



# **Metropolitan Bank Limited**

ACCOUNTS FOR THE QUARTER ENDED  
MARCH 31, 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

#### 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



## 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, 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

#### 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

### 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) 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.



## DIRECTORS' REVIEW

On behalf of the Board of Directors of Metropolitan Bank Limited, I am pleased to present the unaudited accounts for the quarter ended March 31, 2006.

Allhamdolillah, MetroBank now in its 15th year is making steady progress. During the period under review, the deposits and advances portfolio of your Bank maintained a rising trend. The deposits at March 31, 2006 stood at Rs. 58,154 million against Rs. 56,713 million as of December 31, 2005. The advances portfolio has also been increased to Rs. 47,013 million on March 31, 2006 against Rs. 43,463 million as of December 31, 2005. The profit before tax for the quarter comes to Rs. 537 million compared to Rs. 392 million over the corresponding period last year. Earnings per share for the quarter ended March 31, 2006 works out to Rs. 1.70 per shares.

All areas of operations show satisfactory progress while our recently introduced and conservatively positioned consumer-financing products continue to gain significance. We feel that there is a great potential for consumer financing in Pakistan and expect that our portfolio will augment the Bank's income stream.

The Bank has received a proposal from Habib Bank AG Zurich for merger of their Pakistan Operations with and into Metropolitan Bank. In order to assess and evaluate the proposal, due diligence of Habib Bank AG Zurich Pakistan Operations is being carried out after receiving approval from the State Bank of Pakistan. Other commercial, legal & regulatory matters are under review and, when finalized will be subject to approval of the Board of Directors and the shareholders of the Bank.

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: April 17, 2006



## BALANCE SHEET

AS AT MARCH 31, 2006

	Note	March 31, 2006 (Un-audited)	December 31, 2005 (Audited)
----- Rupees in '000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,541,521	5,145,677
Balances with other banks		827,287	1,118,240
Lendings to financial institutions		7,364,675	5,462,582
Investments	5	25,901,424	22,809,126
Advances	6	47,012,631	43,463,256
Other assets		1,418,519	1,248,095
Operating fixed assets		408,495	418,922
Deferred tax assets		—	—
		<b>87,474,552</b>	<b>79,665,898</b>
<b>LIABILITIES</b>			
Bills payable		1,408,865	1,046,050
Borrowings from financial institutions		19,940,236	14,429,178
Deposits and other accounts		58,153,644	56,712,820
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities		1,602,248	1,333,691
Deferred tax liabilities		410,156	484,994
		<b>81,515,149</b>	<b>74,006,733</b>
<b>NET ASSETS</b>		<b>5,959,403</b>	<b>5,659,165</b>
<b>REPRESENTED BY:</b>			
Share capital		2,080,000	1,560,000
Reserves		2,854,951	3,374,951
Un-appropriated profit		451,482	98,569
		<b>5,386,433</b>	<b>5,033,520</b>
Surplus on revaluation of assets		572,970	625,645
		<b>5,959,403</b>	<b>5,659,165</b>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 11 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director



## PROFIT AND LOSS ACCOUNT (UN-AUDITED)

### FOR THE QUARTER ENDED MARCH 31, 2006

	For the Quarter March 31, 2006	For the Quarter March 31, 2005
	----- Rupees in '000 -----	
<b>Mark-up/return/interest earned</b>	<b>1,479,687</b>	862,429
<b>Mark-up/return/interest expensed</b>	<b>(931,527)</b>	(399,192)
Net mark-up/interest income	<b>548,160</b>	463,237
Provision against non-performing loans and advances	<b>59,359</b>	33,841
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	25
	<b>(59,359)</b>	(33,866)
Net mark-up/interest income after provisions	<b>488,801</b>	429,371
<b>Non markup/interest income</b>		
Fee, commission and brokerage income	<b>119,349</b>	93,714
Dividend income	<b>8,865</b>	93
Gain from sale on securities	<b>44,556</b>	43,316
Income from dealing in foreign currencies	<b>126,427</b>	38,968
Other income	<b>17,105</b>	14,222
Total non mark-up/interest income	<b>316,302</b>	190,313
	<b>805,103</b>	619,684
<b>Non mark-up/interest expenses</b>		
Administrative expenses	<b>268,502</b>	227,295
Other provisions/write offs	-	-
Other charges	<b>42</b>	40
Total non mark-up/interest expenses	<b>(268,544)</b>	(227,335)
Extra ordinary/unusual items	-	-
<b>Profit before taxation</b>	<b>536,559</b>	392,349
Taxation - current	<b>186,000</b>	159,000
- prior years	-	-
- deferred	<b>(2,354)</b>	(5,218)
	<b>(183,646)</b>	(153,782)
<b>Profit after taxation</b>	<b>352,913</b>	238,567
<b>Unappropriated profit brought forward</b>	<b>98,569</b>	46,261
<b>Profit available for appropriation</b>	<b>451,482</b>	284,828
	<b>1.70</b>	1.15
<b>Basic and diluted earnings per share</b>		

