

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the accounts for the Quarter ended March 31, 2005.

FINANCIAL PERFORMANCE

The financial results of the Group are summarized below: -

	(Rs '000)	
Profit after tax	401,691	
Share of (profit) attributable to Minority interest	<u>(6,903)</u>	
Profit attributable to shareholders	394,788	
Appropriation relating to Statutory / Regulatory Reserves	<table border="1"><tr><td>91,806</td></tr></table>	91,806
91,806		
Earning per share Annualized (Basic & Diluted)	2.29	

Current period profit includes charge on account of Voluntary Staff Separation Scheme (VSSS) offered to employees during the period. Under this scheme 2,030 employees opted for voluntary separation, for which the Group has incurred additional cost of Rs.2.100 billion in the current quarter. Cost savings related to VSSS will start to flow from 2Q05. Excluding this exceptional cost of VSSS, the Group's performance has substantially improved in 1Q05 from 1Q04, as its profit before provision and taxes has registered an increase of Rs 854 Mn (46%) in 1Q05 as compared to 1Q04. The Net interest income increased by Rs.1.7 billion from 1Q04, mainly due to growth in advances by over Rs.76 billion and increases in deposits of Rs. 39 Bn. During the current quarter, the Group continues its growth where advances increased by Rs. 9 billion. Subsequent to quarter end, two new deposit products have been introduced. It is anticipated that these products will provide liquidity and will also hedge interest rate exposure on the fixed rate consumer and agricultural loans. Further, NPL also decreased by Rs.1.6 billion, primarily due to cash recoveries.

OUT LOOK

Going forward, while there will be the challenge of enhanced funding costs and low credit off-take due to rising interest rates, the Bank will continue to respond to these challenges by proactive management and identifying new opportunities. Implementation of new initiatives on the technology side will improve operational productivity, enhance customer service operations, deliver meaningful management information, and enable relationship management of clients base and the Bank is poised for continuing its growth in the future.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2005

	(Unaudited) March 31, 2005	(Audited) December 31, 2004
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	31,593,643	31,970,290
Balances with other banks	33,648,324	33,386,118
Lendings to financial institutions	5,762,031	3,755,039
Investments	3 128,592,268	134,540,558
Advances	4 267,643,076	258,306,053
Other assets	12,922,976	11,935,142
Operating fixed assets	11,066,880	11,110,314
Deferred tax asset - net	1,972,526	1,978,144
	<u>493,201,724</u>	<u>486,981,658</u>
LIABILITIES		
Bills payable	7,359,222	7,601,766
Borrowings from financial institutions	5 25,607,106	29,196,284
Deposits and other accounts	6 410,897,087	404,629,059
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	10 17,545,608	14,090,772
Deferred tax liabilities	-	-
	<u>461,409,023</u>	<u>455,517,881</u>
NET ASSETS	<u><u>31,792,701</u></u>	<u><u>31,463,777</u></u>
REPRESENTED BY:		
Minority Interest	275,321	275,702
Shareholders' equity		
Share capital	6,900,000	6,900,000
Other tier 1 capital	-	-
Capital reserves	2,455,640	2,644,052
Unappropriated profit and other reserves	13,951,009	13,546,636
	<u>23,306,649</u>	<u>23,090,688</u>
Surplus on revaluation of assets - net of tax	7 8,210,731	8,097,387
	<u><u>31,792,701</u></u>	<u><u>31,463,777</u></u>
CONTINGENCIES AND COMMITMENTS	8	

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2005

Note	Quarter ended	
	March 31, 2005	March 31, 2004
	(Rupees in '000)	
Mark-up / return / interest earned	5,830,868	3,862,188
Mark-up / return / interest expensed	1,343,016	1,043,260
Net mark-up / interest income	4,487,852	2,818,928
Provision against non-performing loans and advances - net	149,283	564,384
Provision against off-balance sheet obligations	-	-
Reversal of provision against diminution in value of investments	(3,933)	(10,108)
Bad debts written off directly	-	-
	145,350	554,276
Net mark-up / interest income after provisions	4,342,502	2,264,652
Non mark-up / interest income		
Fee, commission and brokerage income	619,298	585,669
Income / gain on sale of investments	217,089	662,292
Dividend income including share of profit of joint ventures	117,970	192,805
Income from dealing in foreign currencies	243,741	175,947
Other income	402,907	493,096
Total non-mark-up / interest income	1,601,005	2,109,809
	5,943,507	4,374,461
Non mark-up / interest expense		
Administrative expenses	3,352,799	3,049,711
Cost of Voluntary Staff Separation Scheme	2,100,000	-
Other provisions - net	(23,870)	21,489
Other charges	123	926
Total non mark-up / interest expenses	5,429,052	3,072,126
PROFIT BEFORE TAXATION	514,455	1,302,335
Taxation - current	115,144	114,402
- prior periods	-	(13,218)
- deferred	(2,380)	254,209
	112,764	355,393
PROFIT AFTER TAXATION	401,691	946,942
Share of profit attributable to minority interest	(6,903)	(3,175)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	394,788	943,767
Basic and Diluted earnings per share	2.29	5.47
	(----- annualised -----)	

