



Metropolitan Bank Limited

ANNUAL REPORT 2005



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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REGISTERED OFFICE AND HEAD OFFICE

Ground Floor, Spencer's Building,
G.P.O. Box 1289, I.I. Chundrigar Road,
Karachi-74200, Pakistan

Phones : (021) 263 6740 (20 Lines)
Fax : (021) 263 0405 - 262 0716

14th Floor, Saima Trade Towers 'A',
I.I. Chundrigar Road, Karachi-74200,
Pakistan

Phones : (021) 227 1935 (14 Lines)
Fax : (021) 227 1950

Telex : 20246 BNKMN PK, 20281 BNKMN PK
Cable : METROBANK
SWIFT : MPBLPKKA
URL : www.metrobank.com.pk
E-mail : info@metrobank.com.pk

Karachi:

Main Branch:

Ground Floor,
Spencer's Building, I.I. Chundrigar Road,
G.P.O. Box 1289, Karachi.
Phones : (021) 263 6740 (20 Lines)
UAN : (021) 111-18-18-18
Fax : (021) 263 0404
Telex : 20246 BNKMN PK
20281 BNKMN PK
SWIFT : MPBLPKKA

Cloth Market:

BR 1/43, Metro Centre,
Bombay Bazar, Kharadar,
P.O. Box 6453, Karachi.
Phones : (021) 231 3712 (3 Lines)
(021) 231 3763, 231 3927
Fax : (021) 231 3715
Telex : 27402 BNKMN PK
SWIFT : MPBLPKKA011

Paper Market:

Plot No. 7.8 R-6, Altaf Hussain Road,
New Challi, Karachi.
Phones : (021) 221 0562 (6 Lines)
Fax : (021) 221 0568
Telex : 27399 MBP PM PK
SWIFT : MPBLPKKA013

Gulshan-e-Iqbal:

Plot No. 118/B/A-XV, Block 10-A, Main Rashid
Minhas Road, Near Drive-In Cinema,
Gulshan-e-Iqbal, Karachi.
Phones : (021) 402 1651 (3 Lines)
(021) 402 1654
Fax : (021) 402 1655

Shahrah-e-Faisal:

Siddique Sons Tower 3, Jinnah Society,
Near Shaheed-e-Millat Flyover,
Shahrah-e-Faisal, Karachi.
Phones : (021) 452 8395 (3 Lines)
(021) 452 2920
Fax : (021) 438 3498
Telex : 27424 BNKMN PK
SWIFT : MPBLPKKA012

Jodia Bazar:

Madarassah Islamia School Building,
Adamjee Haji Dawood Road,
Jodia Bazar, Karachi.
Phones : (021) 243 7187, 241 1925,
(021) 243 7909, 243 8157
Fax : (021) 243 0056
Telex : 27723 MBP JB PK
SWIFT : MPBLPKKA015

Karachi Stock Exchange:

Old Stock Exchange Building,
Stock Exchange Road,
Karachi.
Phones : (021) 240 1921 (3 Lines)
Fax : (021) 240 1925

M. A. Jinnah Road:

Corner Abdullah Haroon Road,
Karachi.
Phones : (021) 273 7617 (4 Lines)
Fax : (021) 273 7621
SWIFT : MPBLPKKA020

North Napier Road:

Plot W.O.I/33, North Napier Road,
Near Dandia Bazar, Karachi
Phones : (021) 273 7603 (4 Lines)
Fax : (021) 273 7607
SWIFT : MPBLPKKA021

Karimabad:

Sohni Bridal Shopping Centre,
BS-6, Block-4, F.B. Area,
Karachi.
Phones : (021) 634 5236 (2 Lines)
(021) 634 9446, 680 2262
Fax : (021) 634 9447

SITE:

3/9-B-2, Metro Chowrangi,
S.I.T.E., Karachi.
Phones : (021) 256 4101 (3 Lines)
(021) 256 4104, 256 4793-95
Fax : (021) 256 4100
SWIFT : MPBLPKKA023

DHA:

1-C, Khayaban-e-Shamsheer,
Phase V, Karachi.
Phones : (021) 585 7404 (3 Lines)
(021) 585 7407
Fax : (021) 585 7403

Timber Market:

5, Siddiq Wahab Road, Timber Market,
Karachi.
Phones : (021) 276 8411 (3 Lines)
(021) 276 8415
Fax : (021) 276 8414

Korangi:

Aiwan-e-Sanat Building, Sector 23,
Korangi Industrial Area, Karachi.
Phones : (021) 506 9162 (3 Lines)
(021) 506 9130
Fax : (021) 506 9171

Saddar:

SB-4/4, Zaibunnisa Street, Saddar,
Karachi.
Phones : (021) 521 6308 (2 Lines)
(021) 521 6433
Fax : (021) 521 6434

Bahadurabad:

25, Central Commercial Area,
Main Alamgir Road, Bahadurabad,
Karachi.
Phones : (021) 494 8805 (3 Lines)
(021) 494 8810
Fax : (021) 494 8803

Ittehad:

86-C, 11th Commercial Street,
D.H.A. Phase II Ext., Karachi.
Phones : (021) 589 7623 (2 Lines)
(021) 538 2109
(021) 538 2110
Fax : (021) 588 6872

Hyderi:

7-A, Mustafa Market,
Block G, Barkat-e-Hyderi, Karachi.
Phones : (021) 664 0774 (3 Lines)
Fax : (021) 664 0777

Dhoraji Colony:

Madni Pride, Block 7 & 8,
C.P. Berar, C.H.S.,
Dhoraji Colony, Karachi.
Phones : (021) 494 9535 - 44 - 64
Fax : (021) 494 9592

North Karachi Industrial Area:

ST-5, Gabol Town,
Federal 'B' Area, Karachi.
Phones : (021) 695 7569
(021) 693 3461 (3 Lines)
Fax : (021) 695 7570

Gulshan Chowrangi:

FL 4/S, Hamid Square,
Block 3, Gulshan-e-Iqbal, Karachi.
Phones : (021) 480 0790 (3 Lines)
Fax : (021) 480 0789

Khalid Bin Walid:

Khalid Bin Walid Road,
F/168/A, Madina Mall, Block-3,
PECHS, Karachi.
Phones : (021) 439 0191 (3 Lines)
Fax : (021) 439 0190

Ceramic Market:

485/486, Rizvia Society,
Nazimabad, Karachi.
Phones : (021) 660 0546 (3 Lines)
(021) 670 1001
Fax : (021) 660 7462

Landhi:

15 Milestone, National Highway,
Landhi, Karachi.
Phones : (021) 502 4901 (4 Lines)
Fax : (021) 502 5200

Paposh Nagar:

6-A, Block V-A, Nazimabad No. 5, Karachi.
Phones : (021) 670 0001 (4 Lines)
Fax : (021) 670 0005

Textile Plaza:

Nadeem Cloth Market,
M.A. Jinnah Road, Karachi.
Phones : (021) 242 2476 (2 Lines)
(021) 242 2415 (2 Lines)
(021) 241 3964
Fax : (021) 241 6148

Islamic Banking:

SB-4/4, 2nd Floor, Zaibunnisa Street,
Saddar, Karachi
Phones : (021) 565 0711 (4 Lines)
Fax : (021) 565 0650

Water Pump:

57, Nawaz Court, Block-16,
Federal "B" Area, Karachi
Phones : (021) 681 2577 (2 Lines)
(021) 632 3028
Fax : (021) 633 4557

Shershah:

D-283/1, S.I.T.E. Area,
Trans Lyari Quarter, Karachi.
Phones : (021) 258 6301 (3 Lines)
Fax : (021) 258 6305



BRANCHES

Karachi:

University Road:

Opp. NED University, No. 101.
Zenith Heights Bl-1,
Gulistan-e-Johar, Karachi.
Phones : (021) 402 9701 (3 Lines)
(021) 402 9704
Fax : (021) 402 9705

Clifton:

GPC-2, Bl-5 KDA Scheme No. 5,
Clifton, Karachi.
Phones : (021) 587 9734 (3 Lines)
(021) 587 9737
Fax : (021) 587 9738

Lahore:

Lahore:

Associated House,
7-Egerton Road, Lahore.
Phones : (042) 627 9062 (4 Lines)
(042) 627 8812, 630 6902
UAN : (042) 111-18-18-18
Fax : (042) 627 9061
Telex : 47764 BNKMN PK
SWIFT : MPBLPKKA002

Gulberg:

85, D-1, Main Boulevard, Gulberg-III,
G.P.O Box No. 54660, Lahore.
Phones : (042) 587 2091 (4 Lines)
(042) 575 5151, 575 5252
Fax : (042) 575 4480

Circular Road:

83-Circular Road, Lahore.
Phones : (042) 767 2634 (5 LInes)
Fax : (042) 767 2631

Defence:

9-Z, Defence Housing Authority, Lahore.
Phones : (042) 589 4162 (3 Lines)
Fax : (042) 589 3878

Badami Bagh:

38-R-359, Circular Road, Lahore.
Phones : (042) 772 3471
(042) 773 1413 (3 Lines)

Model Town Link Road:

207-B, Bl-A, Model Town Link Road,
Lahore.
Phones : (042) 520 3657
Fax : (042) 520 3658

Peshawar:

95-A, Saddar Road, Peshawar.
Phones : (091) 270904 (3 Lines)
(091) 275784, 275709
UAN : (091) 111-18-18-18
Fax : (091) 275624
Telex : 52324 BNKMN PK

Quetta:

Shahrah-e-Iqbal,
G.P.O. Box 185, Quetta.
Phones : (081) 835302, 835308
UAN : (081) 111-18-18-18
Fax : (081) 824209
Cable : BANKMETRO

Mirpur A.K.:

Ejaz Plaza, Allama Iqbal Road,
Mirpur, Azad Kashmir.
Phone : (058610) 43435, 48039-40
(058610) 45719
Fax : (058610) 43677

Sialkot:

Sialkot:

Allama Iqbal Chowk, Railway Road,
G.P.O. Box 2626, Sialkot.
Phones : (052) 593571 (3 Lines)
(052) 588002, 588037
UAN : (052) 111-18-18-18
Fax : (052) 588024
Telex : 46209 BNKMN PK
SWIFT : MPBLPKKA006

Small Industrial Estate:

27-28-A, Small Industrial Estate,
Sialkot.
Phones : (052) 325 4720, 325 4799
Fax : (052) 325 4738

Hyderabad:

F-66, Risala Road,
P.O. Box No. 182, Hyderabad.
Phones : (0221) 783893, 784087
UAN : (0221) 111-18-18-18
Fax : (0221) 783894
Telex : 22093 BNKMN PK

