Metropolitan Bank Limited

ACCOUNTS FOR THE HALF-YEAR ENDED
JUNE 30, 2004

(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)
UAN : (021) 111-18-18-18
Fax : (021) 263 0404 - 5
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 - 5
Telex : 20246 BNKMN PK, 20281 BNKMN PK
SWIFT : MPBLPKKA

Cloth Market:
BR 1/43, Metro Centre,
Bobby Bazar, Kharadar,
P.O. Box 6452, Karachi
Phones : (021) 231 3712 (3 Lines)
Fax : (021) 231 3716
Telex : 27402 BNKMN PK
SWIFT : MPBLPKKA011

Paper Market:
Plot No. 7, Block 4, Allauddin Road,
New Chilli, Karachi
Phones : (021) 221 0562 (6 Lines)
Fax : (021) 221 0668
Telex : 27369 MPS PM PK
SWIFT : MPBLPKKA013

Guilshah-e-Iqbal:
Plot No. 118/B-A XV, Block 10-A, Main Rashid Minhas Road, Near Drive In Cinema,
Guilshah-e-Iqbal, Karachi
Phones : (021) 802 1651 (3 Lines)
Fax : (021) 802 1654

Shahrah-e-Faisal:
Sadique Sons Tower 3, Jinnah Society,
Near Shaheed-e-Millat Flyover,
Shahrah-e-Faisal, Karachi,
Phones : (021) 452 6356 (3 Lines)
Fax : (021) 452 6799
Telex : 27424 BNKMN PK
SWIFT : MPBLPKKA012

Jodha Bazar:
Madarsah Islamia School Building,
Adamjee Haj Dawood Road,
Jodha Bazar, Karachi
Phones : (021) 243 7187, 241 1525,
(021) 243 7909, 243 8157
Fax : (021) 243 0356
Telex : 27723 MBB 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) 773 7617 (4 Lines)
Fax : (021) 773 7621
SWIFT : MPBLPKKA020

North Nazimabad:
Sozna Bridal Shopping Centre,
BS-6, Block 4, F.B. Area,
Karachi
Phones : (021) 634 5236 (2 Lines)
Fax : (021) 634 9447

SITE:
39-B-2, Metro Chowrangi,
S.I.T.E., Karachi
Phones : (021) 256 4101 (3 Lines)
Fax : (021) 256 4109, 256 4796-98

DHA:
1-C, Khayaban-e-Shamsheer,
Phase V, Karachi
Phones : (021) 565 7404 (3 Lines)
Fax : (021) 565 7407

Timber Market:
5, Siddique Wahab Road, Timber Market,
Karachi
Phones : (021) 776 8411 (3 Lines)
Fax : (021) 776 8414

Korangi:
Awan-e-Sanat Building, Sector 23,
Korangi Industrial Area, Karachi
Phones : (021) 506 9182 (3 Lines)
Fax : (021) 506 9190

Saddar:
SB-414, Zaibunnisa Street, Saddar,
Karachi
Phones : (021) 521 6508 (2 Lines)
Fax : (021) 521 6533

Bahadurabad:
25, Central Commercial Area,
Mian Ali Amrani Road, Bahadurabad,
Karachi
Phones : (021) 484 8605 (3 Lines)
Fax : (021) 484 8810

Iltihab:
66-C, 11th Commercial Street,
D.H.A. Phase II Ext., Karachi
Phones : (021) 589 7623 (2 Lines)
Fax : (021) 538 2106 (2 Lines)

Hyderabad:
7-A, Mustafa Market,
Block G, Barkat-ul-Hyder, Karachi
Phones : (021) 654 0774 (3 Lines)
Fax : (021) 664 0777

Dhorali Colony:
Madni Pride, Block 7 & 8,
C.P. Berar, C.H.S.,
Dhorali Colony, Karachi
Phones : (021) 484 9535 - 44 - 64
Fax : (021) 484 9592

North Karachi Industrial Area:
ST-5, Gobol Town,
Federal B Area, Karachi,
Phones : (021) 695 7569
Fax : (021) 693 3461 (3 Lines)