The annexed notes 1 to 11 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director





## CASH FLOW STATEMENT (UN-AUDITED)

### FOR THE QUARTER ENDED MARCH 31, 2006

	2006	2005
	----- Rupees in '000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	536,559	392,349
Less: Dividend income	(8,865)	(93)
	<u>527,694</u>	<u>392,256</u>
Adjustment for non-cash charges:		
Depreciation	10,733	9,654
Provision against non-performing advances - net	59,359	33,841
(Gain) on sale of fixed assets	(309)	(212)
	<u>69,783</u>	<u>43,283</u>
	<u>597,477</u>	<u>435,539</u>
 (Increase) / decrease in operating assets		
Lendings to financial institutions	(1,902,093)	(788,829)
Advances	(3,608,734)	(3,843,004)
Other assets (excluding advance taxation)	(170,424)	(316,022)
	<u>(5,681,251)</u>	<u>(4,947,855)</u>
 Increase / (decrease) in operating liabilities		
Bills payable	362,815	681,707
Borrowings from financial institutions	5,511,058	737,713
Deposits	1,440,824	4,627,050
Other liabilities (excluding taxation and dividend)	188,810	76,712
	<u>7,503,507</u>	<u>6,123,182</u>
	<u>2,419,733</u>	<u>1,610,866</u>
Income tax paid	(106,253)	(133,687)
Net cash flow from operating activities	<u>2,313,480</u>	<u>1,477,179</u>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(3,196,586)	(382,955)
Net investments in held-to-maturity securities	(20,873)	(1,562,241)
Dividend income	8,865	93
Investments in operating fixed assets	(328)	(108)
Sale proceeds of property and equipment disposed-off	333	225
Net cash flow from investing activities	<u>(3,208,589)</u>	<u>(1,944,986)</u>
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	-
 <b>Decrease in cash and cash equivalents</b>	<u>(895,109)</u>	<u>(467,807)</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><u>5,368,808</u></u>	<u><u>6,539,770</u></u>

The annexed notes 1 to 11 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director



## STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2006

	Share capital	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Un-appropriated profit	Total
	-----Rupees in '000-----						
Balance as at 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 for the quarter	—	—	—	—	—	238,567	238,567
Balance as on March 31, 2005	<u>1,560,000</u>	<u>821,590</u>	<u>240,361</u>	<u>900,000</u>	<u>—</u>	<u>284,828</u>	<u>3,806,779</u>
Balance as at January 1, 2006	1,560,000	1,114,590	240,361	1,500,000	520,000	98,569	5,033,520
Issue of bonus shares	520,000	—	—	—	(520,000)	—	—
Profit after tax for the quarter	—	—	—	—	—	352,913	352,913
Balance as on March 31, 2006	<u>2,080,000</u>	<u>1,114,590</u>	<u>240,361</u>	<u>1,500,000</u>	<u>—</u>	<u>451,482</u>	<u>5,386,433</u>

The annexed notes 1 to 11 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director



## NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2006

### 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 51 (December 31, 2005: 51) branches including an Islamic Banking Branch in Pakistan.

The Bank has received a proposal from Habib Bank AG Zurich for merger of their Pakistan Operations with and into Metropolitan Bank. In order to assess and evaluate the proposal, due diligence of Habib Bank AG Zurich Pakistan Operations is being carried out after receiving approval from the State Bank of Pakistan besides other commercial, legal & regulatory matters which are under review.

### 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 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 quarterly accounts are same as those applied in the preparation of the most recent annual financial statements of the Bank.

### 4. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCH

	March 31, 2006	December 31, 2005
	----- Rupees in '000 -----	
Islamic banking fund	50,000	50,000
Deposits	399,883	289,868
Borrowing from Head Office	71,503	95,487
Ijarah financing	228,956	244,497
Murabaha financing	170,927	161,080
Investment in Sukuk Bonds	25,000	—
Profit before taxation for the period	3,750	8,152
Contingent liabilities	122,033	83,862