Multan:

85-A, Qasim Road,
P.O. Box No. 108, Multan Cantt.
Phones : (061) 583515 (3 Lines)
(061) 785719 - 20
UAN : (061) 111-18-18-18
Fax : (061) 583518
Telex : 42353 BNKMN PK

Faisalabad:

P/64, Taj Plaza, Kotwali Road, Faisalabad.
Phones : (041) 649902 (5 Lines)
UAN : (041) 111-18-18-18
Fax : (041) 649901
Telex : 43555 BNKMN PK
SWIFT : MPBLPKKA009

Islamabad:

Islamabad:
24-D, Rashid Plaza,
Jinnah Avenue, Islamabad.
Phones : (051) 227 4088 (3 Lines)
UAN : (051) 111-18-18-18
Fax : (051) 227 4082
Telex : 54732 BNKMN PK
SWIFT : MPBLPK010

F-10 Markaz:

F-10, Markaz Branch,
1-D, 10th Avenue, F-10, Islamabad.
Phones : (051) 229 9822
Fax : (051) 227 4082

Rahim Yar Khan:

24, Shahi Road, Rahim Yar Khan.
Phone : (0731) 83493, 79522
Fax : (0731) 74193

Kasur:

Railway Road, Kasur.
Phones : (0492) 925 0053, 764606
(0492) 765331
Fax : (0492) 925 0090

Gujranwala:

G.T. Road, Near Din Plaza, Gujranwala.
Phones : (0431) 845467 (3 Lines)
Fax : (0431) 845466
Telex : 53352 BNKMN PK

Rawalpindi:

186/2, Bank Road, Rawalpindi Cantt.
Phones : (051) 511 0178 - 81 - 82
(051) 551 7013, 511 0177
Fax : (051) 579 4376



BOARD OF DIRECTORS

Chairman

Anwar H. Japanwala

President & Chief Executive

Kassim Parekh

Directors

Bashir Ali Mohammad

Mohamedali R. Habib *

Firasat Ali

A. R. Wadiwala

Salim A. Zubairi

Zia Shafi Khan

* Executive Director

Audit Committee

Anwar H. Japanwala

Chairman

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.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the shareholders of Metropolitan Bank Limited will be held at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi on Friday, March 31, 2006 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2005 together with the Directors' and Auditors' Reports thereon.
2. To approve the issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following ordinary resolution;

“Resolved that a sum of Rs. 520,000,000 (Rupees five hundred twenty million only) out of current year's profit be capitalized and distributed by issuing 52,000,000 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of 1 share for every 3 (three) shares held, to those members whose names appear in the register of members as at the close of business on March 27, 2006 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Bank.

Further resolved that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the Bank.

Further resolved that in the event of any member holding fraction of a share, the Directors be and are hereby authorized to consolidate such fractional entitlement and sell in the stock market and to pay the proceeds of sale when realized to a charitable trust.

Further resolved that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do or caused to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 52,000,000 bonus shares.”

3. To appoint Auditors for the financial year ending December 31, 2006 and fix their remuneration

Under the provisions of Code of Corporate Governance, all listed companies in the financial sector shall change their auditors after every five years. The present auditors Messrs Hyder Bhimji & Co., Chartered Accountants have completed five years. Accordingly, as recommended by the Audit Committee, the Board proposes the appointment of Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants as auditors in place of retiring auditors.

4. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS

1. To consider and if thought fit, pass the following resolution in respect of increase in Authorised Capital of the Bank:



“Resolved that the figures and words “Rs. 2,000,000,000 (Rupees Two Billion only) divided into 200,000,000 ordinary shares of Rs. 10 each” appearing in Clause V of the Memorandum of Association and in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words “Rs. 6,000,000,000 (Rupees Six Billion only) divided into 600,000,000 ordinary shares of Rs. 10 each”.

By Order of the Board

FUZAIL ABBAS
Company Secretary

Karachi : March 4, 2006

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Form of the Proxy is enclosed with the Annual report. A proxy must be a member of the Bank. Proxies, in order to be effective, must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty eight) hours before the meeting.
2. CDC account holders and sub-account holders are required to bring with them their National Identity Card along with the participants ID numbers and their account numbers in order to facilitate identification.
3. Members are requested to notify the change of address, if any.
4. The Share Transfer Book of the bank will remain closed from March 28, 2006 to April 10, 2006 (both days inclusive).
5. A statement under section 160 of the Companies Ordinance, 1984 pertaining to Special Business is given below.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Bank to be held on March 31, 2006.

1. To enable the Bank to increase its paid-up capital from time to time, the Directors have recommended to increase the Bank's Authorised Capital from Rs. 2,000,000,000 to Rs. 6,000,000,000.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders:



I extend to you a warm welcome to the Fourteenth Annual General Meeting of the Bank and am pleased to present to you the Bank's Annual Report for the financial year ended December 31, 2005.

The operating financial results and appropriations, as recommended by the Board of Directors, are summarized below:

	Rupees in '000
Profit for the year	2,031,729
Provision for taxation - current	621,000
- prior years	(140,700)
- deferred	86,121
	566,421
Profit after taxation	1,465,308
Unappropriated profit brought forward	46,261
Profit available for appropriation	1,511,569
Transfer to	
- Statutory reserve	293,000
- Revenue reserve	600,000
- Reserve for issue of bonus shares in the ratio of 1 share for every 3 shares held	520,000
	(1,413,000)
Unappropriated profit carried forward	98,569

Earnings per share after tax is Rs. 9.39

During the year under review, the country's economic environment remained robust despite the impact of earthquake and rising energy prices. The banking sector experienced higher profitability mainly due to rising interest rates. However, during 2006, we expect margins to squeeze due to re-pricing of deposits.

Alhamdulillah, your Bank is consistently making progress in all the areas of its operations and the year-end results are encouraging.

The branch network was further strengthened and 4 new branches were opened, 2 in Karachi, one each in Lahore and Sialkot bringing the total number of branches to 51 in 14 cities. The Bank plans to open more branches in 2006 and continue with its program for upgrading existing branches. All branches provide a full range of banking services including on-line instant fund transfer facilities, SWIFT, tele-info and web-info services to our customers.



Our Islamic Banking branch is fully capable of catering the customers seeking Sha'ria compliant products. Further, Islamic Banking counters in various branches are now operational and more will be added to gain from the growing demand of customers for Sha'ria compliant products.

During the period under review, MetroBank launched consumer financing products. We feel that there is a great potential for consumer financing in Pakistan and expect that in the future this portfolio will augment the Bank's income stream.

Our training academy is also providing professional training to junior and middle management staff on a variety of banking subjects.

By the grace of Allah, the credit rating of the Bank has been maintained at AA+ (double AA plus) for long term and A1+ (A one plus) for short term by The Pakistan Credit Rating Agency Limited. 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.

During the year four Board meetings were held and the attendance of the concerned Director during his tenure on the Board was as follows:

Date of Meeting	Attended by
February 26, 2005	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Mr. Mohamedali R. Habib Mr. Firasat Ali Mr. A. R. Wadiwala Mr. R. B. Limbuvalla
April 25, 2005	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Mohamedali R. Habib Mr. Firasat Ali Mr. A. R. Wadiwala Mr. Zia Shafi Khan
August 24, 2005	Mr. Kassim Parekh Mr. Bashir Ali Mohammad Mr. Mohamedali R. Habib Mr. Firasat Ali Mr. A. R. Wadiwala Mr. Zia Shafi Khan



October 13, 2005

Mr. Anwar H. Japanwala
Mr. Kassim Parekh
Mr. Mohamedali R. Habib
Mr. Firasat Ali
Mr. A. R. Wadiwala
Mr. Salim A. Zubairi
Mr. Zia Shafi Khan

The pattern of holding of shares as on December 31, 2005 is annexed to the report.

No material changes and commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.

The present Auditors Messrs Hyder Bhimji & Co., Chartered Accountants have completed the audit for the year 2005 and will retire at the conclusion of 14th Annual General Meeting. Under the provisions of the Code of Corporate Governance, listed companies are required to change their auditors after every five years. Accordingly, the Audit Committee has recommended appointment of Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors for the year 2006.

Statement on Risk Management Framework

Metropolitan Bank follows a cautious business strategy. The Bank duly considers market, liquidity, credit and operations risks in all business initiatives. The business model embeds risk management aspects in all processes/systems. Standard Banking techniques are used in managing risks and the Internal Audit Division conducts independent reviews and verifications throughout the year. Internal reports/MIS are additional management tools for measuring and controlling risks.

The rapid development of the financial sector in Pakistan has changed the risk profile of banks. Consumer, Investment and E-Banking business have shown tremendous growth and customers are becoming more sophisticated. There is increased reliance on technology in all aspects of banking including alternate delivery channels and electronic payment systems / mechanisms.

Our Business and Risk Management strategy incorporates these considerations. In late 2004 we created a separate Risk Management Division and in 2005 we have made significant progress in strengthening our risk management framework, salient features of which are as follows:

Credit Risk

Extensive work has been done on credit information input and collateral software module. This will facilitate auto generated Credit Risk and Business reports and facilitate information retrieval on an online basis across the Bank. It will also serve as a solid foundation for implementing the Basel-II Accord requirements.

An experienced Credit Risk Manager has been hired at the Executive level to further strengthen our Risk Management Division and upgrade our Credit Administration system.



Liquidity & Market Risk

In order to leverage on our solid liquidity and foreign exchange business in a controlled manner, a revised comprehensive Market & Liquidity Risk Management Policy has been prepared and approved by our Board of Directors. This policy contains the current business strategy, processes to manage Market & Liquidity Risks and action plan to further strengthen our Risk Management Practices.

Operational Risks

As part of our Business Continuity Planning exercise analysis of our critical processes and systems have been done and additional risk mitigants are being implemented where warranted. The Information Technology Department has been reorganized and an independent Operations Division has also been established to enhance our capabilities in catering to the Bank's processing needs with appropriate segregation of duties.

The services of a reputable consultant firm are being utilized to document our processes and adopt 'best practices' and to optimize usage on our state of art on line processing system. We have also hired a seasoned experienced professional to set up and head our Operational Risk Control Unit to further strengthen the existing Control environment and to cater SBP guidelines.

We believe that intense work and investments on Risk Management Infrastructure will be of immense value in the successful ongoing delivery of 'value' to all our stakeholders in a rapidly changing and increasingly competitive environment.

