3,317,451
		234,316,417	182,357,403
LIABILITIES			
Bills payable		3,302,343	2,372,146
Borrowings from financial institutions	11	72,617,836	30,435,543
Deposits and other accounts	12	134,508,157	128,369,670
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		—	—
Other liabilities		5,025,889	6,087,256
		215,454,225	167,264,615
NET ASSETS		18,862,192	15,092,788
REPRESENTED BY			
Share capital		7,527,525	6,022,020
Reserves		7,580,936	7,039,936
Unappropriated profit		3,832,191	3,175,830
		18,940,652	16,237,786
Deficit on revaluation of assets - net of tax	13	(78,460)	(1,144,998)
		18,862,192	15,092,788
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The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
PROFIT & LOSS ACCOUNT (UN-AUDITED)**
FOR THE NINE MONTHS AND QUARTER ENDED 30 SEPTEMBER 2009



Note	30 September 2009		30 September 2008	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Mark-up / return / interest earned	5,480,499	15,524,619	4,523,334	12,137,068
Mark-up / return / interest expensed	(3,870,395)	(10,650,356)	(3,139,228)	(8,662,042)
Net mark-up / interest income	1,610,104	4,874,263	1,384,106	3,475,026
Provision against non-performing loans and advances	254,084	1,115,433	192,773	386,567
Provision for diminution in the value of investments	—	32,777	—	—
Bad debts written-off directly	—	—	1,671	1,735
	(254,084)	(1,148,210)	(194,444)	(388,302)
Net mark-up / interest income after provisions	1,356,020	3,726,053	1,189,662	3,086,724
Non mark-up / Interest income				
Fee, commission and brokerage income	301,396	916,621	294,600	889,536
Dividend income	142,127	313,618	149,575	525,370
Income from dealing in foreign currencies	337,219	1,263,428	591,371	1,402,596
Gain on sale / redemption of securities	101,155	144,659	(131,554)	(31,734)
Unrealized gain / (loss) on revaluation of investment classified as 'held for trading'	—	—	—	—
Other income	44,776	196,179	49,932	154,788
Total non mark-up / interest income	926,673	2,834,505	953,924	2,940,556
	2,282,693	6,560,558	2,143,586	6,027,280
Non mark-up / Interest expenses				
Administrative expenses	906,197	2,581,459	821,399	2,324,530
Other provisions / write offs	—	—	—	—
Other charges	28,000	84,273	32,330	95,105
Total non mark-up/interest expenses	(934,197)	(2,665,732)	(853,729)	(2,419,635)
	1,348,496	3,894,826	1,289,857	3,607,645
Extra ordinary / unusual items	—	—	—	—
Profit before taxation	1,348,496	3,894,826	1,289,857	3,607,645
Taxation – Current	408,000	1,347,000	520,000	1,483,000
– Prior years	—	—	17,000	29,186
– Deferred	(16,043)	(155,040)	(114,054)	(336,457)
	(391,957)	(1,191,960)	(422,946)	(1,175,729)
Profit after taxation	956,539	2,702,866	866,911	2,431,916
	Rupees			
Basic earnings per share	15 1.27	3.59	1.15	3.23
Diluted earnings per share	15 1.27	3.59	1.15	3.23

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE NINE MONTHS AND QUARTER ENDED 30 SEPTEMBER 2009

	30 September 2009		30 September 2008	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation for the period	956,539	2,702,866	866,911	2,431,916
Components of comprehensive income not transferred to equity				
(Deficit) / surplus on revaluation of investment – available for sale	(210,736)	1,547,697	(165,901)	(1,332,849)
Deferred tax on revaluation of investment – available for sale	133,707	(481,159)	58,065	466,497
	(77,029)	1,066,538	(107,836)	(866,352)
	879,510	3,769,404	759,075	1,565,564

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ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009



