



(Formerly Metropolitan Bank Limited)

Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

**CONSOLIDATED ACCOUNTS
FOR THE QUARTER ENDED MARCH 31, 2007
(UN-AUDITED)**



**INTERIM CONDENSED CONSOLIDATED
BALANCE SHEET
AS AT MARCH 31, 2007**

	Note	March 31, 2007 (Un-audited)	December 31, 2006 (Audited)
ASSETS			
Cash and balances with treasury banks		11,324,665	11,348,162
Balances with other banks		7,624,005	6,296,564
Lendings to financial institutions		10,802,452	5,447,110
Investments	6	44,456,741	39,555,490
Advances	7	83,306,574	83,324,059
Operating fixed assets	8	633,530	649,122
Deferred tax assets		—	—
Other assets		2,292,040	2,049,556
		160,440,007	148,670,063
LIABILITIES			
Bills payable		2,456,635	1,619,796
Borrowings from financial institutions		28,452,328	29,518,458
Deposits and other accounts	9	113,134,718	102,492,633
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		191,373	176,803
Other liabilities		4,601,190	3,992,947
		148,836,244	137,800,637
NET ASSETS		11,603,763	10,869,426
REPRESENTED BY			
Share capital	10	3,005,000	3,005,000
Reserves		5,824,936	5,824,936
Unappropriated profit		2,496,496	1,836,616
		11,326,432	10,666,552
Surplus on revaluation of assets		277,331	202,874
		11,603,763	10,869,426
CONTINGENCIES AND COMMITMENTS	11		

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

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

ANWAR H. JAPANWALA
Director

BASHIR ALI MOHAMMAD
Director

**INTERIM CONDENSED CONSOLIDATED
PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007**

	For the quarter ended March 31,	
	2007	2006
	Rupees in '000	
Mark-up / return / interest earned	2,867,164	1,479,687
Mark-up / return / interest expensed	(1,846,124)	(931,527)
Net mark-up / interest income	1,021,040	548,160
(Reversal)/Provision against non performing loans and advances	7,185	59,359
Provision for diminution in the value of investments	—	—
Bad debts written off directly	—	—
	(7,185)	(59,359)
Net mark-up / interest income after provisions	1,013,855	488,801
Non Mark-up/Interest Income		
Fee, commission and brokerage income	231,467	119,349
Dividend income	703	8,865
Income from dealing in foreign currencies	257,307	126,427
Gain/(Loss) from sale on securities	100,313	44,556
Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'	—	—
Other income	35,672	17,105
Total non mark-up / interest income	625,462	316,302
	1,639,317	805,103
Non Mark-up/Interest Expenses		
Administrative expenses	594,244	268,502
Other provisions/write offs	—	—
Other charges	3	42
Total non mark-up/interest expenses	(594,247)	(268,544)
Extra ordinary / unusual items	—	—
Profit before taxation	1,045,070	536,559
Taxation - Current	407,000	186,000
- Prior years	—	—
- Deferred	(21,810)	(2,354)
	(385,190)	(183,646)
Profit after taxation	659,880	352,913
Unappropriated profit brought forward	1,836,616	98,569
Profit available for appropriation	2,496,496	451,482
		<i>Rupees</i>
Basic earnings per share	2.20	1.70
Diluted earnings per share	2.20	1.70

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**INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007**

	2007	2006
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,045,070	536,559
Less: Dividend income	(703)	(8,865)
	1,044,367	527,694
Adjustment for non-cash charges		
Depreciation	16,809	10,733
Provision against non-performing advances - net	7,185	59,359
(Gain) on sale of fixed assets	(1,305)	(309)
	22,689	69,783
	1,067,056	597,477
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,355,342)	(1,902,093)
Advances	10,300	(3,608,734)
Other assets (excluding advance taxation)	(242,484)	(170,424)
	(5,587,526)	(5,681,251)
Increase / (decrease) in operating liabilities		
Bills payable	836,839	362,815
Borrowings from financial institutions	(1,899,261)	5,274,629
Deposits	10,642,085	1,440,824
Other liabilities (excluding taxation and dividend)	386,772	188,810
	9,966,435	7,267,078
	5,445,965	2,183,304
Income tax paid	(185,529)	(106,253)
Net cash flow from operating activities	5,260,436	2,077,051
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(4,000,414)	(3,196,586)
Net proceeds from /(investments in) held-to-maturity securities	(790,000)	(20,873)
Dividend income	703	8,865
Investments in operating fixed assets	(2,474)	(328)
Sale proceeds of property and equipment disposed-off	2,562	333
Net cash used in investing activities	(4,789,623)	(3,208,589)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts / (payments) of Sub-ordinated loan	-	-
Dividend paid	-	-
Net cash used in financing activities	-	-
Increase/(decrease) in cash and cash equivalents	470,813	(1,131,538)
Cash and cash equivalent at beginning of the period	17,306,630	5,926,929
Cash and cash equivalent at end of the period	17,777,443	4,795,391