Statement on Corporate and Financial Reporting Framework

1. The financial statements prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There has been no departure from the best practices of the corporate governance, as detailed in the listing regulations.



8. The key operating and financial data of last six years of the Bank is placed below:

	Rs. in million					
	2005	2004	2003	2002	2001	2000
Shareholders Equity	5,034	3,568	2,753	2,074	1,845	1,453
Paid-up Capital	1,560	1,200	1,000	1,000	800	625
Total Assets	79,666	67,891	58,982	41,381	27,118	20,770
Deposits	56,713	48,596	39,338	28,515	17,902	13,136
Advances	43,463	40,122	32,230	19,444	12,988	11,367
Investments	22,809	15,560	17,959	15,014	8,265	2,614
Pre-tax Profit	2,032	1,378	1,224	876	763	568
After-tax Profit	1,465	816	678	430	335	226
Earnings Per Share (Rupees)*	9.39	5.23	5.65	4.30	3.35	2.82
Dividends (%)	33.33 (B)	30 (B)	20 (B)	20 (C)	25 (B)	28 (B)
No. of Staff	1,143	1,045	901	763	561	494
No. of Branches	51	47	40	35	25	21

* Adjusted for bonus issue

Value of investments of Provident Fund and Funded Gratuity Scheme are as under:

- Provident Fund Rs. 126,675 thousand as at June 30, 2005
- Gratuity Fund Rs. 54,626 thousand as at December 31, 2005

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

On behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi: March 4, 2006



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2005

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes six independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI / NBFIs.
4. No casual vacancy occurred in the Board during the year.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Bank.
6. The Board has developed a vision/mission statement and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment of and determination and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose. During the year four Board meetings were held and written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank are well conversant with their duties and responsibilities and have attended the Orientation course organized by the State Bank of Pakistan.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.
11. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.



13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises of three members of whom two are non-executive directors including the Chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. An effective internal audit function is already in place.
17. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

On behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi : March 4, 2006



AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2005 prepared by the Board of Directors of Metropolitan Bank Limited, to comply with the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2005.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi : March 4, 2006



STATEMENT ON INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No.7 dated May 27, 2004.

Management Evaluation of Internal Control System

The management of Metropolitan Bank Limited remains responsible for implementing strategies and policies approved by the Board of Directors; maintaining an effective organization structure; instituting appropriate control procedures and monitoring the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and maintained.

The Bank's fundamental policy is to embed control in each of our processes and make controls an important part of all our business activities. Each member of the staff is also responsible for ensuring that bank always operates in a controlled manner and inordinate 'risks' are not taken in any activity.

The Bank's organization structure and lines of authority are well-defined and processes throughout the Bank are largely governed by policies and procedures approved by the Board. However, their review and updating to meet regulatory requirements and changing practices remains a continued activity to achieve effective control objectives.

Effectiveness of Internal Controls is reviewed on a regular basis by Internal Audit submitting reports to Audit Committee. Views expressed by External Auditors are also provided utmost importance and corrective actions on all audit observations are followed-up rigorously.

While concerted efforts were made to follow SBP Guidelines on Internal Controls, the identification, evaluation and management of risks within each of the bank's activities; and evaluation and change of procedures remains an ongoing process. On an overall basis, Internal Controls at Metropolitan Bank Limited were operating with reasonable adequacy throughout the year ended December 31, 2005 and reflect improvement from last year in organization structure; effective adherence with lines of authority; automation, effectiveness of processes and regulatory compliance. Further, the Bank did not incur any material losses arising from operational risk exposures. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors and there have been no material disputes thereon.

Internal Controls always manage rather than eliminate possibility of process failures to achieve their objectives and hence, can only provide reasonable assurance against material misstatements or loss.



**Board of Directors' Remarks on the
Management's evaluation of Internal Controls**

Keeping in view the feedback received by Board of Directors from the Audit Committee; reports submitted as to the business policies and major risks related decision taken by the management, the Board of Directors endorse Management's evaluation of Internal Controls.

On behalf of the Board

KASSIM PAREKH
President & Chief Executive

Karachi: March 4, 2006



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Metropolitan Bank Limited as at December 31, 2005, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year ended December 31, 2005, in which are incorporated the unaudited certified returns from the branches except for 7 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors/Management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984, (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
 - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, (LVII of 1962), and the Companies Ordinance, 1984, (XLVII of 1984), in the manner so required and give a true and fair



view of the state of the Bank's affairs as at December 31, 2005, its true balance of profit, its cash flows and changes in equity for the year ended December 31, 2005; and

- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi : March 4, 2006

HYDER BHIMJI & CO.
Chartered Accountants



BALANCE SHEET

AS AT DECEMBER 31, 2005

	Note	2005	2004
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	5,145,677	4,648,318
Balances with other banks	7	1,118,240	2,359,259
Lendings to financial institutions	8	5,462,582	4,132,234
Investments	9	22,809,126	15,559,826
Advances	10	43,463,256	40,121,548
Other assets	11	1,248,095	699,665
Operating fixed assets	12	418,922	369,675
Deferred tax assets		–	–
		79,665,898	67,890,525
LIABILITIES			
Bills payable	13	1,046,050	1,203,214
Borrowings from financial institutions	14	14,429,178	12,327,265
Deposits and other accounts	15	56,712,820	48,595,565
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Other liabilities	16	1,333,691	965,049
Deferred tax liabilities	17	484,994	535,636
		74,006,733	63,626,729
NET ASSETS		5,659,165	4,263,796
REPRESENTED BY			
Share capital	18	1,560,000	1,200,000
Reserves		3,374,951	2,321,951
Unappropriated profit		98,569	46,261
		5,033,520	3,568,212
Surplus on revaluation of assets	19	625,645	695,584
		5,659,165	4,263,796
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 42 form an integral part of these accounts.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

BASHIR ALI MOHAMMAD
Director

FIRASAT ALI
Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005 Rupees in '000	2004
Mark-up/Return/Interest Earned	21	4,358,556	2,783,812
Mark-up/Return/Interest Expensed	22	(2,224,648)	(1,260,702)
Net Mark-up/ Interest Income		2,133,908	1,523,110
Provision against non-performing loans and advances	10.4	51,088	84,192
Provision for diminution in the value of investments		-	-
Bad debts written off directly		753	432
		(51,841)	(84,624)
Net Mark-up/ Interest Income after provisions		2,082,067	1,438,486
Non Mark-up/Interest Income			
Fee, Commission and Brokerage Income		423,428	372,048
Dividend Income		33,231	5,490
Income from dealing in foreign currencies		330,604	279,363
Other Income	23	139,503	97,765
Total non-markup/interest Income		926,766	754,666
		3,008,833	2,193,152
Non Mark-up/Interest Expenses			
Administrative expenses	24	970,599	814,337
Other provisions/write off		-	-
Other charges	25	6,505	894
Total non-markup/interest expenses		(977,104)	(815,231)
		2,031,729	1,377,921
Extra ordinary/unusual items		-	-
Profit before taxation		2,031,729	1,377,921
Taxation - Current	26	621,000	478,000
- Prior years		(140,700)	-
- Deferred		86,121	84,382
		(566,421)	(562,382)
Profit after taxation		1,465,308	815,539
Unappropriated profit brought forward		46,261	53,722
Profit available for appropriation		1,511,569	869,261
Appropriations:			
Transfer To:			
Statutory reserve		293,000	163,000
Capital reserve		-	-
Revenue reserve		600,000	300,000
Proposed cash dividend Rs. Nil (2004: Nil) per share		-	-
Reserve for issue of bonus shares in the ratio of 1 (2004: 3) share for every 3 shares (2004: 10) held		520,000	360,000
		1,413,000	823,000
Unappropriated profit carried forward		98,569	46,261
Basic/Diluted Earnings per share - Rupees	27	9.39	5.23

The annexed notes 1 to 42 form an integral part of these accounts.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

BASHIR ALI MOHAMMAD
Director

FIRASAT ALI
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,031,729	1,377,921
Less : Dividend income		(33,231)	(5,490)
		1,998,498	1,372,431
Adjustment for non-cash charges:			
Depreciation		39,882	39,421
Provision against non-performing advances		51,088	84,192
Provision for diminution in the value of investments		–	–
(Gain) on sale of fixed assets		(3,842)	(14,422)
Fixed assets written off		–	183
		87,128	109,374
		2,085,626	1,481,805
(Increase)/Decrease in operating assets			
Lendings to financial institutions		(1,330,348)	(235,950)
Advances - net		(3,392,796)	(7,976,157)
Other assets (excluding advance taxation)		(548,430)	(47,338)
		(5,271,574)	(8,259,445)
Increase/(Decrease) in operating liabilities			
Bills Payable		(157,164)	263,434
Borrowings from financial institutions		2,101,913	(827,871)
Deposits		8,117,255	9,257,515
Other liabilities (excluding taxation and dividend)		293,058	78,059
		10,355,062	8,771,137
		7,169,114	1,993,497
Income tax paid		(404,714)	(574,125)
Net cash flow from operating activities		6,764,400	1,419,372
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(6,366,261)	5,881,679
Net investments in held-to-maturity securities		(1,089,741)	(4,148,337)
Dividend income		33,231	5,490
Investments in operating fixed assets		(90,193)	(79,765)
Sale proceeds of property and equipment disposed-off		4,906	27,806
Net cash flow from investing activities		(7,508,058)	1,686,873
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(2)	(551)
Increase in cash and cash equivalents		(743,660)	3,105,694
Cash and cash equivalents at beginning of the year	28	7,007,577	3,901,883
Cash and cash equivalents at end of the year	28	6,263,917	7,007,577

The annexed notes 1 to 42 form an integral part of these accounts.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

BASHIR ALI MOHAMMAD
Director

FIRASAT ALI
Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Share capital	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
-----Rupees in '000-----							
Balance as on January 1, 2004	1,000,000	658,590	240,361	600,000	200,000	53,722	2,752,673
Issue of bonus shares	200,000	-	-	-	(200,000)	-	-
Profit after tax	-	-	-	-	-	815,539	815,539
Transfer from profit and loss account	-	163,000	-	300,000	360,000	(823,000)	-
Balance as on December 31, 2004	1,200,000	821,590	240,361	900,000	360,000	46,261	3,568,212
Balance as on January 1, 2005	1,200,000	821,590	240,361	900,000	360,000	46,261	3,568,212
Issue of bonus shares	360,000	-	-	-	(360,000)	-	-
Profit after tax	-	-	-	-	-	1,465,308	1,465,308
Transfer from profit and loss account	-	293,000	-	600,000	520,000	(1,413,000)	-
Balance as on December 31, 2005	1,560,000	1,114,590	240,361	1,500,000	520,000	98,569	5,033,520

The annexed notes 1 to 42 form an integral part of these accounts.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

BASHIR ALI MOHAMMAD
Director

FIRASAT ALI
Director



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. STATUS AND NATURE OF BUSINESS

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 quoted on all the stock exchanges in Pakistan.

