



(Formerly Metropolitan Bank Limited)

Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

ACCOUNTS FOR THE HALF-YEAR
ENDED JUNE 30, 2007
(UN-AUDITED)

CONTENTS

Corporate Information	2
Directors' Review	3
Interim Condensed Balance Sheet	4
Interim Condensed Profit and Loss Account	5
Interim Condensed Cash Flow Statement	6
Interim Condensed Statement of Changes in Equity	7
Interim Condensed Notes to the Accounts	8
Report to the Members on Review of Interim Financial Information	14



BOARD OF DIRECTORS

CHAIRMAN

Muhammad H. Habib

PRESIDENT & CHIEF EXECUTIVE

Kassim Parekh

DIRECTORS

Reza S. Habib

Anwar H. Japanwala

Bashir Ali Mohammad

Mohamedali R. Habib*

Firasat Ali

A. R. Wadiwala

* Executive Director

AUDIT COMMITTEE

Reza S. Habib

Mohamedali R. Habib

A. R. Wadiwala

COMPANY SECRETARY

Fuzail Abbas

SHARE REGISTRAR

Noble Computer Services (Private) Limited.
2nd Floor, Sohni Centre, BS 5 & 6,
Main Karimabad, Block-4, Federal B Area,
Karachi-75950.

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank Ltd., I am pleased to present Bank's un-audited accounts for the half-year ended June 30, 2007.

By the grace of Allah, HMB is making steady progress. As at June 30, 2007, the total assets of the Bank stood at Rs. 169 billion compared to Rs 149 billion at previous year end. Deposits increased to Rs 119 billion and investments to Rs 49 billion compared to Rs 102 billion and Rs 40 billion as of December 31, 2006 respectively. The Bank earned a profit after tax of Rs. 1,171 million for the current half-year ended compared to Rs. 847 million earned for the corresponding period of previous year. Earnings per share for the half-year ended works out to Rs 2.33 per share.

For the seventh consecutive year, by Allah's grace, the Pakistan Credit Rating Agency Limited (PACRA) has assigned AA+ (Double A plus) for long-term and A1+ (A one plus) for short term to your Bank. 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.

The Bank provides a full range of banking services including on-line instant fund transfer facilities, SWIFT, tele-info and web-info services to our customers through a branch network of 82 branches including 4 full service Islamic Banking branches. The Bank continues to follow its program of upgrading the existing branches and of opening new branches to provide better service to the customers.

The Bank call centre "0800-HABIB (42242)" provides informative services to customers on 24/7 basis while the web-banking facility is delivered on a secure, readily available platform.

We wish to place on record our sincere thanks to 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 sincere efforts.

On behalf of the Board

KASSIM PAREKH
President & Chief Executive

Karachi: August 27, 2007



**INTERIM CONDENSED BALANCE SHEET
AS AT JUNE 30, 2007**

	Note	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
ASSETS			
Cash and balances with treasury banks		11,684,133	11,348,162
Balances with other banks		5,658,588	6,296,564
Lendings to financial institutions	4	16,538,658	5,447,110
Investments	5	49,551,610	39,555,569
Advances	6	82,768,032	83,324,059
Operating fixed assets		725,394	649,122
Deferred tax assets		-	-
Other assets		2,190,570	2,047,809
		169,116,985	148,668,395
LIABILITIES			
Bills payable		3,284,236	1,619,796
Borrowings from financial institutions		29,768,327	29,518,458
Deposits and other accounts	7	118,807,800	102,492,712
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		130,800	176,803
Other liabilities		4,970,656	3,992,514
		156,961,819	137,800,283
NET ASSETS		12,155,166	10,868,112
REPRESENTED BY			
Share capital		5,018,350	3,005,000
Reserves		6,059,081	5,824,936
Unappropriated profit		758,532	1,835,302
		11,835,963	10,665,238
Surplus on revaluation of assets - net of tax		319,203	202,874
		12,155,166	10,868,112
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director

**INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF-YEAR ENDED JUNE 30, 2007**

Note	Quarter ended June 30, 2007	Half Year ended June 30, 2007	Quarter ended June 30, 2006 (Restated)	Half Year ended June 30, 2006 (Restated)
	Rupees in '000			
Mark-up / return / interest earned	2,862,171	5,729,335	1,614,156	3,093,843
Mark-up / return / interest expensed	(1,966,489)	(3,812,613)	(955,162)	(1,886,689)
Net mark-up / interest income	895,682	1,916,722	658,994	1,207,154
Provision against non-performing loans and advances	53,174	60,359	(2,881)	56,478
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	76	76	217	217
	(53,250)	(60,435)	2,664	(56,695)
Net mark-up / interest income after provisions	842,432	1,856,287	661,658	1,150,459
Non Mark-up Interest Income				
Fee, commission and brokerage income	248,164	479,530	127,258	246,607
Dividend income	3,463	4,166	6,225	15,090
Income from dealing in foreign currencies	314,751	572,058	133,249	261,103
Gain on sale of securities	144,411	244,724	40,038	84,594
Unrealized gain/(loss) on revaluation of investment classified as 'held for trading'	-	-	-	-
Other income	43,369	79,041	20,432	37,537
Total non mark-up / interest income	754,158	1,379,519	327,202	644,931
	1,596,590	3,235,806	988,860	1,795,390
Non Mark-up Interest Expenses				
Administrative expenses	562,595	1,156,626	296,833	565,335
Other provisions/write offs	486	486	-	-
Other charges	327	330	225	267
Total non mark-up interest expenses	(563,408)	(1,157,442)	(297,058)	(565,602)
Extraordinary / unusual items	1,033,182	2,078,364	691,802	1,229,788
	-	-	-	-
Profit before taxation	1,033,182	2,078,364	691,802	1,229,788
Taxation - Current	465,000	872,000	287,500	474,000
- Prior years	67,016	67,016	-	-
- Deferred	(9,567)	(31,377)	(89,063)	(91,417)
	(522,449)	(907,639)	(198,437)	(382,583)
Profit after taxation	510,733	1,170,725	493,365	847,205
Unappropriated profit brought forward	2,495,294	1,835,302	512,253	1,278,413
Profit available for appropriation	3,006,027	3,006,027	1,005,618	2,125,618
Appropriations:				
Issue of bonus shares	2,013,350	2,013,350	-	520,000
Transfer to revenue reserve	-	-	-	600,000
Transfer to statutory reserve	234,145	234,145	-	-
	2,247,495	2,247,495	-	1,120,000
Unappropriated profit carried forward	758,532	758,532	1,005,618	1,005,618
Basic and diluted earnings per share (Rupees) 9	1.02	2.33	1.21	2.07

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director



**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF-YEAR ENDED JUNE 30, 2007**

	June 30, 2007	June 30, 2006
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,078,364	1,229,788
Less: Dividend income	(4,166)	(15,090)
	2,074,198	1,214,698
Adjustment for non-cash charges		
Depreciation	38,344	21,605
Provision against non-performing advances - net	60,359	56,478
(Gain) on sale of fixed assets	(2,489)	(1,286)
	96,214	76,797
	2,170,412	1,291,495
(Increase) / decrease in operating assets		
Lendings to financial institutions	(11,091,548)	(4,504,443)
Advances	495,668	(4,153,507)
Other assets (excluding advance taxation)	(142,761)	(254,862)
	(10,738,641)	(8,912,812)
Increase / (decrease) in operating liabilities		
Bills payable	1,664,440	392,489
Borrowings	(568,708)	8,073,997
Deposits and other accounts	16,315,088	3,309,143
Other liabilities (excluding taxation)	647,820	355,358
	18,058,640	12,130,987
	9,490,411	4,509,670
Income tax paid	(608,694)	(293,553)
Net cash flow from operating activities	8,881,717	4,216,117
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(9,624,338)	(6,889,559)
(Net investments in) / redemption of held-to-maturity securities	(270,000)	2,371,072
Dividend received	4,166	15,090
Investments in operating fixed assets	(117,149)	(58,825)
Sale proceeds of property and equipment disposed-off	5,022	1,606
Net cash used in investing activities	(10,002,299)	(4,560,616)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(3)
(Decrease) in cash and cash equivalents	(1,120,582)	(344,502)
Cash and cash equivalent at beginning of the period	17,306,630	5,926,929
Cash and cash equivalent at the end of the period	16,186,048	5,582,427