	30 September 2009	30 September 2008
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,894,826	3,607,645
Less: Dividend income	(313,618)	(525,370)
	3,581,208	3,082,275
Adjustments for non-cash charges		
Depreciation	162,881	104,233
Provision against non-performing loans and advances	1,115,433	386,567
Provision for diminution in the value of investments	32,777	—
(Gain) on sale of fixed assets	(2,602)	(2,267)
	1,308,489	488,533
	4,889,697	3,570,808
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,651,824)	(2,941,354)
Advances	8,004,215	(15,650,367)
Other assets	(284,596)	(1,295,249)
	3,067,795	(19,886,970)
Increase / (decrease) in operating liabilities		
Bills payable	930,197	(230,296)
Borrowings from financial institutions	41,221,934	2,963,210
Deposits	6,138,487	7,247,231
Other liabilities (excluding taxation and dividend)	(834,631)	1,704,505
	47,455,987	11,684,650
Income tax paid	55,413,479	(4,631,512)
	(1,573,699)	(1,202,785)
Net cash inflow from operating activities	53,839,780	(5,834,297)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(53,459,768)	7,164,414
Net proceeds from held-to-maturity securities	350,000	3,700,000
Dividend received	313,618	525,370
Investments in operating fixed assets	(1,057,028)	(43,377)
Sale proceeds of operating fixed assets	3,537	3,814
Net cash (used in) / inflow from investing activities	(53,849,641)	11,350,221
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(37)	(501,112)
(Decrease) / increase in cash and cash equivalents	(9,898)	5,014,812
Cash and cash equivalent at beginning of the period	13,108,496	13,309,131
Cash and cash equivalent at the end of the period	13,098,598	18,323,943

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Share Capital	Reserves					Unappropriated Profit	Total
		Shares premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares		
Balance as at 1 January 2008	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 nine months period ended 30 September 2008	–	–	–	–	–	–	2,431,916	2,431,916
Transfer to statutory reserve	–	–	486,000	–	–	–	(486,000)	–
Balance as at 30 September 2008	6,022,020	2,550,985	2,578,590	240,361	1,500,000	–	2,500,369	15,392,325
Profit for the three months period ended 31 December 2008	–	–	–	–	–	–	845,461	846,461
Transfer to statutory reserve	–	–	170,000	–	–	–	(170,000)	–
Balance as at 31 December 2008	6,022,020	2,550,985	2,748,590	240,361	1,500,000	–	3,175,830	16,237,786
Transfer to reserver for issuance of bonus shares in the ration of 25 shares for every 100 shares held	–	–	–	–	–	1,505,505	(1,505,505)	–
Issue of bonus shares	1,505,505	–	–	–	–	(1,505,505)	–	–
Profit for the nine months period ended 30 September 2009	–	–	–	–	–	–	2,702,866	2,702,866
Transfer to statutory reserve	–	–	541,000	–	–	–	(541,000)	–
Balance as at 30 September 2009	7,527,525	2,550,985	3,289,590	240,361	1,500,000	–	3,832,191	18,940,652

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director

**NOTES TO THE UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 111 (31 December 2008: 110) branches and 1 sub-branch 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 condensed interim 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.

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 September 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 September 2009	(Audited) 31 December 2008
	Rupees in '000	
In Pakistan		
– Current accounts	418,248	232,907
– Deposit accounts	4,020	8,497
	422,268	241,404
Outside Pakistan		
– Current accounts	3,404,321	1,204,020
– Deposit accounts	–	1,528,813
	3,404,321	2,732,833
	3,826,589	2,974,237

6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-Audited) 30 September 2009	(Audited) 31 December 2008
	Rupees in '000	
Call money lendings	4,050,000	—
Repurchase agreement lendings (Reserve Repo)	700,000	98,176
	4,750,000	98,176