Metropolitan Bank Limited is a fully accredited scheduled commercial bank, operating under supervision of the State Bank of Pakistan.

The objects for which the bank is established are to carry on the business of "Banking Companies" as defined by the Banking Companies Ordinance, 1962. It operates 51 branches (2004: 47 branches) including an Islamic Banking Branch in Pakistan.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared in accordance with the requirements of the State Bank of Pakistan under powers conferred upon it under the Banking Companies Ordinance, 1962 to conform with BSD Circular No. 36 dated October 10, 2001.

2.2 The financial results of the Islamic Banking have been consolidated in these financial statements for reporting purpose, after eliminating material intra bank transactions / balances. Key financial figures of the Islamic Banking Branch are disclosed in note 29.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in compliance with the directives issued by the State Bank of Pakistan, the requirements of the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted and applicable in Pakistan.

3.2 The application of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property have been deferred by the State Bank of Pakistan vide BSD Circular Letter No. 10 dated August 26, 2002, and accordingly the requirement of these standards have not been considered in the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These accounts have been prepared under the historical cost convention except for certain investments which are stated on mark to market basis.



5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalent comprises cash and balances with treasury banks and balances with other banks.

5.2 Revenue recognition

Mark-up/return on advances and investments is recognized on an accrual basis, except for income which is required to be carried forward in compliance with the Prudential Regulations issued by the State Bank of Pakistan. Income from dealing in foreign currencies, fee, commission and brokerage except income from letters of guarantee are accounted for on receipt basis.

Dividend income is recognized when the bank's right to receive the dividend is established.

5.3 Advances including net investment in finance lease

Advances and net investment in finance lease are stated net of provisions for bad and doubtful debts and are based on the appraisal carried out, taking into consideration the Prudential Regulations issued by the State Bank of Pakistan and where such provision is considered necessary, it is charged to profit and loss account.

When assets are held subject to finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

5.4 Investment

Investments are classified on the basis of the intended purpose of holding such investments.

Held-for-trading - These are securities, which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

Held-to-maturity - These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity.

Available-for-sale - These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments in government and quoted securities other than those classified under held-to-maturity are marked to market and the difference between the carrying value, (representing cost adjusted for amortisation of premium or accretion of discount), and the revalued amount is recognized in the surplus / deficit on revaluation account.

The different between the face value and the purchase price of held-to-maturity security is amortised over the remaining life.



Investments in unquoted securities and associated companies are accounted for at cost.

Gain or loss arising on disposal during the year is taken to profit and loss account.

Repurchase and resale agreements

Investment securities sold subject to linked repurchase agreements (repos) are retained in the financial statements and shown as borrowings from financial institutions.

Investment securities purchased subject to linked resale agreements (reverse repos) are deleted from the financial statements and shown as lendings to financial institutions.

5.5 Operating fixed assets

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost.

Depreciation is charged, on a systematic basis over the estimated useful life of the fixed assets, on straight line method except office premises which is being depreciated on diminishing balance method, at the rates specified in note 12.2.

Depreciation is charged from the date of acquisition till date of disposal. Maintenance and normal repairs are charged to income as and when incurred. Gains or losses on disposal of assets are charged to income currently.

5.6 Taxation

5.6.1 Current

Current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable in respect of previous years.

5.6.2 Deferred

Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates applicable at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized.

Deferred tax asset is reduced to the extent that it is no longer probable that the related benefits will be realized.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of fixed asset and securities which is adjusted against the related deficit/surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

5.7 Staff retirement benefits

5.7.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on completion of prescribed qualifying period of service under the gratuity scheme. The actuarial valuation is carried out annually using "Projected Unit Credit Actuarial Cost Method".

5.7.2 Defined contribution plan

The bank also operates a recognized provident fund scheme for all its regular employees, which is administered by the board of trustees. Contribution is made in accordance with the terms of the scheme.

5.8 Foreign currencies

Foreign currency balances are translated into Pakistani rupees at the rates of exchange prevailing at the balance sheet date or where appropriate, at the contractual rate. Forward exchange fees are charged in the year in which the contracts are entered into by the bank. Gains or losses on translation are accounted for through profit and loss account.

Commitments for outstanding forward exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the balance sheet date.

5.9 Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per terms of service contract, up to balance sheet date.

5.10 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when carrying value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.11 Impairment

The carrying amount of Bank's assets except deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

5.12 Provision for contingencies

Provision for guarantee claims and other off balance sheet obligations are recognized when intimated and reasonable certainty exists for the Bank to settle the obligations. Expected



recoveries are recognized by debiting the customers' account. Charge to profit and loss account is stated net off expected recoveries.

5.13 Transactions with related parties

The transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method.

5.14 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and the Bank intends to either settle on net basis or to realize the assets and settle the liability simultaneously.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2005	2004
		Rupees in '000	
In hand :			
Local currency		852,373	770,897
Foreign currencies		95,568	73,492
With State Bank of Pakistan :			
Local currency current accounts		3,522,635	3,143,977
Foreign currency - current account		10,488	19,658
- cash reserve account		147,120	154,072
- special cash reserve account	6.1	441,361	462,918
With National Bank of Pakistan in local currency current account		76,132	23,304
		<u>5,145,677</u>	<u>4,648,318</u>

6.1 This represents funds placed with State Bank of Pakistan pursuant to the requirements of BSD Circular No. 18 dated March 31, 2001 and carry mark-up rate of 3.29% (2004: 1.29%) p.a.

7. BALANCES WITH OTHER BANKS

In Pakistan :			
Local currency current accounts		204,780	391,205
Local currency deposit accounts	7.1	6,500	3,016
Outside Pakistan :			
Foreign currencies current accounts		531,669	272,561
Foreign currencies deposit accounts	7.1	375,291	1,692,477
		<u>1,118,240</u>	<u>2,359,259</u>

7.1 These deposits have been placed at interest rates ranging between 2.31% p.a. to 4.45% (2004: 2.22% to 4.70%) p.a.



8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	1,100,000	1,085,000
Repurchase agreement lendings (Reverse Repo)	8.2	4,362,582	3,047,234
		5,462,582	4,132,234

8.1 These are unsecured placements with banks and carry mark-up rates ranging between 7.75% to 9.00% (2004: 2.00% to 12.25%) p.a., with maturities upto February 2006.

8.2 Securities held as collateral against lendings to financial institutions:

	2005			2004		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	3,888,682	–	3,888,682	1,722,947	–	1,722,947
Pakistan Investment Bonds	275,000	–	275,000	447,500	–	447,500
Term Finance Certificates	198,900	–	198,900	406,787	–	406,787
Quoted Shares	–	–	–	470,000	–	470,000
	4,362,582	–	4,362,582	3,047,234	–	3,047,234

9. INVESTMENTS

9.1 Investments by types

Available-for-sale securities

	2005			2004		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----						
- Pakistan Investment Bonds	5,155,069	2,450,000	7,605,069	5,280,715	3,250,000	8,530,715
- Treasury Bills	4,016,920	2,308,618	6,325,538	–	–	–
- Term Finance Certificates	1,515,430	–	1,515,430	1,357,380	–	1,357,380
- WAPDA Bonds	200,000	–	200,000	200,000	–	200,000
- Ordinary shares of listed companies	248,653	–	248,653	176,498	–	176,498
- Ordinary shares of un-listed companies	80,759	–	80,759	30,680	–	30,680
- Preference Shares	65,000	–	65,000	65,000	–	65,000
- Mutual Funds	1,523,676	–	1,523,676	1,045,245	–	1,045,245
- National Prize Bonds	5,183	–	5,183	4,231	–	4,231
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	–	1,740	1,740	–	1,740

Held-to-maturity securities

- Pakistan Investment Bonds	154,154	–	154,154	–	–	–
- Federal Investment Bonds	337,461	–	337,461	1,311,700	–	1,311,700
- Treasury Bills	3,106,463	–	3,106,463	2,506,637	–	2,506,637
- Certificates of Investment	1,640,000	–	1,640,000	330,000	–	330,000
	18,050,508	4,758,618	22,809,126	12,309,826	3,250,000	15,559,826



9.2 Investments by segments

Federal Government Securities:

- Market Treasury Bills	9.2.1
- Pakistan Investment Bonds	9.2.2
- Federal Investment Bonds	9.2.3
- National Prize Bonds	

2005
2004
Rupees in '000

9,432,001	2,506,637
7,759,223	8,530,715
337,461	1,311,700
5,183	4,231
17,533,868	12,353,283

Fully Paid up Ordinary Shares:

- Listed companies	9.2.4
- Unlisted companies	9.2.5

248,653	176,498
80,759	30,680
329,412	207,178

Fully Paid up preference Shares:

- Listed companies	9.2.6
- Unlisted companies	9.2.7

40,000	40,000
25,000	25,000
65,000	65,000

Term finance certificates, debentures, bonds and participation term certificates:

- Listed term finance certificates	9.2.8
- Unlisted term finance certificate	9.2.9
- WAPDA Bonds	

926,930	714,630
588,500	642,750
200,000	200,000
1,715,430	1,557,380

Other Investments

- Certificates of Investments	9.2.10
- Mutual Funds	
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)	9.2.11

1,640,000	330,000
1,523,676	1,045,245
1,740	1,740
3,165,416	1,376,985

22,809,126	15,559,826
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9.2.1 These securities have maturity periods of 3, 6 and 12 months, with yield ranging between 4.74% to 8.80% (2004: 2.06% to 4.49%) p.a.

9.2.2 These securities have maturity period of 3 to 10 years with interest rates ranging between 8.00% to 14.00% (2004: 8.00% to 14.00%) p.a. Also included herein securities having a book value of Rs. 158,500 thousand (2004: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan as security to facilitate TT discounting facility.