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director

**INTERIM CONDENSED STATEMENT OF CHANGES
IN EQUITY (UN-AUDITED)
FOR THE HALF-YEAR ENDED JUNE 30, 2007**

	Share Capital	Reserves			Revenue reserve	Unappropriated Profit	Total
		Shares premium	Statutory reserve	Special reserve			
Rupees in '000							
Balance as at January 1, 2006	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)	–
Profit after taxation	–	–	–	–	–	847,205	847,205
Transfer to revenue reserve	–	–	–	–	600,000	(600,000)	–
Balance as at June 30, 2006 - restated	2,080,000	–	1,114,590	240,361	1,500,000	1,005,618	5,940,569
Issue of share capital upon amalgamation	925,000	2,550,985	–	–	–	–	3,475,985
Profit after taxation for the period - restated	–	–	–	–	–	1,248,684	1,248,684
Transfer to statutory reserve	–	–	419,000	–	–	(419,000)	–
Balance as at December 31, 2006	3,005,000	2,550,985	1,533,590	240,361	1,500,000	1,835,302	10,665,238
Issue of bonus shares in the ratio of 67 shares for every 100 shares held	2,013,350	–	–	–	–	(2,013,350)	–
Profit after taxation	–	–	–	–	–	1,170,725	1,170,725
Transfer to revenue reserve	–	–	234,145	–	–	(234,145)	–
Balance as at June 30, 2007	5,018,350	2,550,985	1,767,735	240,361	1,500,000	758,532	11,835,963

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF-YEAR ENDED JUNE 30, 2007

1. STATUS AND NATURE OF BUSINESS

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 Road, 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. STATEMENT OF COMPLIANCE

2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions 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 (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

2.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of 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 requirements of various circulars issued by the SBP.

2.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS-34 "Interim Financial Reporting". Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2006.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2006.

4. LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
Call money lendings	5,550,000	3,150,000
Repurchase agreement lendings (Reserve Repo)	10,988,658	2,031,883
Other placements	-	265,227
	16,538,658	5,447,110

5. INVESTMENTS

	June 30, 2007 (Un-Audited)			December 31, 2006 (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	19,012,803	7,752,250	26,765,053	13,757,882	6,322,593	20,080,475
Pakistan Investment Bonds	8,445,816	900,000	9,345,816	5,296,716	4,282,172	9,578,888
Term Finance Certificates	1,890,922	-	1,890,922	1,874,139	-	1,874,139
WAPDA Bonds/Sukuk Bonds	525,000	-	525,000	525,000	-	525,000
Ordinary shares of listed companies	58,840	-	58,840	104,448	-	104,448
Ordinary shares of unlisted companies	75,000	-	75,000	75,000	-	75,000
Preference shares of a listed company	40,000	-	40,000	40,000	-	40,000
Preference shares of an unlisted company	25,000	-	25,000	25,000	-	25,000
Units of open ended mutual funds	6,483,214	-	6,483,214	3,309,591	-	3,309,591
Units of closed ended mutual funds	204,848	-	204,848	176,814	-	176,814
Ordinary shares of Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	-	1,740	1,740	-	1,740
	36,763,183	8,652,250	45,415,433	25,186,330	10,604,765	35,791,095
Held-to-maturity securities						
Certificate of Investment	3,720,000	-	3,720,000	3,450,000	-	3,450,000
Subsidiary						
Habib Metropolitan Trade Services Limited Ordinary Sahres of HKD 1 each	79	-	79	79	-	79
Associate						
Ordinary shares of Pakistan Export Finance Guarantee Agency Limited	11,361	-	11,361	11,361	-	11,361
Investment at cost	40,494,623	8,652,250	49,146,873	28,647,770	10,604,765	39,252,535
Less: Provision for diminution in value of investment	-	-	-	-	-	-
Investment - net of provisions	40,494,623	8,652,250	49,146,873	28,647,770	10,604,765	39,252,535
Surplus on revaluation of available- for-sale investment	352,298	52,439	404,737	120,679	182,355	303,034
Total Investment at market value	40,846,921	8,704,689	49,551,610	28,768,449	10,787,120	39,555,569