7. INVESTMENTS

	(Un-Audited) 30 September 2009			(Audited) 31 December 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available-for-sale securities						
Market Treasury Bills	25,548,467	43,171,987	68,720,454	25,869,803	6,480,493	32,350,296
Pakistan Investment Bonds	12,819,594	3,696,488	16,516,082	10,924,261	—	10,924,261
Ordinary shares of listed companies	205,029	—	205,029	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
Listed Term Finance Certificates	5,145,818	—	5,145,818	1,462,796	—	1,462,796
Unlisted Term Finance Certificates	1,846,567	—	1,846,567	1,550,809	—	1,550,809
Sukuk Bonds	6,848,745	—	6,848,745	1,900,000	—	1,900,000
Open ended mutual funds	8,877,962	—	8,877,962	6,380,460	—	6,380,460
Closed ended mutual funds	129,055	—	129,055	177,348	—	177,348
	61,584,338	46,868,475	108,452,813	48,512,552	6,480,493	54,993,045
Held-to-maturity securities						
Certificate of Investments	—	—	—	350,000	—	350,000
Subsidiaries						
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
	61,884,417	46,868,475	108,752,892	49,162,631	6,480,493	55,643,124
Investments at cost						
Less: Provision for diminution in value of investments	(237,001)	—	(237,001)	(250,057)	—	(250,057)
	61,647,416	46,868,475	108,515,891	48,912,574	6,480,493	55,393,067
Investments – net of provisions						
(Deficit) on revaluation of available-for-sale investments-net	(336,271)	76,600	(259,671)	(1,745,634)	(15,901)	(1,761,535)
	61,311,145	46,945,075	108,256,220	47,166,940	6,464,592	53,631,532

8. ADVANCES			
	Note	(Un-Audited) 30 September 2009	(Audited) 31 December 2008
		Rupees in '000	
Loans, cash credits, running finances, etc. In Pakistan		79,555,887	85,304,478
Net investment in finance lease / Ijara financing In Pakistan		1,708,445	2,560,428
Net assets / investment in Ijarah under IFAS 2		171,379	—
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		4,885,680	5,382,542
Payable outside Pakistan		16,061,981	17,143,916
		20,947,661	22,526,458
Advances - gross	8.1	102,383,372	110,391,364
Provision against non-performing advances			
Specific		(1,993,561)	(1,083,785)
General	8.2	(1,248,200)	(1,046,320)
		(3,241,761)	(2,130,105)
Advances - net of provisions		99,141,611	108,261,259
8.1 Advances include Rs. 3,192.140 million (2008: Rs 1,747.599 million) which have been placed under non-performing status as detailed below:			
30 September 2009 (Un-audited)			
Category of Classification	Domestic advances	Provision required	Provision held*
	Rupees in '000		
Substandard	517,574	129,395	129,395
Doubtful	1,549,452	819,604	819,604
Loss	1,125,114	1,044,562	1,044,562
	3,192,140	1,993,561	1,993,561
31 December 2009 (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. 433.479 million (30 September 2008: 37.511 million) and Rs. 0.935 million (30 September 2008: 1.547 million) respectively.

10. DEFERRED TAX ASSETS

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 nine months) and have recognized deferred tax asset on such provision amounting to Rs. 121.645 million.

11. BORROWINGS

Secured

Borrowings from State Bank of Pakistan under
 – Export refinance scheme
 – Long term finance under export oriented projects

Repurchase agreement borrowings

Unsecured

Call borrowings
 Overdrawn nostro accounts
 Overdrawn local bank accounts

(Un-Audited) (Audited)
30 September 31 December
2009 2008
 Rupees in '000

20,794,534	20,550,658
2,377,676	2,237,881
23,172,210	22,788,539
46,868,475	6,379,879
70,040,685	29,168,418
349,667	–
2,227,484	1,203,093
–	64,032
72,617,836	30,435,543