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)
FOR THE QUARTER ENDED MARCH 31, 2005**

	<u>Quarter ended</u>	
	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	(Rupees in '000)	
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	394,788	943,767
Unappropriated profit / (accumulated loss) brought forward	<u>1,468,964</u>	<u>(13,028,813)</u>
	1,863,752	(12,085,046)
APPROPRIATIONS AND TRANSFERS:		
Transferred from :		
Surplus on revaluation of fixed assets		
Current period - net of tax	22,433	12,634
Transferred to:		
Statutory reserve	(78,958)	-
Capital reserve	-	-
General reserve	-	-
Reserves set aside as per regulatory requirements of overseas joint ventures	(12,848)	-
	<u>(91,806)</u>	<u>-</u>
Unappropriated profit / (accumulated loss) carried forward	<u><u>1,794,379</u></u>	<u><u>(12,072,412)</u></u>

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2005

	March 31, 2005	March 31, 2004
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	514,455	1,302,335
Less: Dividend income including share of profit of joint ventures	(117,970)	(192,805)
Profit from investment securities	(217,089)	(662,292)
	(335,059)	(855,097)
	179,396	447,238
Adjustment for non-cash charges		
Depreciation	187,305	163,636
Reversal of provision against diminution in the value of investments	(3,933)	(10,108)
Provision against non-performing loans and advances - net of reversals	149,283	564,384
Amortisation of premium on investments	96,680	114,370
Profit on sale of fixed assets	(2,758)	(634)
Miscellaneous provisions	42,751	102,489
	469,328	934,137
	648,724	1,381,375
(Increase) / decrease in operating assets		
Government securities	5,321,924	(3,918,140)
Lendings to financial institutions	(2,006,992)	12,814,454
Loans and advances	(9,486,305)	(8,280,976)
Other assets - net	(1,070,551)	(1,871,854)
	(7,241,924)	(1,256,516)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	6,268,028	10,476,914
Borrowings from financial institutions	(3,589,178)	(7,584,258)
Bills payable	(242,544)	(1,810,118)
Other liabilities - net	3,404,801	(1,471,625)
	5,841,107	(389,087)
	(752,093)	(264,228)
Income tax refunded / (paid)	5,059	(367,503)
Net cash flows from operating activities	(747,034)	(631,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held to maturity and available-for-sale securities and joint ventures	956,561	475,464
Dividend income received	18,500	167,671
Fixed capital expenditure	(147,178)	(188,786)
Proceeds from sale of fixed assets	5,970	-
Net cash flows from investing activities	833,853	454,349
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures	(201,260)	158,743
Decrease in cash and cash equivalents during the period	(114,441)	(18,639)
Cash and cash equivalents at beginning of the period	65,356,408	47,951,959
Effects of exchange rate changes on cash and cash equivalents	-	-
	65,356,408	47,951,959
Cash and cash equivalents at end of the period	65,241,967	47,933,320