Guilshah Chowrangi:
FL 4,5, Hamid Square,
Block 3, Guilshah-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:**
Phones: (021) 660 0546 (3 Lines)
(021) 670 1001
Fax: (021) 660 7462

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

**Pepoon Nagar:**
6-A, Block V-A, Nazimabad No. 6, Karachi.
Phones: (021) 670 0001 (4 Lines)
Fax: (021) 670 0006

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

Lehore:
**Lehore:**
Associated House, 7-Egerton Road, Lahore.
Phones: (042) 627 9602 (4 Lines)
(042) 627 6812, 630 6902
UAN (042) 111-18-18-18
Fax: (042) 627 9601
Telex: 47764 BNKMN PK
SWIFT: MFPBLPKA006

**Gulberg:**
65, 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

**Circum Road:**
83-Circum Road, Lahore.
Phones: (042) 767 2634 (5 Lines)
Fax: (042) 767 2931

**Defence:**
9-Z, Defence Housing Authority, Lahore.
Phones: (042) 588 4162 (3 Lines)
Fax: (042) 588 3876

**Peshawar:**
95-A, Saddar Road, Peshawar.
Phones: (091) 270904 (3 Lines)
(091) 273579, 275709
UAN (091) 111-18-18-18
Fax: (091) 273562
Telex: 52324 BNKPK PK

**Quetta:**
Shahr-e-Iqbal, G.P.O. Box 165, Quetta.
Phones: (081) 835302, 835308
UAN (081) 111-18-18-18
Fax: (081) 824209
Cable: BANM/METRO

**Mirpur A.K:**
Ejaz Plaza, Allama Iqbal Road, Mirpur, Azad Kashmir.
Phone: (056610) 43435, 48039-40
(056610) 45719
Fax: (056610) 43677

**Sialkot:**
Allama Iqbal Chowk, Railway Road, G.P.O Box 2620, Sialkot.
Phones: (0432) 593571 (3 Lines)
(0432) 588002, 588307
UAN (0432) 111-18-18-18
Fax: (0432) 588024
Telex: 46209 BNKPK PK
SWIFT: MFPBLPKA006

**Hyderabad:**
F-66, Resala Road, P.O. Box No. 182, Hyderabad.
Phones: (0221) 783893, 784067
UAN (0221) 111-18-18-18
Fax: (0221) 783894
Telex 22093 BNKPK PK

**Multan:**
65-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) 583516
Telex 42363 BNKPK PK

**Feisalabad:**
P/64, Taj Plaza, Kotwali Road, Feisalabad.
Phones: (041) 649902 (5 Lines)
UAN (041) 111-18-18-18
Fax: (041) 649091
Telex 43555 BNKPK PK
SWIFT: MFPBLPKA009

**Islamabad:**
24-D, Rashid Plaza, Jinnah Avenue, Islamabad.
Phones: (051) 227 4088 (6 Lines)
UAN (051) 111-18-18-18
Fax: (051) 227 4082
Telex 54732 BNKPK PK

**Rahim Yar Khan:**
24, Shah Road, Rahim Yar Khan.
Phone: (0721) 63460, 79622
Fax: (0721) 74169

**Kasur:**
Railway Road, Kasur.
Phones: (0492) 925 0053, 794906
(0492) 765331
Fax: (0492) 925 0090

**Gujranwala:**
G.T. Road, Near Din Plaza, Gujranwala.
Phones: (0431) 645467 (3 Lines)
Fax: (0431) 645486
Telex 53362 BNKPK PK

**Rawalpindi:**
1862, Bank Road, Rawalpindi Cantt.
Phones: (051) 511 0179 - 81 - 82
(051) 561 7013, 511 0177
Fax: (051) 579 4378
BOARD OF DIRECTORS

Chairman
Anwar H. Japanwala

President & Chief Executive
Kassim Parekh

Directors
Bashir Ali Mohammad
Dewan Asim Mushfiq Farooqui
Firasat Ali
A. R. Wadiwala
Salim A. Zubairi
R. B. Limbuwalla

Audit Committee
Anwar H. Japanwala Chairman
A. R. Wadiwala
R. B. Limbuwalla

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 unaudited accounts for the half year ended June 30, 2004.