9.2.3 These securities have a maturity period of 10 years and carry interest rate of 15% (2004: 15%) p.a.

9.2.4 Fully paid-up ordinary shares - listed

	Number of shares*		Rupees in '000	
	2005	2004	2005	2004
ABAMCO Composite Fund	5,000,000	5,000,000	47,750	42,500
First National Equities Limited	-	1,247,500	-	13,972
Guardian Modaraba	227,250	227,250	1,965	2,079
Fauji Fertilizer Company	49,100	-	6,727	-
PICIC Growth Fund	35,000	-	1,736	-
Pakistan Capital Market Fund	-	7,000	-	72
Pakistan Oil Field Limited	20,000	248,500	8,560	61,280
Pakistan Petroleum Limited	-	325,000	-	46,849
Pakistan Telecommunication Corporation Limited	-	220,500	-	9,746
Union Bank Limited	1,574,000	-	108,370	-
Hub Power Company Limited	1,110,000	-	26,640	-
Pakistan Strategic Allocation Fund	4,009	-	46,905	-
			248,653	176,498

*Ordinary shares/units of Rs. 10 each



9.2.5 Fully paid-up ordinary shares - unlisted

Kushhali Bank Limited Ordinary shares of Rs. 1,000,000 each Chief Executive - Mr. Ghalib Nishtar Break-up value per share Rs. 1,020,124 based on audited accounts for the year ended December 31, 2004	25	25	25,000	25,000
Pakistan Export Finance Guarantee Agency Limited Ordinary shares of Rs. 10 each Chief Executive - Mr. S. M. Zaeem Break-up value per share Rs. 7.34 based on audited accounts for the year ended December 31, 2004	568,000	568,000	5,680	5,680
DHA Cogen Limited Ordinary shares of Rs. 10 each Chief Executive - Mr. Michael Yap Break-up value per share Rs. 8.61 based on audited accounts for the year ended June 30, 2005	5,000,000	–	50,000	–
Metropolitan Trade Services Limited Ordinary shares of HKD 1 each	10,000	–	79	–
			<u>80,759</u>	<u>30,680</u>

9.2.6 Fully paid-up preference shares - listed

Chenab Limited Preference shares of Rs.10 each	4,000,000	4,000,000	<u>40,000</u>	<u>40,000</u>
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These are non-voting, cumulative preference shares redeemable after the end of four years from the date of issuance and carry preferred dividend of 9.25% p.a.

9.2.7 Fully paid-up preference shares - unlisted

Jamshoro Joint Venture Limited Ordinary shares of Rs. 10 each Chief Executive - Mr. Iqbal Z. Ahmed	2,500,000	2,500,000	<u>25,000</u>	<u>25,000</u>
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These are non-voting, cumulative, preference shares redeemable five years after the date of issuance and carry preferred dividend of 15% per annum on cumulative basis.



	No. of certificates		Face Value	Maturity Date	2005		2004
	2005	2004			2005	2004	Rupees in '000
9.2.8 Term Finance Certificates - listed							
Askari Commercial Bank Limited	7,000	5,000	5,000	Jun-09 & Jun-13	35,700		25,000
Atlas Investment Bank Limited	-	2,506	5,000	Aug-05	-		12,530
Bank Alfalah Limited	12,700	12,700	5,000	Dec-08	74,613		74,613
Bank Al-Habib Limited	10,000	10,000	5,000	Jun-12	50,000		50,000
Engro Chemical Pakistan Limited	-	15,540	5,000	Jul-07	-		78,011
Gulshan Spinning Mills Limited	-	2,868	5,000	Jan-08	-		15,487
Ittehad Chemicals Limited	1,714	1,714	5,000	Jun-08	8,913		8,913
Jehangir Siddiqui & Company Limited	5,182	5,182	5,000	Apr-08	25,910		25,910
Muslim Commercial Bank Limited	8,544	8,544	5,000	Feb-08	42,720		43,575
Nishat Mills Limited	-	6,465	5,000	Sep-05	-		32,325
Orix Leasing Pakistan Limited	15,000	15,000	5,000	Jul-07	83,250		75,150
Packages Limited	-	5,000	5,000	Jan-05	-		25,000
Pak Arab Fertilizer Limited	50,000	-	5,000	Jul-12	250,000		-
Pakistan Services Limited	2,987	2,987	5,000	Nov-08	15,532		15,532
Prime Commercial Bank Limited	1,974	-	5,000	Mar-10	9,868		-
Saudi Pak Leasing Company Limited	-	8,342	5,000	Jun-07	-		41,710
Securetel (SPV) Limited	9,600	9,600	5,000	Mar-06	49,440		49,440
Sitara Chemical Industries Limited	3,150	3,150	5,000	Jun-07	17,955		17,955
Soneri Bank Limited	11,998	-	5,000	Mar-13	59,988		-
Sui Southern Gas Company Limited	6,600	6,600	5,000 & 100,000	Jun-06 & Jun-07	36,310		33,673
Trust Leasing Company Limited	9,857	9,857	5,000	Jun-08 & Jun-09	51,481		51,481
Trust Leasing & Investment Bank Limited	5,000	-	5,000	Sep-10	25,000		-
United Bank Limited	10,000	-	5,000	Jun-12	50,000		-
WorldCall Communication Limited	7,000	7,000	5,000	Sep-07	40,250		38,325
					926,930		714,630

9.2.9 Term Finance Certificates - unlisted

Dewan Mushtaq Textile Mills Limited	10,000	10,000	5,000	Jun-07	50,000		31,250
Dewan Sugar Mills Limited	-	20	500,000	Jan-05	-		3,000
Fidelity Investment Bank Limited	8,000	8,000	5,000	Sep-07	40,000		40,000
Jamshoro Joint Venture Limited	11,000	15,000	5,000	Dec-09	55,000		75,000
Pakistan International Airlines Corp. Limited	38,700	38,700	5,000	Feb-11	193,500		193,500
Pakistan Mobile Communication (Pvt) Limited	50,000	50,000	5,000	Mar-09 & Sep-08	250,000		250,000
United Bank Limited	-	10,000	5,000	Jun-12	-		50,000
					588,500		642,750

The term finance certificates are redeemable in quarterly / half-yearly installments and carry mark-up rates ranging between 7.00% to 14.15% (2004: 3.50% to 15%) p.a.

9.2.10 This represents investment in Certificates of Investment of various financial institutions carrying profit rate ranging between 9.65% to 12.45% (2004: 3.75% to 9.10%) p.a. maturing on various dates in year 2006.

9.2.11 Society for Worldwide Interbank Financial Telecommunication (SWIFT) allocates shares based on the financial contribution from network-based services. As on December 31, 2005, 14 (2004: 14) shares were held by the bank.



		2005	2004
		Rupees in '000	
10. ADVANCES			
Loans, cash credits, running finances, etc.,			
In Pakistan		34,196,964	33,856,122
Net investment in finance lease			
In Pakistan	10.2	845,695	327,224
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,498,225	1,545,216
Payable outside Pakistan		6,442,811	4,870,726
		8,941,036	6,415,942
		43,983,695	40,599,288
Provision for non-performing advances	10.4	(520,439)	(477,740)
		43,463,256	40,121,548
10.1 Particulars of advances			
10.1.1 In local currency		38,390,740	37,184,133
In foreign currencies		5,072,516	2,937,415
		43,463,256	40,121,548
10.1.2 Short Term (for up to one year)		40,526,267	39,341,136
Long Term (for over one year)		2,936,989	780,412
		43,463,256	40,121,548

10.2 Net Investment in Finance Lease:

	2005				2004			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rental receivable	384,994	475,045	-	860,039	85,544	240,971	-	326,515
Residual value	3,960	79,254	-	83,214	-	36,877	-	36,877
Minimum lease payments	388,954	554,299	-	943,253	85,544	277,848	-	363,392
Financial charges for future periods	(21,810)	(75,748)	-	(97,558)	(8,139)	(28,029)	-	(36,168)
Present value of minimum lease payments	367,144	478,551	-	845,695	77,405	249,819	-	327,224

10.3 Advances include Rs. 88,724 thousand (2004: Rs. 89,690 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	2005		
	Domestic	Provision Required	Provision Held
	Rupees in '000		
Substandard	-	-	-
Doubtful	-	-	-
Loss	88,724	78,328	78,328
	88,724	78,328	78,328



10.4 Particulars of provision against non-performing advances:

	2005			2004		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000s)-----					
Opening balance	71,541	406,199	477,740	80,708	326,800	407,508
Charge for the year	20,610	35,912	56,522	17,113	79,399	96,512
Reversals	(5,434)	—	(5,434)	(12,320)	—	(12,320)
Net charge for the year	15,176	35,912	51,088	4,793	79,399	84,192
Amount written off	(8,389)	—	(8,389)	(13,960)	—	(13,960)
Closing balance	78,328	442,111	520,439	71,541	406,199	477,740

The general provision includes provision made against consumer portfolio in accordance with prudential regulations issued by State Bank of Pakistan at 1.50% of fully secured and at 5% of the unsecured consumer portfolios.

	2005	2004
	Rupees in '000	
10.5 Particulars of write off :		
10.5.1 Against provisions	8,389	13,960
Directly charged to profit and loss account	753	432
	<u>9,142</u>	<u>14,392</u>
10.5.2 Write off of Rs. 500,000 and above	8,367	13,960
Write off of below Rs. 500,000	775	432
	<u>9,142</u>	<u>14,392</u>

10.6 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to the persons during the year ended December 31, 2005 is enclosed as Annexure - I.

Balance as at December 31, 2005	Maximum total amount of advances including temporary advances granted during the year
	Rupees in '000

10.7 Particulars of loans and advances to directors, associated companies, etc.

Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members

69,760	69,760
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Debts due by executives of the Bank either severally or jointly with any other persons

27,650	33,919
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2005 2004
Rupees in '000

11. OTHER ASSETS

Income/ mark-up accrued in local currency	11.1	1,021,846	571,947
Income/ mark-up accrued in foreign currencies		16,031	4,656
Advances, deposits, advance rent and other prepayments		89,745	81,747
Encashment of government securities		103,304	30,007
Stationery and stamps on hand		11,427	8,512
Branch Adjustment		141	-
Others		5,601	2,796
		<u>1,248,095</u>	<u>699,665</u>

11.1 This is stated net off mark-up suspense account of Rs. 14,579 (2004: Rs. 15,913) thousand.

12. OPERATING FIXED ASSETS

Property and equipment	12.1	<u>418,922</u>	<u>369,675</u>
		<u>418,922</u>	<u>369,675</u>

12.1 Property and equipment

	C O S T			D E P R E C I A T I O N			Book value as at December 31, 2005	Rate of depreciation %
	Opening Balance January 1, 2005	Additions/ (deletions)	Closing Balance December 31, 2005	Opening Balance January 1, 2005	Charge for the year	Closing Balance December 31, 2005		
----- (Rupees in '000s) -----								
Leasehold land	7,488	-	7,488	-	-	-	7,488	-
Building on leasehold land	510,486	86,112	596,598	160,575	36,119	196,694	399,904	10
Furniture, fixture, office & computer equipments	56,245	2,620 (2,726)	56,139	45,312	3,280 (2,710)	45,882	10,257	10 & 20
Vehicles	3,255	1,461 (1,257)	3,459	2,415	355 (209)	2,561	898	20
Leasehold improvement	5,801	-	5,801	5,298	128	5,426	375	10
2 0 0 5 :	<u>583,275</u>	<u>90,193</u> <u>(3,983)</u>	<u>669,485</u>	<u>213,600</u>	<u>39,882</u> <u>(2,919)</u>	<u>250,563</u>	<u>418,922</u>	
2 0 0 4 :	<u>527,534</u>	<u>80,865</u> <u>(25,124)</u>	<u>583,275</u>	<u>185,736</u>	<u>39,421</u> <u>(11,557)</u>	<u>213,600</u>	<u>369,675</u>	

12.1.1 Detail of fixed assets sold / deleted with original cost or book value in excess of Rupees one million or two hundred fifty thousands respectively (whichever is less):

Particulars	Cost	Book Value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	-----Rupees in '000-----				
Vehicle	276	275	300	Insurance Claim	Adamjee Insurance Company Limited Adamjee House, I.I. Chundrigar Road, Karachi.