6. ADVANCES

	Note	June 30, 2007	December 31, 2006
		Rupees in '000	
		(Un-Audited)	(Audited)
Loans, cash credits, running finances, etc. In Pakistan		63,748,919	66,804,583
Net investment in finance lease/ijara financing In Pakistan		2,103,131	1,950,224
Bills discounted and purchased (excluding market treasury bills) Payable in Pakistan		3,491,126	4,007,200
Payable outside Pakistan		14,267,823	11,380,087
		17,758,949	15,387,287
	6.1	83,610,999	84,142,094
Provision against non-performing advances Specific		(326,699)	(304,575)
General	6.2	(516,268)	(513,460)
		(842,967)	(818,035)
Advances - net of provisions		82,768,032	83,324,059

- 6.1 Advances include Rs. 562.015 million (December 31, 2006: Rs 443.248 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000				
Standard	186,146	–	186,146	21,705	21,705
Doubtful	32,443	–	32,443	9,971	9,971
Loss	343,426	–	343,426	295,023	295,023
	<u>562,015</u>	<u>–</u>	<u>562,015</u>	<u>326,699</u>	<u>326,699</u>

- 6.2 The general provision includes provisions made against consumer portfolio amounting to Rs. 16.268 million (December 31, 2006: Rs. 13.460 million) in accordance with Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

7. DEPOSITS AND OTHER ADVANCES

	June 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
Customers		
Fixed deposits	56,853,487	48,511,732
Saving deposits	26,166,861	21,718,834
Current accounts-non-remunerative	27,207,472	23,492,021
Margin and other accounts	965,611	868,231
	<u>111,193,431</u>	<u>94,590,818</u>
Financial Institutions		
Remunerative deposits	7,480,033	7,803,210
Non-remunerative deposits	134,336	98,684
	<u>7,614,369</u>	<u>7,901,894</u>
	<u>118,807,800</u>	<u>102,492,712</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes - Others

Includes general guarantees of indebtedness, bank acceptance and standby letters of credit serving as financial guarantees for loans and securities - other

13,702	14,969
---------------	--------

8.2 Transaction-related contingent liabilities

Government
Financial institutions
Others

6,666,000	5,991,347
193,869	173,654
1,955,548	1,517,038
<u>8,815,417</u>	<u>7,682,039</u>

8.3 Trade-related contingent liabilities

Letter of credits
Acceptances

28,899,760	23,867,267
8,829,119	10,455,474

8.4 Commitments in respect of forward lending

Forward repurchase agreement lendings

–	688,200
---	---------

8.5 Commitments in respect of forward exchange contracts

Purchase
Sale

10,743,493	10,993,202
22,458,307	20,109,135

8.6 Commitments in respect of operating leases

Not later than one year
Later than one year and not later than five years
Later than five years

23,422	181,260
383,863	313,785
49,360	9,816
<u>456,645</u>	<u>504,861</u>

8.7 Commitments for the acquisition of operating fixed assets

<u>86,120</u>	<u>66,562</u>
---------------	---------------

9. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended June 30, 2007	Half Year ended June 30, 2007	Quarter ended June 30, 2006	Half Year ended June 30, 2006
	(Un-Audited)		(Restated)	
	Rupees in '000			
Profit after taxation	<u>510,733</u>	<u>1,170,725</u>	<u>493,365</u>	<u>847,205</u>
Weighted average number of ordinary shares	<u>501,835</u>	<u>501,835</u>	<u>409,335</u>	<u>409,335</u>
Basic and diluted earnings per share (Rupees)	<u>1.02</u>	<u>2.33</u>	<u>1.21</u>	<u>2.07</u>

9.1 The earnings per share for the quarter and half year ended June 30, 2006 have been adjusted for the effect of bonus issue during the period.