Alhamdolillah, your bank, now in its 13th year, continues to register steady progress. During the first half of the current year the deposits and advances portfolio of your Bank maintained a rising trend. The deposits at June 30, 2004 stood at Rs. 42,917 million against Rs. 39,338 million as of December 31, 2003. The advances portfolio has also been increased to Rs. 35,650 million in June 30, 2004 against Rs. 32,230 million as of December 31, 2003. The profit before tax for the half year ended June 30, 2004 is Rs. 659 million, an increase of 26% compared to Rs. 521 million over the corresponding half year. Earnings per share for the six months ended June 30, 2004 works out to Rs. 3.16 per share.

For the fourth 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 for private sector bank 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.

During the half-year under review, the bank opened two more branches in Karachi raising the total number of branches to 42. The bank plans to open additional branches during the remaining half of the year. The present network of 42 branches across 14 cities of Pakistan is fully equipped to provide complete range of services to customers including SWIFT, On-Line Instant Fund Transfer and Tele & Web-Info services. Furthermore, usage of Debit Card & ATM facility is growing satisfactorily.

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 19, 2004
REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Metropolitan Bank Limited as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the bank’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank 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.

As explained in note 2.3 to the financial statements, the requirements of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property have not been followed in the preparation of these financial statements. The impact, if any, of these requirements on the financial statements has not been determined.

Based on our review, except for the effect, if any, of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respect, in accordance with approved accounting standards as applicable in Pakistan.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi: August 19, 2004
# Balance Sheet

**AS AT JUNE 30, 2004**

<table>
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<th>Note</th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
</tbody>
</table>

## Assets

- **Cash and balances with treasury banks**: 3,516,110
- **Balances with other banks**: 875,912
- **Lendings to financial institutions**: 5,812,878
- **Investments**: 15,663,557
- **Advances**: 35,649,559
- **Other assets**: 865,402
- **Operating fixed assets**: 354,567
- **Deferred tax assets**: -

Total Assets: 62,737,985

## Liabilities

- **Bills payable**: 1,372,740
- **Borrowings from financial institutions**: 13,030,794
- **Deposits and other accounts**: 42,917,369
- **Sub-ordinated loans**: -
- **Liabilities against assets subject to finance lease**: -
- **Other liabilities**: 974,135
- **Deferred tax liabilities**: 518,450

Total Liabilities: 58,813,488

## Net Assets

- **Net Assets**: 3,924,497

## Represented By:

- **Share capital**: 1,200,000
- **Reserves**: 1,498,951
- **Un-appropriated profit**: 432,953

Total Represented By: 3,131,904

## Surplus on revaluation of assets

- **Surplus on revaluation of assets**: 792,593

Total Surplus: 3,924,497

## Contingencies and Commitments

The annexed notes 1 to 10 form an integral part of these accounts.

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**Kassim Parekh**  
President & Chief Executive

**Bashir Ali Mohammed**  
Director

**A. R. Wadiwala**  
Director

**R. B. Limbuvala**  
Director
## PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SECOND QUARTER AND HALF YEAR ENDED JUNE 30