12.1.2 No fixed assets were sold to chief executive, any director or any executive during the year.

12.1.3 Gross carrying amount of fully depreciated assets still in use is Rs. 40,464 (2004: Rs. 36,536) thousand.



12.2 Intangible assets

Gross carrying amount of fully amortised intangible assets (computer software) still in use is Rs. 27,875 (2004: Rs. 27,875) thousand.

	2005	2004
	Rupees in '000	
13. BILLS PAYABLE		
In Pakistan	<u>1,046,050</u>	<u>1,203,214</u>
14. BORROWINGS FROM FINANCIAL INSTITUTIONS		
In Pakistan	14,087,025	12,048,131
Outside Pakistan	<u>342,153</u>	<u>279,134</u>
	<u>14,429,178</u>	<u>12,327,265</u>
14.1 Particulars of borrowings from financial institutions		
In local currency	14,087,025	12,048,131
In foreign currencies	<u>342,153</u>	<u>279,134</u>
	<u>14,429,178</u>	<u>12,327,265</u>
14.2 Details of borrowings from financial institutions		
Secured		
Borrowings from State Bank of Pakistan		
under export refinance scheme	14.2.1 9,228,389	8,598,130
Repurchase agreement borrowings	14.2.2 4,758,618	3,250,000
	13,987,007	11,848,130
Unsecured		
Call borrowings	14.2.3 100,000	200,000
Overdrawn nostro accounts	342,153	279,134
Overdrawn local bank account	18	1
	442,171	479,135
	<u>14,429,178</u>	<u>12,327,265</u>

14.2.1 These are secured against promissory notes, undertaking of the bank and export documents by granting the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the State Bank of Pakistan. Mark-up rates ranges between 4.00% to 7.50% (2004: 2.00% to 3.50%) p.a. which is payable quarterly or upon maturity of loans, whichever is earlier.

14.2.2 These have been borrowed from financial institutions and are secured against government securities and carries mark-up rates ranging between 8.20% to 8.60% (2004: 2.60% to 4.90%) p.a. with maturities upto March 2006.

14.2.3 These have been borrowed from commercial banks and carry mark-up rate at 8.10% (2004: 4.35% to 4.70%) p.a. with maturities up to January 2006.



	2005	2004
	Rupees in '000	
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	20,477,469	16,175,130
Savings deposits	13,456,081	14,238,988
Current Accounts - Non-remunerative	17,574,847	16,319,118
Others	573,191	308,439
	52,081,588	47,041,675
Financial Institutions		
Remunerative deposits	4,546,008	1,482,449
Non-remunerative deposits	85,224	71,441
	56,712,820	48,595,565
15.1 Particulars of deposits		
In local currency	53,619,286	45,315,645
In foreign currencies	3,093,534	3,279,920
	56,712,820	48,595,565
16. OTHER LIABILITIES		
Mark-up/Return/Interest payable in local currency	890,408	734,102
Mark-up/Return/Interest payable in foreign currencies	33,131	33,322
Unearned commission and income on bills discounted	59,743	17,642
Accrued expenses	76,387	62,170
Current taxation (provisions less payments)	76,803	1,217
Unclaimed dividends	386	388
Branch Adjustment	-	44
Locker Deposits	72,473	56,687
Security Deposit - finance lease	87,142	40,373
Others	37,218	19,104
	1,333,691	965,049
17. DEFERRED TAX LIABILITY		
Deferred tax credits arising due to:		
Surplus on revaluation of securities	376,292	513,055
Deferred tax debits arising in respect of:		
Accelerated depreciation	(8,786)	(13,508)
Provision for non-performing advances	(29,765)	(29,332)
	(38,551)	(42,840)
Deferred tax credits arising in respect of:		
Net investment in finance lease	147,253	65,421
	484,994	535,636



		2005	2004
		Rupees in '000	
18. SHARE CAPITAL			
18.1 Authorized Capital			
	2005	2004	
	Number		
	<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs.10/- each
			<u>2,000,000</u>
			<u>2,000,000</u>
18.2 Issued, subscribed and paid up			
	2005	2004	
	Number		
	<u>30,000,000</u>	30,000,000	Ordinary shares
	<u>126,000,000</u>	90,000,000	Fully paid in cash
			<u>300,000</u>
			300,000
			Issued as bonus shares
	<u>156,000,000</u>	<u>120,000,000</u>	<u>1,260,000</u>
			<u>900,000</u>
			<u>1,560,000</u>
			<u>1,200,000</u>
19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
19.1 Surplus on revaluation of Securities			
i) Federal and Provincial Government securities		<u>800,313</u>	1,131,261
ii) Other securities		<u>201,624</u>	<u>77,378</u>
		<u>1,001,937</u>	1,208,639
Less: related deferred tax liability		<u>(376,292)</u>	<u>(513,055)</u>
		<u>625,645</u>	<u>695,584</u>
20. CONTINGENCIES AND COMMITMENTS			
20.1 Direct Credit Substitutes			
Includes general guarantees of indebtedness, bank acceptances guarantees and standby letters of credit serving as financial guarantees for loans and securities - Others		<u>18,137</u>	<u>8,000</u>
20.2 Transaction-related Contingent Liabilities			
Including performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions.			
Government		<u>2,294,488</u>	1,773,180
Financial institutions		<u>1,523</u>	52,712
Others		<u>916,099</u>	596,966
		<u>3,212,110</u>	<u>2,422,858</u>
20.3 Trade-related Contingent Liabilities			
Letters of credits		<u>14,965,681</u>	11,614,050
Acceptances		<u>8,464,254</u>	4,310,640



2005 2004

Rupees in '000

20.4 Commitments in respect of forward exchange contracts

Purchase	6,394,818	4,417,339
Sale	9,678,156	6,413,653

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 year end, all foreign exchange contracts have a remaining maturity of less than one year.

20.5 Commitments in respect of operating leases

Not later than one year	74,048	66,307
Later than one year and not later than five years	63,709	75,155
	<u>137,757</u>	<u>141,462</u>

The Bank has entered into non-cancelable operating lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijara transaction. The monthly rental installments are spread over a period of 36 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.

21. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to:		
i) Customers	2,387,247	1,322,362
ii) Financial institutions	54,771	20,589
b) On investments in:		
i) Available-for-sale securities	1,191,919	955,117
ii) Held-to-maturity securities	392,881	324,386
iii) Associates and subsidiaries	-	2,275
c) On deposits with financial institutions	105,972	34,589
d) On securities purchased under resale agreements	225,766	124,494
	<u>4,358,556</u>	<u>2,783,812</u>

22. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	1,923,040	1,157,899
Securities sold under repurchase agreements	287,322	95,582
Other short term borrowings	14,286	7,221
	<u>2,224,648</u>	<u>1,260,702</u>

23. OTHER INCOME

Net profit on sale of fixed assets	3,842	14,422
Net gain on sale of securities	72,414	24,423
Recovery of expenses from customers	49,146	42,810
Others	14,101	16,110
	<u>139,503</u>	<u>97,765</u>



		2005	2004
		Rupees in '000	
24. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		294,073	227,948
Charge for defined benefit plan		5,177	5,177
Contribution to defined contribution plan		11,750	8,987
Brokerage and commissions		32,028	23,249
Rent, taxes, insurance, electricity etc.		118,440	91,206
Legal and professional charges		9,810	6,269
Communications		50,079	47,901
Repairs and maintenance		78,934	94,635
Rentals of operating leases		83,110	71,013
Stationery and printing		31,842	25,285
Advertisement and publicity		13,965	12,870
Donations	24.1	32,380	12,525
Auditors' remuneration	24.2	518	571
Depreciation	12.1	39,882	39,421
Security charges		15,169	12,655
Travelling and conveyance		9,965	8,453
Motor car running		28,132	24,399
Computer software, maintenance etc.		24,449	22,922
Others		90,896	78,851
		970,599	814,337

24.1 Details of the donations given in excess of Rupees one hundred thousand are given below:

Abdul Sattar Edhi Foundation	200	150
Ahmed Abdullah Foundation	100	150
Al-Sayyeda Benevolent Trust	720	1,000
Anjuman Behbood-e-Samat-e-Atfal	200	250
Anjuman Wazifa-e-Sadat-o-Momineen Pakistan	130	–
Ansar Burney Welfare Trust International	150	125
Beautification of I.I.Chundrigar Road - a social welfare project	7,500	–
Children Foundation Trust	–	500
Habib Education Trust	250	–
Habib Medical Trust	720	720
Habib Poor Fund	720	720
Hussaini Haematology & Oncology Trust	500	100
IDA Rieu Poor Welfare Association	150	150
Jahandad Society for Community Development	250	–
Lahore University of Management Sciences	250	300
Madarsa Jafria	198	–
Memon Education Board	250	250
Mohammadali Habib Welfare Trust	500	500
Pakistan Memon Educational & Welfare Trust	500	500
Pakistan Memon Women Educational Society	250	250
Patients Welfare Association	100	150
Police Welfare Trust	–	160
Presidents Relief Fund for Earthquake Victims-2005	10,000	–
Rahmat Bai Habib Food & Clothing Trust	720	720
Rahmat Bai Habib Widow & Orphans Trust	720	720
Safina-e-Ahlebait (Jamia Masjid & Imam Bargah)	730	–
Shaukat Khanum Memorial Trust	250	250
Sir Syed University of Engineering and Technology	200	–
Social Welfare Services Complex	200	–
Society for Welfare of Patient of SIUT	250	250
SSGC Tsunami Relief Fund	300	–
The Citizens Foundation	3,242	2,800
The Kidney Centre	250	250
The Layton Rehmatulla Benevolent Trust	250	250
The Society for the Prevention & Cure of Blindness	100	150

Recipients of donations do not include any donee in whom any director or their spouses had any interest.



