



Metropolitan Bank Limited

ACCOUNTS FOR THE QUARTER AND NINE MONTHS
ENDED SEPTEMBER 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

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) 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 third quarter ended September 30, 2006.

Your Board is delighted to announce that State Bank of Pakistan has given its approval for the merger of Habib Bank AG Zurich's Pakistan Operations and Metropolitan Bank Limited. By the grace of Allah, the combined entity will emerge as a distinguished banking institution by the name of **Habib Metropolitan Bank Limited (HMB)**. We intend to commence operations, under our new name and logo, with effect from **October 26, 2006**. We thank you for your continued support.

Allhamdolillah, MetroBank now in its 15th year is making steady progress. As of September 30, 2006, the deposits stood at Rs. 60,377 million as against Rs. 56,713 million and advances portfolio increased to Rs. 46,982 million as against Rs. 43,463 million. Profit before tax for the nine months ended September 30, 2006 comes to Rs. 1,918 million compared to Rs. 1,372 million over the corresponding period last year, an increase of 40%. Earnings per share works out to Rs. 6.33 for the nine months ended September 30, 2006.

For the sixth consecutive year, your Bank was awarded 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.

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: October 11, 2006



INTERIM CONDENSED BALANCE SHEET

AS AT SEPTEMBER 30, 2006

	Note	September 30, 2006 (Un-audited)	December 31, 2005 (Audited) (Restated)
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks		6,231,681	5,145,677
Balances with other banks		1,821,506	1,118,240
Lendings to financial institutions		8,371,196	5,462,582
Investments	5	28,748,943	22,809,126
Advances	6	46,982,201	43,463,256
Other assets		1,696,264	1,248,095
Operating fixed assets	7	445,788	418,922
Deferred tax assets		—	—
		94,297,579	79,665,898
LIABILITIES			
Bills payable		1,649,906	1,046,050
Borrowings from financial institutions		22,797,057	14,429,178
Deposits and other accounts	8	60,376,757	56,712,820
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities		2,143,502	1,333,691
Deferred tax liabilities		356,983	484,994
		87,324,205	74,006,733
NET ASSETS		6,973,374	5,659,165
REPRESENTED BY:			
Share capital	9	2,080,000	1,560,000
Reserves		2,854,951	2,254,951
Un-appropriated profit		1,414,329	1,218,569
		6,349,280	5,033,520
Surplus on revaluation of assets-net of tax		624,094	625,645
		6,973,374	5,659,165

CONTINGENCIES AND COMMITMENTS

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

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

A. R. WADIWALA
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2006

	For the quarter ended September 30, 2006	For the nine months ended September 30, 2006	For the quarter ended September 30, 2005 (Restated)	For the nine months ended September 30, 2005 (Restated)
----- Rupees in '000 -----				
Mark-up/return/interest earned	1,722,448	4,816,291	1,208,098	3,048,832
Mark-up/return/interest expensed	(1,093,172)	(2,979,861)	(655,142)	(1,542,908)
Net mark-up/interest income	629,276	1,836,430	552,956	1,505,924
(Reversal)/Provision against non-performing loans and advances	(5,066)	51,412	(6,759)	11,085
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	217	420	508
	5,066	(51,629)	6,339	(11,593)
Net mark-up/interest income after provisions	634,342	1,784,801	559,295	1,494,331
Non mark-up/interest income				
Fee, commission and brokerage income	136,801	383,408	106,350	308,119
Dividend income	9,062	24,152	3,134	16,769
Gain/(Loss) from sale on securities	60,444	145,038	(4,297)	6,666
Income from dealing in foreign currencies	133,377	380,579	133,422	216,324
Other income	21,929	59,466	18,346	49,025
Total non mark-up/interest income	361,613	992,643	256,955	596,903
	995,955	2,777,444	816,250	2,091,234
Non mark-up/interest expenses				
Administrative expenses	294,112	859,447	238,451	709,867
Other provisions/write offs	-	-	-	-
Other charges	20	287	9,652	9,747
Total non mark-up/interest expenses	(294,132)	(859,734)	(248,103)	(719,614)
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	701,823	1,917,710	568,147	1,371,620
Taxation - current	222,000	691,000	182,000	476,000
- prior years	-	-	(119,095)	(119,095)
- deferred	2,367	(89,050)	51,755	37,795
	(224,367)	(601,950)	(114,660)	(394,700)
Profit after taxation	477,456	1,315,760	453,487	976,920
Unappropriated profit brought forward	936,873	1,218,569	569,694	706,261
Profit available for appropriation	1,414,329	2,534,329	1,023,181	1,683,181
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	1,414,329	1,414,329	1,023,181	1,023,181
----- Rupees -----				
Basic and diluted earnings per share	2.30	6.33	2.18	4.70