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**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007**

	Share Capital	Reserves					Unappropriated Profit	Total
		Shares premium	Statutory reserve	Special reserve	Revenue reserve	Reserve for Issue of Bonus Shares		
Rupees in '000								
Balance as at January 1, 2006	1,560,000	-	1,114,590	240,361	1,500,000	520,000	158,413	5,093,364
Effect of change in accounting policy	-	-	-	-	(600,000)	(520,000)	1,120,000	-
Balance as at January 1, 2006 as restated	1,560,000	-	1,114,590	240,361	900,000	-	1,278,413	5,093,364
Issue of bonus shares in the ratio of 1 share for every 3 shares held	520,000	-	-	-	-	-	(520,000)	-
Transfer from Profit and Loss Account	-	-	-	-	600,000	-	(600,000)	-
Issue of shares capital upon Amalgamation	925,000	2,550,985	-	-	-	-	-	3,475,985
Profit after tax for the period	-	-	-	-	-	-	2,097,203	2,097,203
Transfer to statutory reserve	-	-	419,000	-	-	-	(419,000)	-
Balance as at December 31, 2006	<u>3,005,000</u>	<u>2,550,985</u>	<u>1,533,590</u>	<u>240,361</u>	<u>1,500,000</u>	<u>-</u>	<u>1,836,616</u>	<u>10,666,552</u>
Balance as at January 1, 2007	3,005,000	2,550,985	1,533,590	240,361	1,500,000	-	1,836,616	10,666,552
Profit after tax for the period	-	-	-	-	-	-	659,880	659,880
Balance as at March 31, 2007	<u>3,005,000</u>	<u>2,550,985</u>	<u>1,533,590</u>	<u>240,361</u>	<u>1,500,000</u>	<u>-</u>	<u>2,496,496</u>	<u>11,326,432</u>

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INTERIM CONDENSED CONSOLIDATED NOTES TO THE ACCOUNTS (UNAUDITED) FOR THE QUARTER ENDED MARCH 31, 2007

1 STATUS AND NATURE OF BUSINESS

1.1 The Group companies of:

Holding company

Habib Metropolitan Bank Ltd.

Subsidiary company

Habib Metropolitan Trade Services Limited - Wholly owned subsidiary incorporated in Hong Kong.

Here-in-after referred to as "the Group" is engaged in providing Commercial Banking and Trade advising services.

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and commenced its banking operations from October 21, 1992. 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 Raod, Karachi.

The Bank is a fully accredited scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. It operates 82 branches (December 31, 2006: 82 branches) including four Islamic Banking Branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich which is incorporated in Switzerland.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the holding company and its subsidiary company. The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary company. Intra-group balances or transactions have been eliminated.

3. STATEMENT OF COMPLIANCE

- 3.1 These interim condensed financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of these standards, the requirements of the said directives take precedence.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments; Recognition and Measurement (IAS 39), and International Accounting Standard 40, Investment Property (IAS 40) vide its BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan.
- 3.3 The disclosures made in these interim condensed consolidated financial statements have, however been limited, based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated 12 May 2004 and the International Accounting Standard 34, "Interim Financial Reporting". They do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2006.

4. BASIS OF PRESENTATION

The basis of presentation, accounting policies and methods of computation adopted in preparation of the quarterly accounts are same as those applied in the preparation of the most recent annual financial statements of the Group.

5. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCHES

	March 31, 2007	December 31, 2006
	Rupees in '000	
Islamic Banking Fund	401,523	401,523
Deposits	4,458,906	3,817,299
Ijarah Financing	1,434,410	1,392,648
Murabaha Financing	1,167,473	1,308,287
Diminishing Musharaka	233,044	112,061
Investments	125,000	140,228
Profit after taxation	23,100	33,313
Contingent Liabilities	825,162	613,274

6. INVESTMENTS

	March 31, 2007			December 31, 2006		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Investments by types						
Available-for-sale securities						
Market Treasury Bills	21,306,134	3,099,803	24,405,937	13,757,882	6,322,593	20,080,475
Pakistan Investment Bonds	4,585,464	2,954,340	7,539,804	5,296,716	4,282,172	9,578,888
Term Finance Certificates	1,781,123	-	1,781,123	1,874,139	-	1,874,139
WAPDA Bonds/Sukuk Bonds	525,000	-	525,000	525,000	-	525,000
Ordinary shares of listed companies	175,339	-	175,339	104,448	-	104,448
Ordinary shares of unlisted companies	75,000	-	75,000	75,000	-	75,000
Preference shares	65,000	-	65,000	65,000	-	65,000
Mutual Funds	5,222,566	-	5,222,566	3,486,405	-	3,486,405
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	-	1,740	1,740	-	1,740
	33,737,366	6,054,143	39,791,509	25,186,330	10,604,765	35,791,09
Held-to-maturity securities						
Certificate of Investments	4,240,000	-	4,240,000	3,450,000	-	3,450,000
Associate						
Ordinary shares of Pakistan Export Finance Guarantee Agency Limited	11,361	-	11,361	11,361	-	11,361
Investments at cost	37,988,727	6,054,143	44,042,870	28,647,691	10,604,765	39,252,456
Less: Provision for diminution in value of investments	-	-	-	-	-	-
	37,988,727	6,054,143	44,042,870	28,647,691	10,604,765	39,252,456
Surplus on revaluation of available-for-sale investments	68,014	345,857	413,871	120,679	182,355	303,034
	38,056,741	6,400,000	44,456,741	28,768,370	10,787,120	39,555,490

	March 31, 2007	December 31, 2006
	Rupees in '000	
7. ADVANCES		
Loans, Cash Credits, running finances, etc. in Pakistan	65,022,359	66,804,583
Net investment in finance lease/ljarah financing in Pakistan	2,092,756	1,950,224
Bills discounted and purchased (excluding treasury bill) Payable in Pakistan	4,021,219	4,007,200
Payable outside Pakistan	12,995,460	11,380,087
	17,016,679	15,387,287
	84,131,794	84,142,094
	(825,220)	(818,035)
Provision for non-performing advances	83,306,574	83,324,059

7.1. Advances include Rs. 451,093 thousand (December 31, 2006: Rs. 443,248 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
Standard	89,801	-	89,801	4,918	4,918
Doubtful	53,360	-	53,360	20,503	20,503
Loss	307,932	-	307,932	286,636	286,636
	451,093	-	451,093	312,057	312,057

Movement in Provision

	March 31, 2007			December 31, 2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	304,575	513,460	818,035	78,328	442,111	520,439
Transferred upon amalgamation	-	-	-	188,659	4,329	192,988
Charge for the period	10,565	-	10,565	55,550	67,020	122,580
Reversals	(3,083)	(297)	(3,380)	(14,488)	-	(14,488)
Net charge for the period	7,482	(297)	7,185	41,072	67,020	108,092
Amount written off	-	-	-	(3,484)	-	(3,484)
Closing balance	312,057	513,163	825,220	304,575	513,460	818,035

7.2 The general provision made against consumer portfolio in accordance with Prudential Regulations issued by State Bank of Pakistan at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

8. OPERATING FIXED ASSETS

Following is the cost of tangible fixed assets that have been added / disposed during the quarter ended March 31, 2007.

	Additions	Deletions
	Rupees in '000	
Furniture, fixtures, office and computer equipments	2,053	423
Vehicles	421	834
	2,474	1,257