	2005	2004
	Rupees in '000	
24.2 Auditors' remuneration		
Audit fee	400	400
Special certifications and sundry advisory services	91	156
Out of pocket expenses	27	15
	<u>518</u>	<u>571</u>
25. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	<u>6,505</u>	<u>894</u>
26. TAXATION		
For the year - current	621,000	478,000
- deferred	86,121	84,382
For prior years - current	<u>(140,700)</u>	-
	<u>566,421</u>	<u>562,382</u>
26.1		
Income-tax assessments have been finalised upto the tax year 2003 (corresponding to the accounting year ended December 31, 2002). The bank has filed return of income for the tax year 2005, (corresponding to the accounting year ended December 31, 2004) where the same is deemed to be an assessment order in terms of section 120 of the Income Tax Ordinance, 2001.		
26.2 Relationship between tax expense and accounting profit		
Profit before taxation	<u>2,031,729</u>	<u>1,377,921</u>
Tax at the applicable rate of 38% (2004: 41%)	772,057	564,948
Tax effect of expenses that are not deductible in determining taxable income	(88,390)	(43,766)
Tax effect of income not subject to tax	(51,701)	(41,205)
Tax effect of income taxed at reduced rate	(10,966)	(1,977)
Tax charge for the year	<u>621,000</u>	<u>478,000</u>
The Federal Government has, through the Finance Ordinance, 2002 reduced the rate of tax applicable on banking companies from 41% to 38% for the Tax Year 2006.		
27. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	<u>1,465,308</u>	<u>815,539</u>
Weighted average number of ordinary shares	<u>156,000</u>	<u>156,000</u>
Basic and diluted earnings per share - Rupees	<u>9.39</u>	<u>5.23</u>
28. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	5,145,677	4,648,318
Balances with other banks	<u>1,118,240</u>	<u>2,359,259</u>
	<u>6,263,917</u>	<u>7,007,577</u>
29. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCH		
Islamic Banking Fund	50,000	50,000
Deposits	289,868	15,562
Ijarah financing	244,497	-
Murabaha Financing	161,080	34,239
Profit before taxation	8,152	79
Contingent liabilities	83,862	-



	2005	2004
30. STAFF STRENGTH		
Number of employees at the end of the year	<u>1,143</u>	<u>1,045</u>

31. DEFINED BENEFIT PLAN

31.1 The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last drawn basic salary for each year of eligible service subject to a maximum of 24 months last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

31.2 The actuarial valuation was carried out on December 31, 2005 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for actuarial valuation were as follows:

Discounted rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Expected rate of return on investments	10 percent per annum

2005	2004
Rupees in '000	

31.3 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligations	62,317	47,358
Net actuarial gains or losses not recognized	(2,423)	8,005
Fair value of any plan assets	(59,894)	(55,363)
	<u>-</u>	<u>-</u>

Included herein is a sum of Rs. 17,196 thousand (2004: Rs. 13,311 thousand) placed under Bank's PLS fixed deposits and savings account.

31.4 Movement in payable to defined benefit plan

Opening balance	-	-
Charge for the year	5,177	4,062
Contribution to fund made during the year	(5,177)	(4,062)
Closing balance	<u>-</u>	<u>-</u>

31.5 Charge for defined benefit plan

Current service cost	6,145	5,174
Interest cost	4,262	2,737
Expected return on plan assets	(4,983)	(3,964)
Actuarial gains and losses	(247)	115
	<u>5,177</u>	<u>4,062</u>

31.6 Actual return on plan assets	<u>4,613</u>	<u>4,408</u>
--	---------------------	--------------

32. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees which is administered by the board of trustees. Equal monthly contributions are made both by the Bank and the employee to the fund at the rate of 10% of basic salary in accordance with the terms of the above fund.



33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	President/Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	-----Rupees in '000-----					
Fees	-	-	180	-	-	-
Managerial remuneration	2,041	1,465	138	138	22,806	12,893
Charge for defined benefit plan	170	122	11	12	1,433	833
Contribution to defined contribution plan	204	146	14	14	1,756	1,000
Rent and house maintenance	1,264	944	62	62	9,918	5,802
Utilities	96	95	14	14	2,280	1,289
Bonus	495	363	69	69	5,686	3,189
Others	966	1,243	-	184	-	-
	<u>5,236</u>	<u>4,378</u>	<u>488</u>	<u>493</u>	<u>43,879</u>	<u>25,006</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>1</u>	<u>31</u>	<u>18</u>

The Chief Executive, Executive Director and certain executives are provided with free use of cars and household equipments in accordance with their terms of employment.

34. MATURITIES OF ASSETS AND LIABILITIES

	2 0 0 5				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
	-----Rupees in '000-----				
Assets					
Cash and balances with treasury banks	5,145,677	5,145,677	-	-	-
Balances with other banks	1,118,240	1,118,240	-	-	-
Lendings to financial institutions	5,462,582	5,462,582	-	-	-
Investments	22,809,126	4,499,575	9,149,508	7,693,941	1,466,102
Advances	43,463,256	3,853,552	37,193,151	1,780,205	636,348
Other assets	1,248,095	1,195,162	11,519	41,414	-
Operating fixed assets	418,922	9,970	29,912	199,410	179,630
	<u>79,665,898</u>	<u>21,284,758</u>	<u>46,384,090</u>	<u>9,714,970</u>	<u>2,282,080</u>
Liabilities					
Bills payable	1,046,050	1,046,050	-	-	-
Borrowings from financial institutions	14,429,178	11,962,755	2,100,959	365,464	-
Deposits and other accounts	56,712,820	21,166,169	22,812,377	7,344,212	5,390,062
Other liabilities	1,333,691	857,254	389,295	87,142	-
Deferred tax liabilities	484,994	214	74,133	225,939	184,708
	<u>74,006,733</u>	<u>35,032,442</u>	<u>25,376,764</u>	<u>8,022,757</u>	<u>5,574,770</u>
Net assets	<u>5,659,165</u>	<u>(13,747,684)</u>	<u>21,007,326</u>	<u>1,692,213</u>	<u>(3,292,690)</u>
Share capital	1,560,000				
Reserves	3,374,951				
Unappropriated profit	98,569				
Surplus on revaluation of assets	625,645				
	<u>5,659,165</u>				



35. YIELD/INTEREST RATE RISK

2005

Effective Yield/Interest rate %	Total	Exposed to Yield/ Interest risk				Not exposed to Yield/Interest Risk
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years	
-----Rupees in '000-----						
On-balance sheet financial instruments						
Assets						
Cash and balances with treasury banks 3.29	5,145,677	441,361	-	-	-	4,704,316
Balances with other banks 2.31 to 4.45	1,118,240	381,791	-	-	-	736,449
Lendings to financial institutions 6.25 to 11.75	5,462,582	5,462,582	-	-	-	-
Investments 4.74 to 15.00	22,809,126	4,461,893	9,149,508	7,693,941	1,466,102	37,682
Advances 1.00 to 20.00	43,463,256	5,242,168	35,210,894	2,241,339	680,131	88,724
Other assets	1,230,926	-	-	-	-	1,230,926
	79,229,807	15,989,795	44,360,402	9,935,280	2,146,233	6,798,097
Liabilities						
Bills payable	1,046,050	-	-	-	-	1,046,050
Borrowings from financial institutions 4.00 to 8.60	14,429,178	11,962,756	2,100,958	365,464	-	-
Deposits and other accounts 1.50 to 9.02	56,712,820	17,519,517	13,695,745	4,609,223	2,655,073	18,233,262
Other liabilities	1,208,945	-	-	-	-	1,208,945
	73,396,993	29,482,273	15,796,703	4,974,687	2,655,073	20,488,257
On-balance sheet gap	5,832,814	(13,492,478)	28,563,699	4,960,593	(508,840)	(13,690,160)
Off-balance sheet financial instruments						
Forward lendings	-	-	-	-	-	-
Forward borrowings	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(13,492,478)	28,563,699	4,960,593	(508,840)	
Cumulative Yield/Interest Risk Sensitivity Gap		(13,492,478)	15,071,221	20,031,814	19,533,370	

Interest rate exposure arises from borrowing and lending activities of varying periods. The management regularly monitors interest rate fluctuations and maturities of various Assets and Liabilities to maintain the maturity gaps within acceptable levels.

36. CURRENCY RISK

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	72,991,884	76,230,210	3,283,338	45,012
United States Dollar	5,845,554	3,036,298	(2,918,822)	(109,566)
Great Britain Pound	220,094	245,678	19	(25,565)
Japanese Yen	20,542	8,538	(23,461)	(11,457)
Euro	498,133	135,751	(306,386)	55,996
Asian Currency unit	53,283	-	(12,869)	40,414
Swiss francs	2,715	-	(6,484)	(3,769)
Canadian Dollar	27,860	3,972	(21,646)	2,242
Arab Emirates Draham	1,356	-	-	1,356
Saudi Riyal	-	5,401	6,311	910
Australian Dollar	207	-	-	207
Other currencies	4,270	50	-	4,220
	79,665,898	79,665,898	-	-

The bank's policy is to keep currency risks to a minimum. The bank manages its foreign exchange risks by matching its foreign currency assets and liabilities. The net exposures and nostro balances are managed within limits prescribed by State Bank of Pakistan. Counter parties limits are also fixed to limit settlement risk.



37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits can not be calculated with sufficient reliability due to absence of current active market value for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the bank's accounting policy as stated in note 5.3

In the opinion of the management, fair value of remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of customer loans and deposits, are frequently repriced except for certain investments which are being stated at fair value as stated in note 9.

38. CONCENTRATION OF CREDITS AND DEPOSITS

The Bank places strong emphasis on long term stability before high returns. It is the bank's strategy to keep risks to a minimum through broad diversification in terms of geography, product mix, and to spread the bank's credit, trade financing and deposits activities over a wide range of customers. Lending, as a rule, is made on secured, and self liquidating basis.