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

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

A. R. WADIWALA
Director

ZIA SHAFI KHAN
Director



INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

	2006	2005
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,917,710	1,371,620
Less: Dividend income	(24,152)	(16,769)
	<u>1,893,558</u>	<u>1,354,851</u>
Adjustment for non-cash charges:		
Depreciation	33,975	28,888
Provision against non-performing advances - net	51,412	11,085
(Gain) on sale of fixed assets	(1,537)	(2,399)
	<u>83,850</u>	<u>37,574</u>
	<u>1,977,408</u>	<u>1,392,425</u>
 (Increase) / decrease in operating assets		
Lendings to financial institutions	(2,908,614)	(185,678)
Advances	(3,570,357)	(903,081)
Other assets (excluding advance taxation)	(448,169)	(346,541)
	<u>(6,927,140)</u>	<u>(1,435,300)</u>
 Increase / (decrease) in operating liabilities		
Bills payable	603,856	274,595
Borrowings from financial institutions	8,367,879	2,572,442
Deposits	3,663,937	3,584,146
Other liabilities (excluding taxation and dividend)	577,775	253,798
	<u>13,213,447</u>	<u>6,684,981</u>
	<u>8,263,715</u>	<u>6,642,106</u>
Income tax paid	(458,955)	(315,631)
Net cash flow from operating activities	<u>7,804,760</u>	<u>6,326,475</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(8,468,407)	(6,815,119)
Net investments in held-to-maturity securities	2,488,078	(534,861)
Dividend income	24,152	16,769
Investments in operating fixed assets	(61,185)	(3,794)
Sale proceeds of property and equipment disposed-off	1,881	3,342
Net cash used in investing activities	<u>(6,015,481)</u>	<u>(7,333,663)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts/(Payments) of Sub-ordinated loan	-	-
Dividend paid	(9)	(2)
Net cash used in financing activities	<u>(9)</u>	<u>(2)</u>
Decrease in cash and cash equivalents	<u>1,789,270</u>	<u>(1,007,190)</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>8,053,187</u>	<u>6,000,387</u>

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

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

A. R. WADIWALA
Director

ZIA SHAFI KHAN
Director



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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

		Reserves					
	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 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 period	—	—	—	—	—	976,920	976,920
Balance as at September 30, 2005 as restated	1,560,000	821,590	240,361	900,000	—	1,023,181	4,545,132
Balance as at January 1, 2005 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 period	—	—	—	—	—	1,315,760	1,315,760
Balance as at September 30, 2006	2,080,000	1,114,590	240,361	1,500,000	—	1,414,329	6,349,280

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

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

A. R. WADIWALA
Director

ZIA SHAFI KHAN
Director



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

FOR THE NINE MONTHS ENDED SEPTEMBER 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 on the Karachi, Lahore and Islamabad Stock Exchanges. 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.

The scheme of amalgamation of Habib Bank AG Zurich Pakistan Operations with and into Metropolitan Bank Limited has been approved by the State Bank of Pakistan. The merger will take effect from October 26, 2006.

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 quarterly and nine months 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.

	September 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	324,061	289,868
Borrowing from Head Office	80,000	95,487
Ijarah Financing	235,528	244,497
Murabaha financing	196,056	161,080
Investment in Sukuk Bonds	25,000	—
Profit before taxation	13,022	8,152
Contingent liabilities	87,438	83,862

5. INVESTMENTS

	September 30, 2006			December 31, 2005		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- Rupees in '000 -----					
5.1 Investment by Types						
Available-for-sale securities						
Market Treasury Bill	5,475,086	7,665,063	13,140,149	4,016,920	2,308,618	6,325,538
Pakistan Investment Bonds	4,098,472	3,200,000	7,298,472	5,155,069	2,450,000	7,605,069
Term Finance Certificates	1,641,732	—	1,641,732	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	355,467	—	355,467	248,653	—	248,653
Ordinary shares of un-listed companies	30,759	—	30,759	80,759	—	80,759
Preference shares	65,000	—	65,000	65,000	—	65,000
Mutual funds	3,228,491	—	3,228,491	1,523,676	—	1,523,676
National prize bonds	12,133	—	12,133	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	—	—	—	337,461	—	337,461
Pakistan Investment Bonds	—	—	—	154,154	—	154,154
Certificates of Investments	2,750,000	—	2,750,000	1,640,000	—	1,640,000
	17,883,880	10,865,063	28,748,943	18,050,508	4,758,618	22,809,126
Less:						
Provision for diminution in the value of investment	—	—	—	—	—	—
	17,883,880	10,865,063	28,748,943	18,050,508	4,758,618	22,809,126



