



Metropolitan Bank Limited

ACCOUNTS FOR THE HALF YEAR
ENDED JUNE 30, 2006

(UN-AUDITED)



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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 0404 - 5
UAN : (021) 111-18-18-18

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

BRANCHES

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

PaperMarket:

Plot No. 7, 8 R-6, Altif 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



BRANCHES

Karachi:

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, Zaibunisa 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

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, BI-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

Lahore:

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) 5270904 (3 Lines)
 : (091) 5275784, 275709
UAN : (091) 111-18-18-18
Fax : (091) 527 5624
Telex : 52324 BNKMN PK

Quetta:

Shahrah-e-Iqbal,
G.P.O. Box 185, Quetta.
Phones : (081) 2835302, 2835308
UAN : (081) 111-18-18-18
Fax : (081) 2824209
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) 458002, 4580037
 : (052) 4604905, 4602451
 : (052) 4593571-3 (3 Lines)
UAN : (052) 111-18-18-18
Fax : (052) 458 8024
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 : (022) 278 3893, 278 4087
UAN : (022) 111-18-18-18
Fax : (022) 278 3894
Telex : 22093 BNKMN PK

Multan:

85-A, Qasim Road,
P.O. Box No. 108, Multan Cantt.
Phones : (061) 4583515 (3 Lines)
 : (061) 4785719-20
UAN : (061) 111-18-18-18
Fax : (061) 4583518
Telex : 42353 BNKMN PK

Faisalabad:

P/64, Taj Plaza, Kotwali Road, Faisalabad.
Phones : (041) 2649902 (5 Lines)
UAN : (041) 111-18-18-18
Fax : (041) 2649901
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-K, 10th Avenue, F-10, Islamabad.
Phones : (051) 210 2515-16
Fax : (051) 210 2514

Rahim Yar Khan:

24, Shahi Road, Rahim Yar Khan.
Phone : (068) 5883493
Fax : (068) 5874193

Kasur:

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

Gujranwala:

G.T. Road, Near Din Plaza, Gujranwala.
Phones : (055) 3845467, 3845768
Fax : (055) 3845466
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.



DIRECTORS' REVIEW

On behalf of the Board of Directors of Metropolitan Bank Limited, I am pleased to present the un-audited accounts for the half-year ended June 30, 2006.

Allhamdulillah, MetroBank now in its 15th year is making steady progress. During the half year under review, the deposits and advances portfolio of your Bank maintained a rising trend. The deposits at June 30, 2006 stood at Rs. 60,022 million against Rs. 56,713 million as of December 31, 2005. The advances portfolio has also been increased to Rs. 47,560 million on June 30, 2006 against Rs. 43,463 million as of December 31, 2005. The profit before tax for the half-year comes to Rs. 1,216 million compared to Rs. 803 million over the corresponding period last year. Earnings per share for the half-year ended June 30, 2006 works out to Rs. 4.03 per share.

For the sixth consecutive year, your Bank continues to enjoy the highest credit rating of AA+ (double A plus) for long term and A1+ (A one plus) for short term assigned to private sector banks in Pakistan by The Pakistan Credit Rating Agency Limited (PACRA). These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments. These ratings reflect strong competitiveness within its niche market and consistently robust performance. However, in the anticipation of the proposed merger of Pakistan Branches of Habib Bank AG Zurich with Metropolitan Bank Limited, the ratings of Metropolitan Bank are placed on Rating Watch by PACRA as per standard practice adopted in such cases.

During the period, the draft scheme of amalgamation of Habib Bank AG Zurich Pakistan Operations with and into Metropolitan Bank Limited along with change in name of the Bank to "Habib Metropolitan Bank Limited" was approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on July 13, 2006. The draft scheme of amalgamation along with name change application has been submitted to the State Bank of Pakistan for their approval.