	2 0 0 5					
	Advances		Deposits		* Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
38.1 Segment by class of business						
Chemicals and Pharmaceuticals	546,741	1.24	649,552	1.15	693,489	2.59
Agribusiness	100,779	0.23	674,467	1.19	70,300	0.26
Textile **	24,824,677	56.44	3,062,913	5.40	4,958,757	18.50
Cement	90,980	0.21	16,205	0.03	175,190	0.65
Sugar	196,234	0.44	46,191	0.08	309,936	1.16
Shoes and leather garments	363,847	0.83	628,153	1.11	80,227	0.30
Automobile and transportation equipment	771,185	1.75	3,396,988	5.99	82,272	0.31
Financial	436,353	0.99	4,631,232	8.17	155,894	0.58
Insurance	42,012	0.09	321,292	0.57	482	0.00
Transportation	239,478	0.54	470,076	0.83	244,554	0.91
Electronics and electrical appliances	631,999	1.44	430,891	0.76	130,966	0.49
Production and transmission energy	368,815	0.85	3,365,051	5.93	1,251,086	4.67
Individuals	422,101	0.97	19,078,115	33.63	44,810	0.17
Others	14,948,494	33.98	19,941,694	35.16	18,599,976	69.41
	<u>43,983,695</u>	<u>100.00</u>	<u>56,712,820</u>	<u>100.00</u>	<u>26,797,939</u>	<u>100.00</u>

*Excludes commitments in respect of forward exchange contracts.

**The management has ensured diversification within the sector.

38.2 Segment by sector

Public/ Government	—	—	8,946,432	15.77	1,422,602	5.31
Private	<u>43,983,695</u>	<u>100.00</u>	<u>47,766,388</u>	<u>84.23</u>	<u>25,375,337</u>	<u>94.69</u>
	<u>43,983,695</u>	<u>100.00</u>	<u>56,712,820</u>	<u>100.00</u>	<u>26,797,939</u>	<u>100.00</u>

38.3 Geographical segment analysis

	2 0 0 5			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000-----			
Pakistan	<u>2,031,729</u>	<u>79,665,898</u>	<u>5,659,165</u>	<u>26,797,939</u>



39. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties comprise of transactions with companies with common directorship, staff retirement benefit funds and key management personnel. The pricing policy in respect of these transaction is based on an arm's length basis using the comparable uncontrolled price method.

	2005	2004
	Rupees in '000	
Associates & other related parties		
Deposits (at year end)	2,522,343	2,010,427
Profit paid on deposits	150,493	93,126
Advances (at year end)	69,759	8,263
Mark-up/Interest earned	1,167	297
Trade related contingent liabilities (at year end)	279,658	565,908
Commission/Bank charges recovered	1,673	256
Rent income	554	132
Insurance premium paid	928	997
Contribution to staff retirement benefit funds	16,927	14,164
Key Management Personnel		
Deposits (at year end)	10,447	7,679
Profit paid on deposits	323	51
Advances (at year end)	908	356
Mark-up/Interest earned	8	10
Salaries, allowances etc.	15,417	13,788
Charge for defined benefit plan	465	325
Contribution to defined contribution plan	567	388

Net movements in the advances and deposits are summarized as under:

	2004	Net Disbursement/ Deposits	Net Repayment/ withdrawals	2005
Advances				
Associates & other related parties	8,263	5,950,324	5,888,828	69,759
Key Management Personnel	356	746	194	908
Deposits				
Associates & other related parties	2,010,427	56,887,588	56,375,672	2,522,343
Key Management Personnel	7,679	38,809	36,042	10,447

40. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of prudential regulations are considered. The estimates of forced sale values are supported by independent valuations of assets mortgaged / pledged. The required provisions change due to changes in these prudential regulations which includes increased percentage for provisioning against sub-standard portfolio and additional discounting of forced sale values.



The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations. The data about historical experience is being accumulated.

(b) Held-to-maturity investments

The Bank follows the guidance provided in State Bank of Pakistan's circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

(c) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at current income tax law and the decisions of appellate authorities on certain issues in the past.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 4, 2006 by the Board of Directors of the Bank.

42. GENERAL

- (i) Figures in the financial statements have been rounded off to the nearest thousand rupees.
- (ii) Prior year figures have been rearranged in note no. 27 to facilitate comparison and better presentation.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

BASHIR ALI MOHAMMAD
Director

FIRASAT ALI
Director

ANNEXURE-I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2005

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with NIC No.)	Fahters/ Husband's name	Outstanding Liabilities at beginning of the year			Principal written-off	Interest/ Mark-up written-fff	Other financial relief provided	Total ((9+10+11)	
				Principal	Interest/ Mark-up	Others					Total
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1	Fibre Dyeing (Private) Limited Defence Road, Lahore	Miss Sarah Sheikh 293-92-135537 Mr. Farrukh Raliq Sheikh 270-86-158711 Mrs. Aamina Adnan Sheikh N.A. Mrs. Nadia Nauman Sheikh N.A.	d/o Mr. Shafiq Sheikh s/o Mr. Sheikh Muhammad w/o Mr. Adnan Sheikh w/o Mr. Nauman Sheikh	8,000	962	-	8,962	7,525	962	-	8,487
2.	Babar International 172-Z, 2nd Floor, Adamjee Nagar, Block-B, Off: Jauhar Road, Karachi	Mr. Mahmood 512-55-087979	s/o Mr. Suleman	842	17	5	864	842	17	5	864
			Total	8,842	979	5	9,826	8,367	979	5	9,351



Pattern of Shareholdings as at December 31, 2005

Number of Shareholders		Size of Shareholding Rs. 10 each		Total Shares Held
154	1	—	100	7,119
311	101	—	500	91,297
214	501	—	1000	141,957
911	1001	—	5000	2,222,434
146	5001	—	10000	1,000,717
73	10001	—	15000	867,568
34	15001	—	20000	599,443
15	20001	—	25000	338,735
16	25001	—	30000	432,836
9	30001	—	35000	290,760
14	35001	—	40000	523,500
5	40001	—	45000	211,125
4	45001	—	50000	191,337
4	50001	—	55000	210,588
4	55001	—	60000	233,127
1	60001	—	65000	63,570
2	70001	—	75000	142,787
13	75001	—	80000	1,000,916
1	85001	—	90000	90,000
1	95001	—	100000	98,286
5	100001	—	105000	519,855
1	105001	—	110000	106,474
3	110001	—	115000	335,864
5	125001	—	130000	647,179
1	135001	—	140000	136,240
2	150001	—	155000	305,057
3	155001	—	160000	468,000
4	160001	—	165000	649,970
5	170001	—	175000	865,800
2	175001	—	180000	358,800
1	180001	—	185000	181,997
1	185001	—	190000	185,640
1	205001	—	210000	207,994
5	220001	—	225000	1,113,831
2	225001	—	230000	453,135
5	255001	—	260000	1,299,981
1	265001	—	270000	266,875
2	275001	—	280000	557,424
1	285001	—	290000	287,549
2	310001	—	315000	624,000
2	320001	—	325000	649,992
2	330001	—	335000	668,708
2	345001	—	350000	694,191
1	355001	—	360000	358,212
1	360001	—	365000	361,914
2	415001	—	420000	831,978
3	445001	—	450000	1,337,434
1	460001	—	465000	460,200
4	515001	—	520000	2,079,976
2	580001	—	585000	1,170,000
1	1035001	—	1040000	1,039,997
1	1135001	—	1140000	1,135,888
1	1160001	—	1165000	1,164,924
1	1490001	—	1495000	1,490,051
1	1560001	—	1565000	1,562,597
1	1775001	—	1780000	1,775,540
1	2020001	—	2025000	2,021,703
1	2115001	—	2120000	2,115,360
1	2375001	—	2380000	2,378,468



Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held
1	2400001	2,403,900
1	2965001	2,965,167
1	3680001	3,681,600
1	3695001	3,697,200
1	3700001	3,702,456
1	3750001	3,750,500
1	3780001	3,781,699
1	3790001	3,790,800
1	3815001	3,817,320
1	3820001	3,822,000
1	3835001	3,836,554
1	3840001	3,842,794
1	3875001	3,875,299
1	4155001	4,159,997
1	5080001	5,080,158
1	5195001	5,199,994
1	5715001	5,719,734
1	6275001	6,275,619
1	10325001	10,329,341
1	30640001	30,640,968
<u>2,033</u>		<u>156,000,000</u>

Categories of Share holders	Number of Shares held	Category wise No. of Share holders	Category wise Shares held	Percentage %
Individuals		1,927	33,440,591	21.44
Investment Companies		5	555,693	0.36
Joint Stock Companies		27	5,137,514	3.29
Directors, Chief Executive Officer and their spouses and minor children		9	7,304,407	4.68
Mr. Anwar H. Japanwala	1,039,997			
Mr. Kassim Parekh	519,994			
Mr. Bashir Ali Mohammad	4,159,997			
Mr. Mohamedali R. Habib	346,834			
Mrs. Syeda Mohamedali R. Habib	173,160			
Mr. Firasat Ali - Nominee NIT	-			
Mr. A. R. Wadiwala	519,994			
Mr. Salim A. Zubairi	519,994			
Mr. Zia Shafi Khan	24,437			
Executives		8	393,536	0.25
NIT/ICP			30,655,161	19.65
National Bank of Pakistan, Trustee Department *	30,646,168	2		
Investment Corporation of Pakistan	8,993	1		
Associated Companies, Undertakings and related parties		1	358,212	0.23
Habib Insurance Company Limited	358,212			
Public Sector Companies and Corporations		-	-	-
Banks, DFIs, Insurance Companies, Modarabas & Mutual Funds		13	9,346,035	5.99
Foreign Investors		26	66,904,880	42.89
Co-operative Societies		1	1,562,597	1.00
Charitable Trusts		3	72,300	0.05
Others		10	269,074	0.17
Total		2,033	156,000,000	100.00

* Holds ten percent or more voting interest in the Bank.

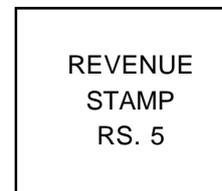


PROXY FORM

I/We _____
of _____
being member (s) of Metropolitan Bank Limited and holding _____
ordinary shares, as per Register folio _____
hereby appoint _____ Folio No. _____
of _____
or failing him _____ Folio No. _____
of _____

another member of the Bank to vote for me/us and on my/our behalf at the 14th Annual General Meeting of the Bank to be held on March 31, 2006 and at any adjournment thereof.

As Witness my/our hand this _____ day of March 2006.



SIGNATURE OF MEMBER(S)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