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2005

	Share Capital	Other tier 1 Capital	RESERVES				Total	
			Capital		Other Reserves			
			Exchange Translation Reserve	Joint Ventures and Subsidiaries	Statutory	General		Unappropriated profit / (accumulated loss)
----- (Rupees in '000) -----								
Balance as at December 31, 2003	12,178,495	8,000,000	1,024,896	610,511	4,870,741	3,112,919	(13,028,813)	16,768,749
Profit for the period attributable to shareholders	-	-	-	-	-	-	943,767	943,767
Issue of right shares during the period	8,000,000	(8,000,000)	-	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets to accumulated losses for:								
- Adjustment	-	-	-	-	-	-	-	-
- Current period - net of tax	-	-	-	-	-	-	12,634	12,634
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	158,743	-	-	-	-	158,743
Balance as at March 31, 2004	20,178,495	-	1,183,639	610,511	4,870,741	3,112,919	(12,072,412)	17,883,893
Profit for the period attributable to shareholders	-	-	-	-	-	-	4,721,829	4,721,829
Reduction in share capital	(13,278,495)	-	-	-	-	-	13,278,495	-
Share of statutory reserves of joint ventures	-	-	-	75,074	-	-	(75,074)	-
Share premium reserve of joint ventures	-	-	-	31,123	-	-	-	31,123
Transferred from surplus on revaluation of fixed assets to accumulated losses for:								
- Adjustment	-	-	-	-	-	-	-	-
- Current period - net of tax	-	-	-	-	-	-	55,138	55,138
Transferred to statutory reserves	-	-	-	-	1,133,119	-	(1,133,119)	-
Transferred to general reserves	-	-	-	-	-	2,960,893	(2,960,893)	-
Final cash dividend	-	-	-	-	-	-	(345,000)	(345,000)
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	743,705	-	-	-	-	743,705
Balance as at December 31, 2004	6,900,000	-	1,927,344	716,708	6,003,860	6,073,812	1,468,964	23,090,688
Profit for the period attributable to shareholders	-	-	-	-	-	-	394,788	394,788
Share of statutory reserves of joint ventures	-	-	-	12,848	-	-	(12,848)	-
Transferred from surplus on revaluation of fixed assets to accumulated losses for:								
- Current period - net of tax	-	-	-	-	-	-	22,433	22,433
Transferred to statutory reserves	-	-	-	-	78,958	-	(78,958)	-
Transferred to general reserves	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	(201,260)	-	-	-	-	(201,260)
Balance as at March 31, 2005	6,900,000	-	1,726,084	729,556	6,082,818	6,073,812	1,794,379	23,306,649

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

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited and Subsidiary Companies

Notes to the Financial Statements (Unaudited)

For the quarter ended March 31, 2005

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited is incorporated in Pakistan and is engaged in commercial banking, modaraba management and related services in Pakistan and overseas. The bank as a group comprises of:

Holding company

- Habib Bank Limited, Pakistan

Subsidiary companies

- Habib Allied International Bank Plc., United Kingdom – shareholding at 90.5%
- Habib Finance International Limited, Hong Kong – wholly owned
- Habib Finance (Australia) Limited, Australia – wholly owned
- Habib Bank Financial Services (Private) Limited, Pakistan – wholly owned
- Habib Currency Exchange (Private) Limited, Pakistan – wholly owned

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are being presented in a condensed format in accordance with the requirements of IAS 34 "Interim Financial Reporting" and the requirements of BSD circular letter No. 2 dated May 12, 2004.

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual accounts of the bank for the year ended December 31, 2004.

3 INVESTMENTS	Note	March 31, 2005			December 31, 2004		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
Held to Maturity securities (HTM)							
<i>Federal Government Securities</i>							
		19,118,253	-	19,118,253	21,398,951	-	21,398,951
		1,617,607	-	1,617,607	1,622,989	-	1,622,989
		4,194,576	-	4,194,576	4,571,042	-	4,571,042
		279,781	-	279,781	280,417	-	280,417
		25,210,217	-	25,210,217	27,873,399	-	27,873,399
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
		45,377,718	6,338,303	51,716,021	47,250,726	8,367,090	55,617,816
		969,365	-	969,365	905,446	-	905,446
	3.1	25,371,976	-	25,371,976	24,203,445	-	24,203,445
		899,993	-	899,993	899,993	-	899,993
		1,111,255	-	1,111,255	1,114,367	-	1,114,367
		5,583,080	-	5,583,080	5,666,681	-	5,666,681
<i>Fully paid-up ordinary shares:</i>							
		1,459,876	-	1,459,876	1,619,112	-	1,619,112
		355,806	-	355,806	355,791	-	355,791
<i>Modarba certificates</i>							
		30,000	-	30,000	30,000	-	30,000
<i>Debentures and Corporate Debt Instruments</i>							
		13,248,249	-	13,248,249	13,799,168	-	13,799,168
<i>NIT units</i>							
		3,537	-	3,537	3,537	-	3,537
<i>Preference shares</i>							
		179,472	-	179,472	189,466	-	189,466
<i>Other investments</i>							
		82,112	-	82,112	82,112	-	82,112
		94,672,439	6,338,303	101,010,742	96,119,844	8,367,090	104,486,934
		865,923	705	866,628	738,037	(15,278)	722,759
		95,538,362	6,339,008	101,877,370	96,857,881	8,351,812	105,209,693
Investment in associated undertakings							
		63,300	-	63,300	63,300	-	63,300
Investment in joint venture companies							
		1,441,381	-	1,441,381	1,394,166	-	1,394,166
		122,253,260	6,339,008	128,592,268	126,188,746	8,351,812	134,540,558