<table>
<thead>
<tr>
<th></th>
<th>For the quarter ended</th>
<th></th>
<th>For the half year ended</th>
<th></th>
</tr>
</thead>
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<tr>
<td></td>
<td>June 2004</td>
<td>June 2003</td>
<td>June 2004</td>
<td>June 2003</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-up/return/interest earned</td>
<td>667,852</td>
<td>684,757</td>
<td>1,332,547</td>
<td>1,378,594</td>
</tr>
<tr>
<td>Mark-up/return/interest expensed</td>
<td>(302,387)</td>
<td>(341,265)</td>
<td>(665,550)</td>
<td>(746,670)</td>
</tr>
<tr>
<td>Net mark-up/interest income</td>
<td>365,465</td>
<td>343,492</td>
<td>726,997</td>
<td>631,924</td>
</tr>
<tr>
<td>Provision against non-performing loans and advances</td>
<td>9,121</td>
<td>39,287</td>
<td>44,666</td>
<td>64,390</td>
</tr>
<tr>
<td>Provision for diminution in the value of investments</td>
<td>-</td>
<td>-</td>
<td>334</td>
<td>-</td>
</tr>
<tr>
<td>Bad debts written off directly</td>
<td>(9,121)</td>
<td>(39,287)</td>
<td>(45,000)</td>
<td>(64,390)</td>
</tr>
<tr>
<td>Net mark-up/interest income after provisions</td>
<td>356,344</td>
<td>304,205</td>
<td>681,997</td>
<td>567,534</td>
</tr>
<tr>
<td>Non mark-up/interest income</td>
<td>151,601</td>
<td>119,232</td>
<td>368,036</td>
<td>270,709</td>
</tr>
<tr>
<td>Fee, commission and brokerage income</td>
<td>86,246</td>
<td>75,747</td>
<td>174,323</td>
<td>143,924</td>
</tr>
<tr>
<td>Dividend income</td>
<td>91</td>
<td>1,149</td>
<td>3,551</td>
<td>4,611</td>
</tr>
<tr>
<td>Income from trading in government securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income from dealing in foreign currencies</td>
<td>41,769</td>
<td>38,512</td>
<td>113,541</td>
<td>84,736</td>
</tr>
<tr>
<td>Other income</td>
<td>23,495</td>
<td>3,824</td>
<td>76,621</td>
<td>37,438</td>
</tr>
<tr>
<td>Total non mark-up/interest income</td>
<td>507,945</td>
<td>423,437</td>
<td>1,080,033</td>
<td>838,243</td>
</tr>
<tr>
<td>Non mark-up/interest expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>204,865</td>
<td>160,864</td>
<td>390,162</td>
<td>314,504</td>
</tr>
<tr>
<td>Other provisions/write offs</td>
<td>-</td>
<td>-</td>
<td>833</td>
<td>3,045</td>
</tr>
<tr>
<td>Other charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non mark-up/interest expenses</td>
<td>(204,865)</td>
<td>(160,864)</td>
<td>(390,162)</td>
<td>(317,549)</td>
</tr>
<tr>
<td>Extra ordinary/unusual items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>303,080</td>
<td>262,573</td>
<td>659,038</td>
<td>520,694</td>
</tr>
<tr>
<td>Taxation - current</td>
<td>128,000</td>
<td>128,000</td>
<td>278,000</td>
<td>253,000</td>
</tr>
<tr>
<td>- prior years</td>
<td>-</td>
<td>-</td>
<td>1,807</td>
<td>(2,772)</td>
</tr>
<tr>
<td>- deferred</td>
<td>(2,760)</td>
<td>(4,709)</td>
<td>(1,807)</td>
<td>(2,772)</td>
</tr>
<tr>
<td>(125,240)</td>
<td>(123,291)</td>
<td>(279,807)</td>
<td>(250,228)</td>
<td></td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>177,840</td>
<td>139,282</td>
<td>379,231</td>
<td>270,466</td>
</tr>
<tr>
<td>Unappropriated profit brought forward</td>
<td>255,113</td>
<td>142,427</td>
<td>53,722</td>
<td>11,243</td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>432,953</td>
<td>281,709</td>
<td>432,953</td>
<td>281,769</td>
</tr>
<tr>
<td>Basic and diluted earnings per share</td>
<td>1.48</td>
<td>1.16</td>
<td>3.16</td>
<td>2.25</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 10 form an integral part of these accounts.

KASSIM PAREKH  
President & Chief Executive  
BASHIR ALI MOHAMMAD  
Director  
A. R. WADIWALA  
Director  
R. B. LIMBUVALLA  
Director
CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2004

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees '000</td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>659,038</td>
<td>520,694</td>
</tr>
<tr>
<td>Less: Dividend income</td>
<td>(3,551)</td>
<td>(4,611)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>655,487</td>
<td>516,083</td>
</tr>
<tr>
<td>Adjustment for non-cash charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>19,025</td>
<td>17,426</td>
</tr>
<tr>
<td>Provision against non-performing advances - net</td>
<td>32,278</td>
<td>64,390</td>
</tr>
<tr>
<td>Provision for diminution in value of investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) on sale of fixed assets</td>
<td>(13,389)</td>
<td>(1,654)</td>
</tr>
<tr>
<td>Fixed assets written off</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>37,914</td>
<td>80,177</td>
</tr>
<tr>
<td></td>
<td>693,401</td>
<td>596,260</td>
</tr>
<tr>
<td><strong>Increase / (decrease) in operating assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lendings to financial institutions</td>
<td>(1,916,594)</td>
<td>1,114,667</td>
</tr>
<tr>
<td>Advances</td>
<td>(3,452,254)</td>
<td>(6,051,396)</td>
</tr>
<tr>
<td>Other assets (excluding advance taxation)</td>
<td>(213,075)</td>
<td>65,451</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(5,581,923)</td>
<td>(4,871,278)</td>
</tr>
<tr>
<td><strong>Increase / (decrease) in operating liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>432,960</td>
<td>223,230</td>
</tr>
<tr>
<td>Borrowings from financial institutions</td>
<td>(124,342)</td>
<td>1,590,277</td>
</tr>
<tr>
<td>Deposits</td>
<td>3,579,319</td>
<td>6,266,512</td>
</tr>
<tr>
<td>Other liabilities (excluding taxation and dividend)</td>
<td>3,920</td>
<td>(20,428)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,891,857</td>
<td>8,079,591</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(906,665)</td>
<td>3,804,573</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>(291,425)</td>
<td>(316,520)</td>
</tr>
<tr>
<td></td>
<td>(1,288,090)</td>
<td>3,488,053</td>
</tr>
</tbody>
</table>

CASH FLOW FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees '000</td>
<td></td>
</tr>
<tr>
<td>Net investments in available-for-sale securities</td>
<td>1,792,009</td>
<td>(2,963,874)</td>
</tr>
<tr>
<td>Dividend income</td>
<td>3,551</td>
<td>4,611</td>
</tr>
<tr>
<td>Investments in operating fixed assets</td>
<td>(42,612)</td>
<td>(4,820)</td>
</tr>
<tr>
<td>Sale proceeds of fixed assets disposed-off</td>
<td>25,307</td>
<td>2,260</td>
</tr>
<tr>
<td><strong>Net cash flow from investing activities</strong></td>
<td>1,778,255</td>
<td>(2,961,823)</td>
</tr>
</tbody>
</table>

CASH FLOW FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees '000</td>
<td></td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(26)</td>
<td>(198,771)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in cash and cash equivalents</strong></td>
<td>490,139</td>
<td>327,459</td>
</tr>
<tr>
<td>Cash and cash equivalent at beginning of the period</td>
<td>3,901,883</td>
<td>3,178,132</td>
</tr>
<tr>
<td>Cash and cash equivalent at end of the period</td>
<td>4,392,022</td>
<td>3,505,591</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 10 form an integral part of these accounts.
# Statement of Changes in Equity (Unaudited)

**For the Half Year Ended June 30, 2004**

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Statutory reserve</th>
<th>Special reserve</th>
<th>Revenue reserve</th>
<th>Reserve for issue of bonus shares</th>
<th>Unappropriated profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at January 1, 2003</strong></td>
<td>1,000,000</td>
<td>522,590</td>
<td>240,361</td>
<td>300,000</td>
<td></td>
<td>11,243</td>
</tr>
<tr>
<td><strong>Profit after tax for the half year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>270,466</td>
</tr>
<tr>
<td><strong>Balance as on June 30, 2003</strong></td>
<td>1,000,000</td>
<td>522,590</td>
<td>240,361</td>
<td>300,000</td>
<td></td>
<td>281,709</td>
</tr>
<tr>
<td><strong>Profit after tax for the half year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>408,013</td>
</tr>
<tr>
<td><strong>Transfer to reserve</strong></td>
<td>-</td>
<td>136,000</td>
<td>-</td>
<td>300,000</td>
<td>200,000</td>
<td>(636,000)</td>
</tr>
<tr>
<td><strong>Balance as on December 31, 2003</strong></td>
<td>1,000,000</td>
<td>658,590</td>
<td>240,361</td>
<td>600,000</td>
<td>200,000</td>
<td>53,722</td>
</tr>
<tr>
<td>Reserve for issue of bonus shares</td>
<td>transfer to share capital</td>
<td>200,000</td>
<td>-</td>
<td>-</td>
<td>- (200,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit after tax for the half year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>379,231</td>
</tr>
<tr>
<td><strong>Balance as on June 30, 2004</strong></td>
<td>1,200,000</td>
<td>658,590</td>
<td>240,361</td>
<td>600,000</td>
<td>-</td>
<td>432,953</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 10 form an integral part of these accounts.
NOTES TO THE ACCOUNTS (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2004