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

On Behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi: August 26, 2006



REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed interim condensed balance sheet of **Metropolitan Bank Limited as at June 30, 2006**, and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim condensed financial statements"), for the half year then ended. These interim condensed financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review. The financial statements of the Bank for the half year ended June 30, 2005 and for the year ended December 31, 2005, were audited by another firm of chartered accountants, whose report dated August 24, 2005 and March 04, 2006, expressed an unqualified opinion on those statements.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatements. Our review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim condensed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: August 26, 2006



INTERIM CONDENSED BALANCE SHEET

AS AT JUNE 30, 2006

	Note	June 30, 2006 (Un-audited)	December 31, 2005 (Audited) (Restated)
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks		4,691,280	5,145,677
Balances with other banks		1,352,999	1,118,240
Lendings to financial institutions		9,967,025	5,462,582
Investments	5	27,249,648	22,809,126
Advances	6	47,560,285	43,463,256
Other assets		1,489,056	1,248,095
Operating fixed assets	7	455,822	418,922
Deferred tax assets		—	—
		92,766,115	79,665,898
LIABILITIES			
Bills payable		1,438,539	1,046,050
Borrowings from financial institutions		22,627,374	14,429,178
Deposits and other accounts	8	60,021,963	56,712,820
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities		1,864,493	1,333,691
Deferred tax liabilities		348,972	484,994
		86,301,341	74,006,733
NET ASSETS		6,464,774	5,659,165
REPRESENTED BY:			
Share capital	9	2,080,000	1,560,000
Reserves		2,854,951	2,254,951
Un-appropriated profit		936,873	1,218,569
		5,871,824	5,033,520
Surplus on revaluation of assets-net of tax		592,950	625,645
		6,464,774	5,659,165
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

BASHIR ALI MOHAMMAD
Director

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SECOND QUARTER AND HALF-YEAR ENDED JUNE 30,

	For the quarter ended June 30, 2006	For the Half-Year ended June 30, 2006	For the quarter ended June 30, 2005 (Restated)	For the Half-Year ended June 30, 2005 (Restated)
----- Rupees in '000 -----				
Mark-up/return/interest earned	1,614,156	3,093,843	978,305	1,840,734
Mark-up/return/interest expensed	(955,162)	(1,886,689)	(488,574)	(887,766)
Net mark-up/interest income	658,994	1,207,154	489,731	952,968
(Reversal)/Provision against non-performing loans and advances	(2,881)	56,478	(15,997)	17,844
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	217	217	63	88
	2,664	(56,695)	15,934	(17,932)
Net mark-up/interest income after provisions	661,658	1,150,459	505,665	935,036
Non mark-up/interest income				
Fee, commission and brokerage income	127,258	246,607	108,055	201,769
Dividend income	6,225	15,090	13,542	13,635
Gain/(Loss) from sale on securities	40,038	84,594	(32,353)	10,963
Income from dealing in foreign currencies	120,775	247,202	43,934	82,902
Other income	20,432	37,537	16,457	30,679
Total non mark-up/interest income	314,728	631,030	149,635	339,948
	976,386	1,781,489	655,300	1,274,984
Non mark-up/interest expenses				
Administrative expenses	296,833	565,335	244,121	471,416
Other provisions/write offs	-	-	-	-
Other charges	225	267	55	95
Total non mark-up/interest expenses	(297,058)	(565,602)	(244,176)	(471,511)
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	679,328	1,215,887	411,124	803,473
Taxation - current	283,000	469,000	135,000	294,000
- prior years	-	-	-	-
- deferred	(89,063)	(91,417)	(8,742)	(13,960)
	(193,937)	(377,583)	(126,258)	(280,040)
Profit after taxation	485,391	838,304	284,866	523,433
Unappropriated profit brought forward	451,482	1,218,569	284,828	706,261
Profit available for appropriation	936,873	2,056,873	569,694	1,229,694
Appropriation:				
Issue of bonus shares	-	520,000	-	360,000
Transfer to revenue reserve	-	600,000	-	300,000
Transfer to statutory reserve	-	-	-	-
	-	1,120,000	-	660,000
Unappropriated profit carried forward	936,873	936,873	569,694	569,694
----- Rupees -----				
Basic and diluted earnings per share	2.33	4.03	1.37	2.52

Annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

BASHIR ALI MOHAMMAD
Director

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2006

	2006	2005
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,215,887	803,473
Less: Dividend income	(15,090)	(13,635)
	<u>1,200,797</u>	<u>789,838</u>
Adjustment for non-cash charges:		
Depreciation	21,605	19,257
Provision against non-performing advances - net	56,478	17,844
(Gain) on sale of fixed assets	(1,286)	(777)
	<u>76,797</u>	<u>36,324</u>
	<u>1,277,594</u>	<u>826,162</u>
 (Increase) / decrease in operating assets		
Lendings to financial institutions	(4,504,443)	863,443
Advances	(4,153,507)	(1,882,658)
Other assets (excluding advance taxation)	(240,961)	(434,156)
	<u>(8,898,911)</u>	<u>(1,453,371)</u>
 Increase / (decrease) in operating liabilities		
Bills payable	392,489	404,755
Borrowings from financial institutions	8,198,196	1,194,012
Deposits	3,309,143	2,856,870
Other liabilities (excluding taxation and dividend)	355,358	132,976
	<u>12,255,186</u>	<u>4,588,613</u>
	<u>4,633,869</u>	<u>3,961,404</u>
Income tax paid	(293,553)	(267,748)
Net cash flow from operating activities	<u>4,340,316</u>	<u>3,693,656</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(6,888,894)	(1,587,205)
Net investments in held-to-maturity securities	2,371,072	(2,593,769)
Dividend income	15,090	13,635
Investments in operating fixed assets	(58,825)	(1,467)
Sale proceeds of operating fixed assets	1,606	965
Net cash used in investing activities	<u>(4,559,951)</u>	<u>(4,167,841)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts/(Payments) of Sub-ordinated loan	-	-
Dividend paid	(3)	(2)
Net cash used in financing activities	<u>(3)</u>	<u>(2)</u>
Decrease in cash and cash equivalents	<u>(219,638)</u>	<u>(474,187)</u>
Cash and cash equivalent at beginning of the period	<u>6,263,917</u>	<u>7,007,577</u>
Cash and cash equivalent at end of the period	<u>6,044,279</u>	<u>6,533,390</u>

Annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

BASHIR ALI MOHAMMAD
Director

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2006

	Share capital	Reserves			Reserve for issue of bonus shares	Un-appropriated profit	Total
		Statutory reserve	Special reserve	Revenue reserve			
-----Rupees in '000-----							
Balance as at January 1, 2005 as previously reported	1,200,000	821,590	240,361	900,000	360,000	46,261	3,568,212
Effect of change in accounting policy (note 3)	-	-	-	(300,000)	(360,000)	660,000	-
Balance as at January 1, 2005 as restated	1,200,000	821,590	240,361	600,000	-	706,261	3,568,212
Issue of bonus shares in the ratio of 3 shares for every 10 shares held	360,000	-	-	-	-	(360,000)	-
Transfer from profit and loss account	-	-	-	300,000	-	(300,000)	-
Profit after tax for the half year	-	-	-	-	-	523,433	523,433
Balance as at June 30, 2005 as restated	1,560,000	821,590	240,361	900,000	-	569,694	4,091,645
Balance as at January 1, 2006 as previously reported	1,560,000	1,114,590	240,361	1,500,000	520,000	98,569	5,033,520
Effect of change in accounting policy (note 3)	-	-	-	(600,000)	(520,000)	1,120,000	-
Balance as at January 1, 2006 as restated	1,560,000	1,114,590	240,361	900,000	-	1,218,569	5,033,520
Issue of bonus shares in the ratio of 1 share for every 3 shares held	520,000	-	-	-	-	(520,000)	-
Transfer from profit and loss account	-	-	-	600,000	-	(600,000)	-
Profit after tax for the half year	-	-	-	-	-	838,304	838,304
Balance as at June 30, 2006	2,080,000	1,114,590	240,361	1,500,000	-	936,873	5,871,824

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.