	September 30, 2006	December 31, 2005
	----- Rupees in '000 -----	
6. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	35,690,153	34,196,964
Net investment in finance lease/Ijarah Financing		
In Pakistan	1,010,515	845,695
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	2,623,290	2,498,225
Payable outside Pakistan	8,230,094	6,442,811
	10,853,384	8,941,036
	47,554,052	43,983,695
Provision for non-performing advances - Note 6.2	(571,851)	(520,439)
	46,982,201	43,463,256

6.1 Advances includes Rs. 107,545 thousand (December 31, 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	107,545	—	107,545	92,612	92,612
	107,545	—	107,545	92,612	92,612

Movement in provision

	September 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	38,696	37,128	75,824	20,610	35,912	56,522
Reversals	(24,412)	—	(24,412)	(5,434)	—	(5,434)
Net charge for the period	14,284	37,128	51,412	15,176	35,912	51,088
Amount written off	—	—	—	(8,389)	—	(8,389)
Closing balance	92,612	479,239	571,851	78,328	442,111	520,439

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 September 30, 2006.

	Additions	Deletions
	----- Rupees in '000 -----	
Building on leasehold land	57,750	—
Furniture, fixtures, office and computer equipments	1,971	55
Vehicles	1,464	559
	61,185	614

September 30, 2006 **December 31, 2005**

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

8. DEPOSIT AND OTHER ACCOUNTS

Customers

Fixed deposits	22,932,266	20,477,469
Saving deposits	14,611,700	13,456,081
Current accounts - remunerative	—	—
Current accounts - non-remunerative	19,180,492	17,574,847
Others	596,273	573,191
	57,320,731	52,081,588

Financial Institutions

Remunerative deposits	2,932,886	4,546,008
Non-remunerative deposits	123,140	85,224
	3,056,026	4,631,232
	60,376,757	56,712,820

9. SHARE CAPITAL

9.1 Authorized Capital

Ordinary shares of Rs. 10/- each

Number of shares in '000'

September 30, 2006	December 31, 2005			
600,000	200,000	Ordinary shares of Rs. 10/- each	6,000,000	2,000,000

9.2 Issued, subscribed and paid-up

Number of shares in '000'

September 30, 2006	December 31, 2005			
30,000	30,000	Ordinary shares of Rs. 10/- each		
126,000	90,000	Fully paid in cash	300,000	300,000
52,000	36,000	Opening balance of fully paid bonus shares	1,260,000	900,000
208,000	156,000	Issued during the year	520,000	360,000
			2,080,000	1,560,000



September 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	2,854,048	2,294,488
Financial institutions	93,512	1,523
Others	1,468,556	916,099
	4,416,116	3,212,110

10.3 Trade-related contingent liabilities

Letter of credits	16,372,232	14,965,681
Acceptances	7,196,855	8,464,254

10.4 Commitments in respect of forward exchange contracts

Purchase	9,265,926	6,394,818
Sale	13,849,857	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	71,508	74,048
Later than one year and not later than five years	54,020	63,709
	125,528	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.



September 30, December 31,
2006 2005

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

Balance outstanding at period/year end

Related parties

Deposits	2,624,784	2,522,343
Advances	11,674	69,759
Trade-related contingent liabilities	555,407	279,658

Key Management Personnel

Deposits	9,677	10,447
Advances	5,919	908

September 30, September 30,
2006 2005

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

Transactions for the period

Related parties

Net mark-up/interest expensed	131,596	61,104
Markup/Interest earned	636	660
Commission/Bank charges recovered	1,756	1,757
Rent income	396	416
Insurance premium paid	1,517	—
Contribution to staff retirement benefit funds	16,331	12,589

Key Management Personnel

Directors' Fee	400	110
Profit paid on deposits	238	205
Markup/Interest earned	169	95
Salaries, allowances etc.,	19,130	15,917
Charge for defined benefit plan	116	143
Contribution to defined contribution plan	666	561

12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 11, 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 have been rounded off to nearest thousand rupees.
- 13.3 Corresponding figures have been re-arranged where necessary for the purpose of comparison.

KASSIM PAREKH
President and Chief Executive

FIRASAT ALI
Director

A. R. WADIWALA
Director

ZIA SHAFI KHAN
Director