	March 31, 2007	December 31, 2006
	Rupees in '000	
9. DEPOSIT AND OTHER ACCOUNTS		
Customers		
Fixed deposits	52,524,493	48,511,732
Saving deposits	25,453,083	21,718,834
Current accounts – non-remunerative	24,489,090	23,491,942
Margin and others accounts	936,020	868,231
	103,402,686	94,590,739
Financial Institutions		
Remunerative deposits	9,627,163	7,803,210
Non-remunerative deposits	104,869	98,684
	9,732,032	7,901,894
	113,134,718	102,492,633
10. SHARE CAPITAL		
10.1 Authorized Capital		
Ordinary shares of Rs. 10/- each		
Number of shares in '000'		
March 31, 2007	600,000	December 31, 2006 600,000
	Ordinary shares of Rs. 10/- each	6,000,000
	6,000,000	6,000,000
10.2 Issued, subscribed and paidup		
No. of Shares in '000		
March 31, 2007	30,000	December 31, 2006 30,000
	Fully paid in cash	300,000
	Issued for consideration other than cash	925,000
	Issued as bonus shares	1,780,000
	1,780,000	3,005,000
	3,005,000	3,005,000
11. CONTINGENCIES AND COMMITMENTS		
11.1 Direct credit substitutes - Others	14,969	14,969
11.2 Transaction-related contingent liabilities		
Government	5,897,759	5,991,347
Financial institutions	195,443	173,654
Others	2,034,869	1,517,038
	8,128,071	7,682,039
11.3 Trade-related contingent liabilities		
Letter of credits	27,348,587	23,867,267
Acceptances	12,204,821	10,455,474

	March 31, 2007	December 31, 2006
	Rupees in '000	
11.4 Commitments in respect of forward lending		
Forward repurchase agreement lendings	<u>945,850</u>	<u>688,200</u>
11.5 Commitments in respect of forward exchange contracts		
Purchase	9,877,651	10,993,202
Sale	20,431,326	20,109,135

All foreign exchange contracts are backed by trade-related transactions to meet the needs of the bank's clients, to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At quarter end, all foreign exchange contracts have a remaining maturity of less than one year.

11.6 Commitments in respect of operating leases

Not later than one year	171,978	181,260
Later than one year and not later than five years	281,979	313,785
Later than five years	5,357	9,816
	<u>459,314</u>	<u>504,861</u>

The Bank has entered into non-cancellable operating lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijara transaction. The monthly rental installments are spread upto 72 months. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

11.7 Commitments for the acquisition of operating fixed assets	<u>66,562</u>	<u>66,562</u>
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12. RELATED PARTY TRANSACTIONS

The related parties comprise of related group companies, a subsidiary and or an associate, directors and their close family members, staff retirement benefit funds, executives and major shareholders of the bank holding not less than 10% of the total shareholding. The detail of investments in a subsidiary and an associate is stated in note 5 to these financial statements.

Transactions with related parties comprise of transactions with companies with common directorship, staff retirement benefit funds and key management personnel. These transactions were made on substantially the same commercial terms as those prevailing at the same time for comparable transactions with unrelated parties except for transactions with executives that are undertaken at terms in accordance with employment agreements and service rules.

The details of transactions with related parties during the quarter other than those which have been disclosed elsewhere in these financial statements are as follows:

<u>Balance outstanding at period / year end</u>	March 31, 2007	December 31, 2006
	Rupees in '000	
Companies with common directorship having equity less than 20%		
Deposits	4,729,171	802,934
Advances	521,270	410,678
Trade related contingent liabilities	1,978,104	2,550,648
Key Management Personnel		
Deposits	11,672	14,072
Advances	17,817	24,278
Balances with other banks		
Nostro/Vostro balances	4,312,843	3,717,119
	March 31, 2007	March 31, 2006
	Rupees in '000	
Transactions for the period		
Companies with common directorship having equity less than 20%		
Net mark-up / Interest expensed	51,558	56,624
Markup/Interest earned	39,113	126
Commission/Bank charges recovered	1,654	53
Rent income	66	152
Key Management Personnel		
Markup/Interest earned	273	24
Net mark-up/interest expensed	87	115
Salaries, allowances etc.,	8,536	5,461
Charge for defined benefit plan	250	74
Contribution to defined contribution plan	295	187
Directors' Fees	70	210

13. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 12, 2007 has announced a bonus issue of 67%. The financial statements for the quarter ended March 31, 2007 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2007.

14. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 12, 2007 by the Board of Directors of the Bank.

15. GENERAL

- 15.1 These interim condensed financial statements are being issued to the shareholders as required under Section 245 of the Companies Ordinance, 1984.
- 15.2 The figures have been rounded off to nearest thousand rupees.
- 15.3 Corresponding figures have been reclassified, wherever necessary, for the purpose of comparison.

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