

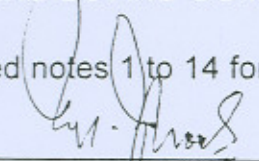
SME BANK LIMITED
BALANCE SHEET AS AT JUNE 30, 2006 (UN-AUDITED)

	Note	June 30, 2006	December 31, 2005
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		191,948	188,460
Balances with other banks		145,384	112,047
Lendings to financial institutions		-	-
Investments	5	4,593,027	4,807,743
Advances	6	1,430,456	1,184,844
Other assets	7	961,373	967,207
Operating fixed assets		162,556	160,438
Deferred tax asset		446,256	439,338
		<u>7,931,000</u>	<u>7,860,077</u>
LIABILITIES			
Bills payable		14,305	6,271
Borrowings from financial institutions		1,450,000	1,530,000
Deposits and other accounts		1,107,271	1,022,702
Sub-ordinated loans		-	-
Loan from the State Bank of Pakistan	8	2,500,000	2,500,000
Liabilities against assets subject to finance lease		17,273	21,684
Other liabilities		591,608	617,097
Deferred tax liabilities		-	-
		<u>5,680,457</u>	<u>5,697,754</u>
NET ASSETS		<u><u>2,250,543</u></u>	<u><u>2,162,323</u></u>
REPRESENTED BY			
Share capital		1,500,000	1,500,000
Reserves		146,638	146,638
Unappropriated profit		690,023	586,546
		<u>2,336,661</u>	<u>2,233,184</u>
Deficit on revaluation of investments - net of tax		(86,118)	(70,861)
		<u><u>2,250,543</u></u>	<u><u>2,162,323</u></u>

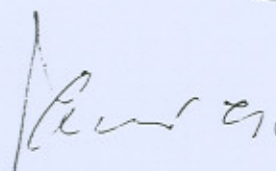
CONTINGENCIES AND COMMITMENTS

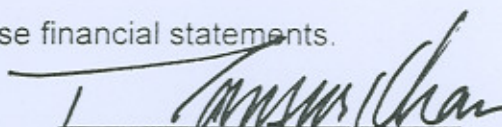
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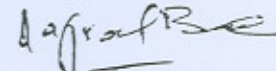
The annexed notes 1 to 14 form an integral part of these financial statements.

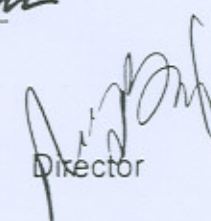

 Chief Fin officer

President/ Chief Executive


 Director


 President & CEO

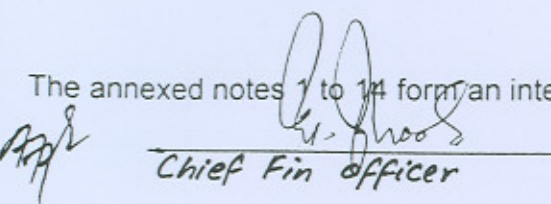

 Director


 Director

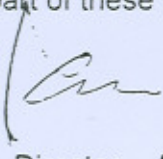
SME BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2006 (UN-AUDITED)

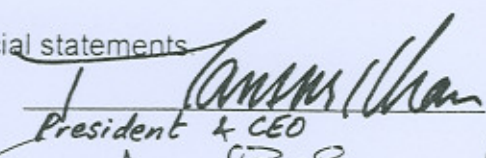
		For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
		June 30, 2006		June 30, 2005	
	Note	Rupees in '000			
Mark-up/ return/ interest earned	10	262,840	460,216	217,512	389,947
Mark-up/ return/ interest expensed		112,028	198,019	88,684	169,952
Net mark-up/ interest income		150,812	262,197	128,828	219,995
Reversal of provision against non-performing advances		(84,893)	(104,817)	(87,950)	(143,460)
Provision for impairment in the value of investments		1,161	1,161	-	-
		(83,732)	(103,656)	(87,950)	(143,460)
Net markup / interest income after provisions		234,544	365,853	216,778	363,455
NON MARK-UP/ INTEREST INCOME					
Fees and commission		1,241	1,395	1,678	2,208
Dividend income		217	427	160	160
Gain on sale of Government Securities		-	-	-	40
Other income		3,858	13,131	10,693	20,300
Total non mark-up/ interest income		5,316	14,953	12,531	22,708
		239,860	380,806	229,309	386,163
NON MARK-UP/ INTEREST EXPENSES					
Administrative expenses	11	122,806	245,273	88,993	183,702
Other provisions/ write offs		(20,000)	(20,000)	-	-
Other charges		3	158	257	569
Total non mark-up/ interest expenses		102,809	225,431	89,250	184,271
PROFIT BEFORE TAXATION		137,051	155,375	140,059	201,892
Taxation - Current		45,603	51,854	56,118	78,968
- Deferred		(620)	44	1,183	(1,757)
PROFIT AFTER TAXATION		44,983	51,898	57,301	77,211
		92,068	103,477	82,758	124,681
Basic/ diluted earnings per share (Rupees)		0.61	0.69	0.75	1.13