3.1 This figure includes an amount of Rs 10,899.739 million in respect of which the Government of Pakistan (GOP) has committed to issue bonds against assessed tax refunds and in respect of certain non-performing advances, debentures and corporate debt instruments transferred to Corporate and Industrial Restructuring Corporation (CIRC).

3.2 Particulars of provision held against diminution in value of investments

The balances above are stated net of specific provision held. The analysis of total provision held is as follows:

	March 31, 2005	December 31, 2004
	(Rupees in '000)	
Opening balance	655,870	904,172
Reversed during the period / year	(3,933)	(151,218)
Amount written off	(3,414)	(97,084)
Closing balance	<u>648,523</u>	<u>655,870</u>

4 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	227,052,388	220,599,097
Outside Pakistan	<u>40,544,017</u>	<u>41,387,378</u>
	267,596,405	261,986,475
Net investment in finance lease - in Pakistan	8,076,780	6,833,790
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	<u>10,749,405</u>	<u>9,800,467</u>
Payable outside Pakistan	<u>14,092,484</u>	<u>12,978,982</u>
	24,841,889	22,779,449
Provision against non-performing advances		
- Specific	(31,871,382)	(32,429,771)
- General	(1,000,616)	(863,890)
	<u>267,643,076</u>	<u>258,306,053</u>

4.1 Advances include Rs 42,887.825 million (2004: Rs 44,506.433 million) which have been placed under non-performing status as detailed below:

Category of Classification	Note	March 31, 2005		
		Non-performing advances	Provision Required	Provision Held
----- (Rupees in '000) -----				
Pakistan				
Other Assets Especially Mentioned		1,232,872	-	-
Substandard		3,218,275	440,840	440,840
Doubtful		1,414,570	521,702	521,702
Loss		<u>22,740,210</u>	<u>17,708,173</u>	<u>17,708,173</u>
		28,605,927	18,670,715	18,670,715
Overseas operations		14,281,898	13,200,667	13,200,667
General Provision		-	1,000,616	1,000,616
Total		<u>42,887,825</u>	<u>32,871,998</u>	<u>32,871,998</u>

4.2 Particulars of loans and advances to directors, associated companies, etc.

	Balance as at March 31, 2005	Maximum total amount of loans and advances including temporary advances granted during the period
		(Rupees in '000) **
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:		
- in respect of directors	-	-
- in respect of executives *	171,513	171,513
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members	372,000	392,000
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	-	-
* (These represent staff loans given by the Group to its executives as per their terms of employment)		
** (Maximum amount has been arrived at by reference to month end balance)		

March 31, 2005	December 31, 2004
(Rupees in '000)	

5 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under		
Export refinance scheme	15,355,244	14,771,718
Locally manufactured machinery refinance scheme	3,599	4,163
Others	-	-
Repurchase agreement borrowings	6,338,303	8,329,748
	<u>21,697,146</u>	<u>23,105,629</u>

Unsecured

In Pakistan

International Development Agency	-	-
Interbank call money borrowing	100,000	556,580
	100,000	556,580

Outside Pakistan

Overdrawn nostro accounts	421,016	349,208
Borrowings of overseas branches	3,388,944	5,184,867
	<u>3,809,960</u>	<u>5,534,075</u>
	3,909,960	6,090,655
	<u>25,607,106</u>	<u>29,196,284</u>

6 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	68,409,282	74,439,968
Savings deposits	254,429,539	239,817,027
Current accounts - non-remunerative	81,768,553	84,067,896
	<u>404,607,374</u>	<u>398,324,891</u>

Financial institutions

Remunerative deposits	3,257,860	2,891,984
Non-remunerative deposits	3,031,853	3,412,184
	<u>6,289,713</u>	<u>6,304,168</u>
	<u>410,897,087</u>	<u>404,629,059</u>