	Note	(Un-Audited) 30 September 2009	(Audited) 31 December 2008
Rupees in '000			
12. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		56,370,103	62,433,207
Saving deposits		39,329,955	29,654,843
Current accounts - non-remunerative		33,888,021	31,190,498
Margin and other accounts		1,212,179	1,804,305
		130,800,258	125,082,853
Financial Institutions			
Remunerative deposits		3,514,589	3,197,655
Non-remunerative deposits		193,310	89,162
		3,707,899	3,286,817
		134,508,157	128,369,670
13. (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Available-for-sale securities:			
Market Treasury Bills		(65,017)	(77,273)
Pakistan Investment Bonds		(214,358)	(1,316,755)
Term Finance Certificates/bonds		(176,601)	30,530
Listed Shares		63,739	—
Mutual Funds		178,399	(398,037)
		(213,838)	(1,761,535)
Related deferred tax asset	13.1	135,378	616,537
		(78,460)	(1,144,998)
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			
14.1 Direct credit substitutes			
Standby letters of credit serving as financial guarantees for loans and securities		106,518	1,900
14.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of guarantees favouring:			
Government		8,083,317	7,967,160
Banking companies and other financial institutions		265,984	95,529
Others		4,575,976	2,034,386
		12,925,277	10,097,075
14.3 Trade-related contingent liabilities			
Letter of credits		25,868,971	23,253,326
Acceptances		10,029,570	8,105,504
14.4 Commitments in respect of forward exchange contracts			
Purchase		22,219,166	13,207,319
Sale		30,923,685	25,402,670



	(Un-Audited) 30 September 2009	(Audited) 31 December 2008
	Rupees in '000	
14.5 Commitments in respect of operating leases		
Not later than one year	88,438	130,293
Later than one year and not later than five years	71,761	123,255
	<u>160,199</u>	<u>253,548</u>
14.6 Commitments for the acquisition of operating fixed assets	<u>39,130</u>	<u>33,250</u>
14.7 Claims against bank not acknowledged as debt	<u>579,561</u>	<u>458,141</u>

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 September 2009		30 September 2008	
	Quarter ended	Nine months ended	Quarter ended	Nine months ended
	Rupees in '000			
Profit after taxation	<u>956,539</u>	<u>2,702,866</u>	<u>866,911</u>	<u>2,431,916</u>
	Number in '000			
Weighted average number of ordinary shares	<u>752,753</u>	<u>752,753</u>	<u>752,753</u>	<u>752,753</u>
	Rupees			
Basic and diluted earnings per share	<u>1.27</u>	<u>3.59</u>	<u>1.15</u>	<u>3.23</u>

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 September 2009 (Un-Audited)

	Holding Company	Subsidiaries	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the period	-	241,752	1,197,119	7,536	631,304	2,077,711
Received during the period	-	119,529,712	217,994,955	93,036	1,520,287	339,137,990
Repaid during the period	-	(119,502,872)	(214,506,679)	(75,697)	(1,488,263)	(335,573,511)
At the end of the period	-	268,592	4,685,395	24,875	663,328	5,642,190
Advances						
At the beginning of the period	-	-	1,548,253	11,409	-	1,559,662
Given during the period	-	-	15,639,463	7,202	-	15,646,665
Recovered during the period	-	-	(15,632,446)	(2,328)	-	(15,634,774)
At the end of the period	-	-	1,555,270	16,283	-	1,571,553
Bank balances	(91,947)	-	-	-	-	(91,947)
Management fee payable for technical and consultancy services	170,000	-	-	-	-	170,000
Prepaid insurance	-	-	1,257	-	-	1,257
Trade related contingent liabilities	-	-	1,246,851	-	-	1,246,851

31 December 2008 (Audited)

	Holding Company	Subsidiaries	Associates	Key Management Personnel	Retirement Benefit Plans	Total
	Rupees in '000					
Deposits						
At the beginning of the year	-	-	3,165,383	15,384	480,409	3,661,176
Received during the year	-	64,957,652	251,294,001	138,682	1,020,256	317,410,591
Repaid during the year	-	(64,715,900)	(253,262,265)	(146,530)	(869,361)	(318,994,056)
At the end of the year	-	241,752	1,197,119	7,536	631,304	2,077,711
Advances						
At the beginning of the year	-	-	753,624	16,828	-	770,452
Given during the year	-	-	17,350,601	985	-	17,351,586
Recovered during the year	-	-	(16,555,972)	(6,404)	-	(16,562,376)
At the end of the year	-	-	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