## 5. INVESTMENTS

	March 31, 2006			December 31, 2005		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----						
<b>5.1 Investment by Types</b>						
<b>Available-for-sale securities</b>						
Market Treasury Bills	3,338,349	5,744,863	9,083,212	4,016,920	2,308,618	6,235,538
Pakistan Investment Bonds	4,676,359	2,800,000	7,476,359	5,155,069	2,450,000	7,605,069
Term Finance Certificates	1,413,822	-	1,413,822	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	368,245	-	368,245	248,653	-	248,653
Ordinary shares of un-listed companies	80,759	-	80,759	80,759	-	80,759
Preference Shares	65,000	-	65,000	65,000	-	65,000
Mutual Funds	1,925,890	-	1,925,890	1,523,676	-	1,523,676
National Prize Bonds	3,893	-	3,893	5,183	-	5,183
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	-	1,740	1,740	-	1,740
<b>Held-to-maturity securities</b>						
Market Treasury Bills	2,536,073	-	2,536,073	3,106,463	-	3,106,463
Federal Investment Bonds	77,277	-	77,277	337,461	-	337,461
Pakistan Investment Bonds	154,154	-	154,154	154,154	-	154,154
Certificates of Investments	2,490,000	-	2,490,000	1,640,000	-	1,640,000
	<b>17,356,561</b>	<b>8,544,863</b>	<b>25,901,424</b>	<b>18,050,508</b>	<b>4,758,618</b>	<b>22,809,126</b>

	March 31, 2006	December 31, 2005
----- Rupees in '000 -----		
<b>6. ADVANCES</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	<b>36,874,567</b>	34,196,964
Net investment in finance lease		
In Pakistan	<b>948,909</b>	845,695
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	<b>3,004,664</b>	2,498,225
Payable outside Pakistan	<b>6,764,289</b>	6,442,811
	<b>9,768,953</b>	8,941,036
	<b>47,592,429</b>	43,983,695
Provision for non-performing advances - Note 6.2	<b>(579,798)</b>	(520,439)
	<b>47,012,631</b>	43,463,256

6.1 Advances include Rs. 110,666 thousand (December 31, 2005: Rs. 88,724 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision Required	Provision Held
----- Rupees in '000 -----					
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	110,666	-	110,666	101,068	101,068
	<b>110,666</b>	<b>-</b>	<b>110,666</b>	<b>101,068</b>	<b>101,068</b>



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.

## 7. OPERATING FIXED ASSETS

Following is the cost of tangible fixed assets that have been added/disposed during the period ended March 31, 2006.

	Additions ----- Rupees in '000 -----	Deletions ----- Rupees in '000 -----
Building on leasehold land	—	—
Furniture, fixtures, office and computer equipments	214	11
Vehicles	114	10
	<b>328</b>	<b>21</b>
	March 31, 2006	December 31, 2005
	----- Rupees in '000 -----	

## 8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes - Others	18,137	18,137
8.2 Transaction-related contingent liabilities		
Government	1,847,387	2,294,488
Financial institutions	4,866	1,523
Others	1,692,211	916,099
	<b>3,544,464</b>	<b>3,212,110</b>
8.3 Trade-related contingent liabilities		
Letter of credit	14,794,366	14,965,681
Acceptances	8,384,902	8,464,254
8.4 Commitments in respect of forward lending		
Forward repurchase agreement lending	300,000	—
8.5 Commitments in respect of forward exchange contracts		
Purchase	9,500,533	6,394,818
Sale	12,098,895	9,678,156
8.6 Commitments in respect of operating leases		
Not later than one year	70,936	74,048
Later than one year and not later than five years	53,423	63,709
	<b>124,359</b>	<b>137,757</b>
8.7 Commitments for the acquisition of operating fixed assets	—	—



## 9. RELATED PARTY TRANSACTIONS

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 transactions is based on an arm's length basis using the comparable uncontrolled price method.

	March 31, 2006	December 31, 2005
	----- Rupees in '000 -----	
<b>Associates &amp; other related parties</b>		
Deposits	1,457,178	2,522,343
Advances	21,330	69,759
Trade-related contingent liabilities	423,706	279,658
<b>Key Management Personnel</b>		
Deposits	8,254	10,447
Advances	794	908
	March 31, 2006	March 31, 2005
	----- Rupees in '000 -----	
<b>Associates &amp; other related parties</b>		
Profit paid on deposits	56,624	21,674
Markup/Interest earned	126	115
Commission/Bank charges recovered	53	109
Rent income	152	46
Contribution to staff retirement benefit funds	5,136	3,572
<b>Key Management Personnel</b>		
Profit paid on deposits	115	20
Markup/Interest earned	24	4
Salaries, allowances etc.	3,987	3,517
Charge for defined benefit plan	27	34
Contribution to defined contribution plan	141	141

## 10. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 17, 2006 by the Board of Directors of the Bank.

## 11. GENERAL

- 11.1 These accounts are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.
- 11.2 The figures have been rounded off to nearest thousand rupees.
- 11.3 Corresponding figures have been rearranged, where necessary to facilitate comparison.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director