BASHIR ALI MOHAMMAD
Director

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2006

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 listed in all the Stock Exchanges in Pakistan. The registered office of the bank is situated at Spencer's Building, I. I. Chundrigar Road, Karachi.

The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. It operates 51 (December 31, 2005: 51) branches including an Islamic Banking Branch in Pakistan.

During the period, the scheme of amalgamation of Habib Bank AG Zurich Pakistan Operations with and into Metropolitan Bank Limited was approved by the shareholders of the Bank in their Extra Ordinary Meeting held on July 13, 2006. The draft scheme has been submitted to the State Bank of Pakistan for their approval.

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provision of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of these standards the requirements of the said directives take precedence.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments; Recognition and Measurement (IAS 39), and International Accounting Standard 40, Investment Property (IAS 40) vide its BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan.
- 2.3 These disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated 12 May 2004 and the International Accounting Standard 34, "Interim Financial Reporting". They do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in preparation of the half yearly accounts are same as those applied in the preparation of the most recent annual financial statements of the Bank except for the following:

In accordance with the Circular 06-2006 dated June 19, 2006 issued by the Institute of Chartered Accountants of Pakistan, the Bank now recognizes all appropriations of reserves including in respect of bonus issues made after the balance sheet date, other than statutory appropriations, in the period in which such appropriations are approved. Previously, the appropriation of reserves were considered as adjusting events and recorded at the balance



sheet date. This change in the accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of this change in accounting policy is reflected in the statement of changes in equity.

	June 30, 2006	December 31, 2005
	----- Rupees in '000 -----	
4. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCH		
Islamic Banking Fund	50,000	50,000
Deposits	409,198	289,868
Borrowing from Head Office	112,305	95,487
Ijarah Financing	322,545	244,497
Murabaha financing	221,478	161,080
Investment in Sukuk Bonds	25,000	-
Profit before taxation	8,025	8,152
Contingent liabilities	113,008	83,862

5. INVESTMENTS

	June 30, 2006			December 31, 2005		
	Heldby bank	Given as collateral	Total	Heldby bank	Given as collateral	Total
	----- Rupees			in '000 -----		
5.1 Investment by Types						
Available-for-sale securities						
Market Treasury Bill	4,496,398	7,771,017	12,267,415	4,016,920	2,308,618	6,325,538
Pakistan Investment Bonds	3,775,419	3,600,000	7,375,419	5,155,069	2,450,000	7,605,069
Term Finance Certificates	1,453,971	-	1,453,971	1,515,430	-	1,515,430
WAPDA Bonds	200,000	-	200,000	200,000	-	200,000
Sukuk Bonds	25,000	-	25,000	-	-	-
Ordinary shares of listed companies	377,519	-	377,519	248,653	-	248,653
Ordinary shares of un-listed companies	80,759	-	80,759	80,759	-	80,759
Preference shares	56,800	-	56,800	65,000	-	65,000
Mutual funds	2,539,501	-	2,539,501	1,523,676	-	1,523,676
National prize bonds	4,518	-	4,518	5,183	-	5,183
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	-	1,740	1,740	-	1,740
Held-to-maturity securities						
Market Treasury Bills	-	-	-	3,106,463	-	3,106,463
Federal Investment Bonds	25,700	-	25,700	337,461	-	337,461
Pakistan Investment Bonds	151,306	-	151,306	154,154	-	154,154
Certificates of Investments	2,690,000	-	2,690,000	1,640,000	-	1,640,000
	15,878,631	11,371,017	27,249,648	18,050,508	4,758,618	22,809,126
Less:						
Provision for diminution in the value of investment	-	-	-	-	-	-
	15,878,631	11,371,017	27,249,648	18,050,508	4,758,618	22,809,126