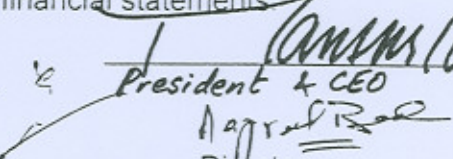
The annexed notes 1 to 14 form an integral part of these financial statements



 Chief Fin officer

President/ Chief Executive


 Director


 President & CEO


 Director


 Director

SME BANK LIMITED
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2006 (UN-AUDITED)

2006 2005
Rupees in '000

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	155,375	201,892
Less: Dividend income	(427)	(160)
	154,948	201,732
Adjustments for non-cash charges		
Depreciation	14,429	13,698
Amortization	1,486	1,766
Provision against non-performing advances	(104,817)	(143,460)
Provision for impairment in the value of investments/ other assets	(18,839)	-
Gain on sale of fixed assets	(8,306)	(2,683)
Finance charges on leased assets	386	495
	(115,661)	(130,184)
	39,287	71,548
Increase/ decrease in operating assets		
Lendings to financial institutions	-	-
Advances	(140,795)	174,723
Others assets (excluding advance taxation)	23,760	52,101
	(117,035)	226,824
Increase/ (decrease) in operating liabilities		
Bills payable	8,034	-
Borrowings from financial institutions	(80,000)	50,000
Deposits	84,569	119,844
Other liabilities (excluding current taxation)	4,025	(39,521)
	16,628	130,323
	(61,120)	428,695
Income tax paid	(81,368)	(278,732)
Net cash flow from operating activities	(142,488)	149,963

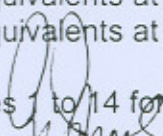
CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	20,038	(255,024)
Net investments in held-to-maturity securities	171,298	75,657
Dividend income	427	160
Investments in operating fixed assets	(22,369)	(3,595)
Sale proceeds of property and equipment disposed-off	12,638	4,373
Net cash flow from investing activities	182,032	(178,429)

CASH FLOW FROM FINANCING ACTIVITIES

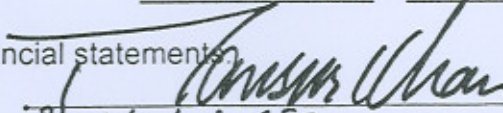
Payments of lease obligations	(2,719)	(8,750)
Issue of share capital	-	-
Net cash flow from financing activities	(2,719)	(8,750)
Increase/ (decrease) in cash and cash equivalents	36,825	(37,216)
Cash and cash equivalents at beginning of the period	300,507	426,731
Cash and cash equivalents at end of the period	337,332	389,515


The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Financial Officer


President/ Chief Executive


Director


President & CEO
Director


Director

SME BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2006 (UN-AUDITED)

	Share capital	Statutory reserve	Unappropriated profit	Total
	Rupees in '000			
Balance as at January 01, 2005	1,100,000	105,396	421,579	1,626,975
Net profit for the half year ended June 30, 2005	-	-	124,681	124,681
Balance as at June 30, 2005	<u>1,100,000</u>	<u>105,396</u>	<u>546,260</u>	<u>1,751,656</u>
Net profit for the half year ended December 31, 2005	-	-	81,528	81,528
Transfer to statutory reserve	-	41,242	(41,242)	-
Issue of share capital	400,000	-	-	400,000
Balance as at December 31, 2005	<u>1,500,000</u>	<u>146,638</u>	<u>586,546</u>	<u>2,233,184</u>
Net profit for the half year ended June 30, 2006	-	-	103,477	103,477
Balance as at June 30, 2006	<u><u>1,500,000</u></u>	<u><u>146,638</u></u>	<u><u>690,023</u></u>	<u><u>2,336,661</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.

[Signature]
 Chief Fin officer

[Signature]
 President & CEO

President/ Chief Executive

[Signature]
 Director

[Signature]
 Director

[Signature]
 Director