7 SURPLUS ON REVALUATION OF ASSETS - net of tax	Note	March 31, 2005	December 31, 2004
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	7.1	7,301,691	7,323,885
- investments	7.2	909,040	773,502
Surplus on revaluation of assets - net of tax		<u>8,210,731</u>	<u>8,097,387</u>
7.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		8,027,572	4,074,924
(Adjustment) / surplus on revaluation of bank's properties during the period / year		(95)	4,055,522
Surplus realised on disposal of revalued properties during the period / year		(2,057)	(17,259)
Transferred to accumulated losses in respect of incremental depreciation charged during the period / year - net of deferred tax		(20,376)	(50,513)
Related deferred tax liability of incremental depreciation charged during the period / year		(12,488)	(35,102)
Surplus on revaluation of fixed assets as at period / year end		<u>7,992,556</u>	<u>8,027,572</u>
Less: related deferred tax liability on:			
revaluation as at January 1		703,687	480,485
revaluation of bank's properties adjusted / recognised during the period / year		(33)	258,567
incremental depreciation charged during the period / year transferred to profit and loss account		(12,488)	(35,102)
disposal of revalued properties reversed during the period / year		(301)	(263)
		<u>690,865</u>	<u>703,687</u>
		<u>7,301,691</u>	<u>7,323,885</u>
7.2 Surplus / (deficit) on revaluation of investments			
Market treasury bills		(23,545)	(76,106)
Pakistan Investment Bonds		(97,341)	(67,980)
Listed securities		900,899	806,412
NIT units		19,338	15,163
Other investments		67,277	45,270
		866,628	722,759
Add / (Less): related deferred tax asset / (liability)		42,412	50,743
		<u>909,040</u>	<u>773,502</u>

		March 31,	December 31,
		2005	2004
		(Rupees in '000)	
8	CONTINGENCIES AND COMMITMENTS		
8.1	Direct credit substitutes	13,280,491	16,326,865
8.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	Government	9,204,188	10,063,520
	Financial institutions	433,383	489,271
	Others	3,269,877	3,593,771
		<u>12,907,448</u>	<u>14,146,562</u>
8.3	Trade-related commitments		
	Credit cash	58,805,939	61,022,626
	Credit documentary acceptance	10,383,081	7,031,799
	Credit acceptance	11,993,854	11,784,616
		<u>81,182,874</u>	<u>79,839,041</u>

8.4 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

		March 31,	December 31,
		2005	2004
		(Rupees in '000)	
8.5	Other contingencies		
	Claims against the Group not acknowledged as debts	41,713,742	41,844,592
8.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	27,797,847	42,004,160
	Sale	22,870,125	33,444,750
8.7	Commitments for acquisition of operating fixed assets	109,992	132,285
8.8	The Group has committed to upgrade its computer software system for all its international and domestic operations and the remaining committed cost in this respect is approximately Rs 201.750 million.		
8.9	Taxation		

In respect of the assessment proceedings relating to Azad Jammu and Kashmir (AJK), the Bank has filed a reference application with the High Court of AJK regarding excessive assessments made by the AJK taxation authorities in the financial years 1982 to 2003 on account of profits relating to AJK branches. The difference in tax assessed and the amount acknowledged by the Bank relating to the above years amounts to Rs 3,538 million. No provision has been made in the financial statements for these amounts, as the management is confident that the eventual outcome of these cases will be in favor of the Bank.

9 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, joint venture companies, employee benefit plans, and its directors and executive officers (including their associates) and retirement benefit funds.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. Remuneration to the executives, are determined in accordance with the terms of their appointment.

Details of transactions with related parties except those under the terms of employment and balances with them as at the period-end were as follows:

	March 31, 2005	December 31, 2004
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings from related parties	8,093,223	6,700,394
- Deposits from retirement benefit funds	158,900	218,510
- Payable to staff welfare fund	-	-
- Receivable from defined benefit plan	3,571,606	3,584,238
- Balances with related parties	372,000	224,000
- Other contingencies and commitments	-	-
Profit / Expense for the period		
	March 31, 2005	March 31, 2004
	(Rupees in '000)	
- Share of profit of joint venture companies - net of tax under equity basis of accounting	47,751	76,451
- Interest paid during the period	7,820	20,017
- Modaraba management fees	2,000	1,474
- Interest income for the period	31,574	-
- Other income	-	-

Transactions entered into with directors / executive officers as per their terms of employment are excluded from related party transactions.

- 10** During the year the Bank has offered Voluntary Staff Separation Scheme (VSSS) to some of its employees. Under this scheme 2,030 number of employees opted for the separation for which the Bank has incurred additional cost of Rs 2.100 billion being incentives offered to employees.

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on

by the Board of Directors of the Bank.