1. STATUS AND PRINCIPAL ACTIVITIES:

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 42 branches in Pakistan.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the directives issued by the State Bank of Pakistan, the requirements of Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and 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.

2.2 These financial statements are un-audited and are being presented in condensed form in accordance with the requirements of International Accounting Standard 34: "Interim Financial Reporting" and BSD Circular Letter No. 02 dated May 12, 2004 of the State Bank of Pakistan.

2.3 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 accounts.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

4. INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>Held by</th>
<th>Given as collateral</th>
<th>Total</th>
<th>Held by</th>
<th>Given as collateral</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>bank</td>
<td>collateral</td>
<td></td>
<td>bank</td>
<td>collateral</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td>Rupees in '000</td>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td>June 30, 2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Treasury Bills</td>
<td>957,758</td>
<td>498,345</td>
<td>1,456,103</td>
<td>3,403,873</td>
<td>624,944</td>
<td>4,028,817</td>
</tr>
<tr>
<td>Pakistan Investment bonds</td>
<td>5,431,765</td>
<td>3,300,000</td>
<td>8,731,765</td>
<td>4,530,740</td>
<td>4,067,000</td>
<td>8,617,740</td>
</tr>
<tr>
<td>Federal investment bonds</td>
<td>1,918,943</td>
<td>-</td>
<td>1,918,943</td>
<td>2,558,690</td>
<td>-</td>
<td>2,558,690</td>
</tr>
<tr>
<td>Term finance certificates</td>
<td>1,781,794</td>
<td>-</td>
<td>1,781,794</td>
<td>1,388,612</td>
<td>-</td>
<td>1,388,612</td>
</tr>
<tr>
<td>Certificates of investments</td>
<td>385,000</td>
<td>-</td>
<td>385,000</td>
<td>275,000</td>
<td>-</td>
<td>275,000</td>
</tr>
<tr>
<td>Quoted shares</td>
<td>163,566</td>
<td>-</td>
<td>163,566</td>
<td>83,730</td>
<td>-</td>
<td>83,730</td>
</tr>
<tr>
<td>National prize bond</td>
<td>4,905</td>
<td>-</td>
<td>4,905</td>
<td>536</td>
<td>-</td>
<td>536</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>1,104,061</td>
<td>-</td>
<td>1,104,061</td>
<td>806,993</td>
<td>-</td>
<td>806,993</td>
</tr>
<tr>
<td>S.W.I.F.T.</td>
<td>1,740</td>
<td>-</td>
<td>1,740</td>
<td>1,740</td>
<td>-</td>
<td>1,740</td>
</tr>
<tr>
<td>Associates</td>
<td>60,000</td>
<td>-</td>
<td>60,000</td>
<td>66,363</td>
<td>-</td>
<td>66,363</td>
</tr>
<tr>
<td>Term finance certificates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,865,212</td>
<td>3,798,345</td>
<td>15,663,557</td>
<td>13,246,957</td>
<td>4,711,944</td>
<td>17,958,901</td>
</tr>
</tbody>
</table>

4.1 Investment by Types

Available-for-sale securities:
- Market Treasury Bills
- Pakistan Investment bonds
- Federal investment bonds
- Term finance certificates
- Certificates of investments
- Quoted shares
- Unquoted shares
- National prize bond
- Mutual Funds
- S.W.I.F.T.
- Associates
- Term finance certificates
4.2 Term finance certificates (TFCs) include investments of Rs. 20,000,000, Rs. 50,000,000 and Rs. 50,000,000 made as pre-IPO subscriptions for TFCs to be issued by Trust Leasing Corporation Limited, United Bank Limited and Bank Al-Habib Limited respectively. The TFCs against these subscriptions have not been issued till June 30, 2004.