Transactions for the period	For the period ended 30 September 2009 (Un-Audited)						Total
	Holding Company	Subsidiaries	Associates	Key Management personnel	Directors' fees	Retirement benefit plan	
	Rupees in '000						
Mark-up/return/interest earned	3,840	-	94,447	761	-	-	99,048
Management fee for technical and consultancy services	95,880	-	-	-	-	-	95,880
Mark-up/return/interest expensed	-	-	258,214	480	-	78,063	336,757
Commission/bank charges recovered	-	-	8,202	-	-	-	8,202
Rent income	-	-	634	-	-	-	634
Remuneration	-	-	-	77,760	-	-	77,760
Directors' fees	-	-	-	-	4,120	-	4,120
Contribution to defined benefit plan	-	-	-	-	-	27,000	27,000
Contribution to defined contribution plan	-	-	-	-	-	46,236	46,236
Insurance premium expense	-	-	1,102	-	-	-	1,102

Transactions for the period	For the period ended 30 September 2008 (Un-Audited)						Total
	Holding Company	Subsidiaries	Associates	Key Management personnel	Directors' fees	Retirement benefit plan	
	Rupees in '000						
Mark-up/return/interest earned	54,146	-	84,694	576	-	-	139,416
Management fee for technical and consultancy services	99,393	-	-	-	-	-	99,393
Mark-up/return/interest expensed	-	-	221,562	230	-	14,655	236,447
Commission/bank charges recovered	-	-	5,600	-	-	-	5,600
Rent income	-	-	550	-	-	-	550
Remuneration	-	-	-	43,243	-	-	43,243
Directors' fees	-	-	-	-	160	-	160
Contribution to defined benefit plan	-	-	-	-	-	34,000	34,000
Contribution to defined contribution plan	-	-	-	-	-	36,916	36,916
Transfer to KSE membership at book value	-	34,750	-	-	-	-	34,750
Investment made during the period	-	299,999	-	-	-	-	299,999
Insurance premium expense	-	-	1,036	-	-	-	1,036

17. ISLAMIC BANKING BUSINESS

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

	(Un-audited) 30 September 2009	(Audited) 31 December 2008
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	432,755	986,565
Balances with and due from financial institutions	478	478
Investments	6,732,274	1,429,020
Financing and receivables		
- Murabaha	1,630,312	2,449,851
- Ijara	1,331,372	1,804,204
- Diminishing musharaka	411,190	1,184,840
Due from head office	84,935	198,271
Operating fixed assets	20,634	24,093
Other assets	300,379	168,372
	10,944,329	8,245,694
LIABILITIES		
Bills payable	71,966	33,231
Deposits and other accounts		
- Current accounts	732,155	434,020
- Saving accounts	3,717,731	847,305
- Term deposits	3,698,825	2,527,470
- Deposits from financial institutions - remunerative	1,264,250	2,781,327
- Deposits from financial institutions - non-remunerative	1,621	17,423
Other liabilities	673,155	796,701
	10,159,703	7,437,477
NET ASSETS	784,626	808,217
REPRESENTED BY		
Islamic banking fund	602,079	601,977
Unappropriated profit	176,817	217,220
	778,896	819,197
Surplus / (Deficit) on revaluation of assets	5,730	(10,980)
	784,626	808,217

18. GENERAL

The figures have been rounded off to nearest thousand rupees.

19. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on 20 October 2009.

ANJUM IQBAL
Chief Executive

KASSIM PAREKH
Chairman

FIRASAT ALI
Director

MOHAMEDALI R. HABIB
Director