	June 30, 2006	December 31, 2005
	----- Rupees in '000 -----	
6. ADVANCES		
Loans, cash credits, running finances, etc. In Pakistan	36,499,801	34,196,964
Net investment in finance lease/Ijarah Financing In Pakistan	1,022,048	845,695
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	2,902,786	2,498,225
Payable outside Pakistan	7,712,567	6,442,811
	10,615,353	8,941,036
	48,137,202	43,983,695
Provision for non-performing advances - Note 6.2	(576,917)	(520,439)
	47,560,285	43,463,256

6.1 Advances includes Rs. 101,472 thousand (December 2005: Rs. 88,724 thousand) which have been placed under non-performing status as detailed below:

Particulars of specific provision against non-performing advances:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in '000 -----				
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	101,472	-	101,472	91,213	91,213
	<u>101,472</u>	<u>-</u>	<u>101,472</u>	<u>91,213</u>	<u>91,213</u>

Movement in provision

	June 30, 2006			December 31, 2005		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	78,328	442,111	520,439	71,541	406,199	477,740
Charge for the period	36,470	43,593	80,063	20,610	35,912	56,522
Reversals	(23,585)	-	(23,585)	(5,434)	-	(5,434)
Net change for the period	12,885	43,593	56,478	15,176	35,912	51,088
Amount written off	-	-	-	(8,389)	-	(8,389)
Closing balance	<u>91,213</u>	<u>485,704</u>	<u>576,917</u>	<u>78,328</u>	<u>442,111</u>	<u>520,439</u>

6.2 The provision for non-performing advances 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.



June 30,
2006 December 31,
2005

----- Rupees in '000 -----

10. CONTINGENCIES AND COMMITMENTS

10.1 Direct credit substitutes - Others	16,236	18,137
10.2 Transaction-related contingent liabilities		
Government	2,233,930	2,294,488
Financial institutions	4,782	1,523
Others	1,664,450	916,099
	3,903,162	3,212,110
10.3 Trade-related contingent liabilities		
Letter of credits	14,693,344	14,965,681
Acceptances	8,023,207	8,464,254
10.4 Commitments in respect of forward exchange contracts		
Purchase	9,360,309	6,394,818
Sale	13,109,986	9,678,156

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.

10.5 Commitments in respect of operating leases

Not later than one year	75,436	74,048
Later than one year and not later than five years	62,365	63,709
	137,801	137,757

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.

11. RELATED PARTY TRANSACTIONS

The related parties comprise of related group companies, directors and their close family members, staff retirement benefit funds, executives and major shareholders of the bank holding not less than 10% of the total shareholding.

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.



June 30, December 31,
2006 2005
----- Rupees in '000 -----

Balance outstanding at period/year end

Related parties		
Deposits	918,015	2,522,343
Advances	1,109	69,759
Trade-related contingent liabilities	396,738	279,658

Key Management Personnel

Deposits	8,916	10,447
Advances	5,798	908

June 30, June 30,
2006 2005
----- Rupees in '000 -----

Transactions for the period

Related parties		
Net mark-up/interest expensed	89,365	25,723
Markup/Interest earned	436	576
Commission/Bank charges recovered	1,053	944
Rent income	284	277
Contribution to staff retirement benefit funds	10,945	8,445

Key Management Personnel

Profit paid on deposits	171	42
Markup/Interest earned	80	38
Salaries, allowances etc.	8,827	8,959
Charge for defined benefit plan	62	118
Contribution to defined contribution plan	379	273

12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2006 by the Board of Directors of the Bank.

13. GENERAL

- 13.1 These interim condensed financial statements are being issued to the shareholders as required under Section 245 of the Companies Ordinance, 1984.
- 13.2 The figures of the profit and loss account for the quarters ended March 31, 2006 and March 31, 2005 have not been subjected to a limited scope review by the auditors.
- 13.3 The figures have been rounded off to nearest thousand rupees.
- 13.4 Corresponding figures have been re-arranged where necessary for the purpose of comparison.

BASHIR ALI MOHAMMAD
Director

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

ZIA SHAFI KHAN
Director