June 30, 2004       December 31, 2003

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

5. ADVANCES
Loans, cash credits, running finances, etc.
In Pakistan 29,618,506 27,058,265

Net investment in finance lease
In Pakistan 132,296  60,076

Bills discounted and purchased (excluding treasury bills)
Payable in Pakistan
Payable outside Pakistan

1,494,078  1,295,486
4,844,465  4,223,264

6,338,543  5,518,750

36,089,345  32,637,091
(439,786)  (407,508)

35,649,559  32,229,583

5.1 Category of classification

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Overseas</th>
<th>Total</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
</table>

Other assets especially mentioned
Substandard 4,809  4,809  962  962
Doubtful
Loss 101,621  101,621  77,931  77,931

106,430  106,430  78,893  78,893

5.2 The provisioning requirement against non-performing advances and consumer financing has been determined after taking into account the directive contained in the revised prudential regulations issued by the State Bank of Pakistan which became applicable with effect from January 1, 2004.

6. OPERATING FIXED ASSETS
Following is the cost of tangible fixed assets that have been added/disposed during the period ended June 30, 2004.

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

Building on leasehold land 30,200 10,672
Furniture, fixtures, office and computer equipments 2,122  
Vehicles 41 1,246

32,363 11,918
7. CONTINGENCIES AND COMMITMENTS

7.1 Direct credit substitutes - Others

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,000</td>
<td>17,571</td>
</tr>
</tbody>
</table>

7.2 Transaction-related contingent liabilities

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>1,586,831</td>
<td>1,363,209</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>95,550</td>
<td>87,397</td>
</tr>
<tr>
<td>Others</td>
<td>436,633</td>
<td>412,679</td>
</tr>
<tr>
<td></td>
<td>2,119,014</td>
<td>1,863,285</td>
</tr>
</tbody>
</table>

7.3 Trade-related contingent liabilities

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of credit</td>
<td>11,390,315</td>
<td>10,312,221</td>
</tr>
<tr>
<td>Acceptances</td>
<td>5,002,731</td>
<td>3,370,447</td>
</tr>
</tbody>
</table>

7.4 Commitments in respect of forward exchange contracts

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>3,692,355</td>
<td>5,852,889</td>
</tr>
<tr>
<td>Sale</td>
<td>5,003,720</td>
<td>7,092,437</td>
</tr>
</tbody>
</table>

7.5 Commitments in respect of operating leases

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>66,491</td>
<td>58,638</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>63,382</td>
<td>56,654</td>
</tr>
<tr>
<td></td>
<td>129,873</td>
<td>115,292</td>
</tr>
</tbody>
</table>

7.6 Commitments for the acquisition of operating fixed assets

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,545</td>
<td></td>
</tr>
</tbody>
</table>

8. RELATED PARTY TRANSACTIONS

The Bank has related party relationship due to common directorship.
The pricing policy in respect of following transactions is based on an arm's length basis using the comparable uncontrolled price method.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>4,139</td>
<td>962</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placements during the period</td>
<td>486,667</td>
<td>328,910</td>
</tr>
<tr>
<td>Withdrawals during the period</td>
<td>(487,112)</td>
<td>(325,733)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>3,694</td>
<td>4,139</td>
</tr>
</tbody>
</table>
June 30, 2004                        June 30, 2003

Profit earned on term finance certificates
(during the period)
1,732                               1,738

Profit paid/accrued on deposits (during the period)
-                                    15

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 19, 2004 by the Board of Directors of the Bank.

10. GENERAL

10.1 These accounts are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

10.2 The figures have been rounded off to nearest thousand rupees.

10.3 Corresponding figures have been rearranged, where necessary to facilitate comparison.

KASSIM PAREKH                        BASHIR ALI MOHAMMAD                        A.R. WADIWALA                        R. B. LIMBUVALLA
President & Chief Executive            Director                                  Director                                  Director