10. RELATED PARTY TRANSACTION

The related parties comprise a subsidiary and an associate, entities with common directorship, directors and their close family members, staff retirement benefit funds, key executives and major shareholders of the Bank. The transactions with related parties are substantially on commercial terms 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 half year are as follows:

Balance outstanding at period / year end

	June 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
Entities with common directorship		
Deposits	4,834,798	802,934
Advances	500,841	410,678
Nostr0 balances	2,780,168	3,717,119
Trade related contingent liabilities	1,389,387	2,550,648
Key management personnel		
Deposits	18,287	14,072
Advances	16,632	24,278

Transactions for the period
Entities with common directorship

	June 30, 2007	June 30, 2006
	Rupees in '000	
	(Un-Audited)	
Mark-up/interest earned	20,441	436
Mark-up/interest expensed	150,500	89,365
Commission/bank charges recovered	3,469	1,053
Rent income	289	284

Key management personnel

Mark-up/interest earned	486	80
Mark-up/interest expensed	132	171
Salaries and allowances	29,608	8,827
Charge for defined benefit plan	663	62
Contribution to defined contribution plan	793	379
Directors' fees	130	350

11. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment result for the period are as follows:

	Trading and sales	Retail banking	Commercial banking
	Rupees in '000 (Un-Audited)		
For the half year ended June 30, 2007			
Total income	3,091,231	93,468	3,863,720
Total expenses	<u>(517,679)</u>	<u>(1,967,349)</u>	<u>(2,485,027)</u>
Profit/(loss) before taxation	<u>2,573,552</u>	<u>(1,873,881)</u>	<u>1,378,693</u>
For the half year ended June 30, 2006 - restated			
Total income	1,540,048	34,680	2,107,351
Total expenses	<u>(361,789)</u>	<u>(864,356)</u>	<u>(1,226,146)</u>
Profit/(loss) before taxation	<u>1,178,259</u>	<u>(829,676)</u>	<u>881,205</u>

12. KEY ISLAMIC BANKING OPERATIONS

The Bank is operating 4 islamic banking branches as of the balance sheet date (December 31, 2006: 4 branches). The balance sheet of these branches as at June 30, 2007 is as follows:

	June 30, 2007	December 31, 2006
	Rupees in '000	
	(Un-Audited)	(Audited)
ASSETS		
Cash and balances with treasury banks	794,111	561,385
Balances with and due from financial institutions	1,047,145	956,035
Investments	127,500	140,228
Financing and receivables		
- Murahaba	922,527	1,308,287
- Ijara	1,443,926	1,392,648
- Diminishing musharaka	337,194	112,061
Other assets	116,248	119,456
	<u>4,788,651</u>	4,590,100
LIABILITIES		
Bills payable	44,803	21,279
Deposits and other accounts	3,873,411	3,817,299
Other liabilities	407,330	316,686
	<u>4,325,544</u>	4,155,264
NET ASSETS	<u>463,107</u>	434,836
REPRESENTED BY		
Islamic banking fund	401,509	401,523
Unappropriated profit	61,598	33,313
	<u>463,107</u>	434,836

13. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on August 27, 2007.

14. GENERAL

- 14.1 Corresponding figures for the quarter and half year ended June 30, 2006 have been restated due to the change in accounting policy as disclosed in note 5.1.2 to the annual financial statements of the Bank for the year ended December 31, 2006. The effects of the said restatement are as follows:

	Quarter ended	Half Year ended
	June 30, 2006 (Rupees in '000) (Un-Audited)	
Increase in income from dealing in foreign currency	12,474	13,901
Increase in profit before taxation	12,474	13,901
Increase in profit after taxation	7,974	8,901

- 14.2 During the year ended December 31, 2006, the shareholders of the Bank approved a "Scheme of Amalgamation" of the Habib Bank AG Zurich - Pakistan Operations with and into the Bank. The said amalgamation was accounted for with effect from October 26, 2006. Accordingly, corresponding figures except for the balance sheet figures as reported in the interim condensed financial statements are not comparable for the reason that these represent the results of Metropolitan Bank Limited only.
- 14.3 Figures of the profit and loss account for the quarters ended June 30, 2007 and June 30, 2006 have not been subjected to limited scope review by the auditors.
- 14.4 The figures have been rounded off to nearest thousand rupees.

MUHAMMAD H. HABIB
Chairman

KASSIM PAREKH
President & Chief Executive

BASHIR ALI MOHAMMAD
Director

REZA S. HABIB
Director

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of HABIB METROPOLITAN BANK LTD. as at June 30, 2007 and the related interim condensed profit and loss account, interim condensed statements of cash flows and changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi: August 27, 2007

**FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS**