

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the accounts for the Quarter ended March 31, 2006.

FINANCIAL PERFORMANCE

The financial results of the Group are summarized below: -

	(Rs. in '000)
Profit after tax	1,277,581
Share of profit attributable to minority interest	(17,482)
Profit attributable to shareholders	<hr/> 1,260,099
Appropriation relating to Statutory / regulatory Reserves	125,802
Earning per share Annualized (Basic & Diluted)	7.30

Current period profit includes a charge of Rs. 2.097 billion on account of payments made for Staff Retrenchment Scheme. Under this scheme 2,343 employees have been retrenched. Excluding this exceptional cost of retrenchment; the Group's performance has substantially improved in 1Q06, as its profit before provision and taxes has registered an increase of Rs. 2.013 billion (74%) from the corresponding period of last year. The net interest increased by Rs. 2.283 billion mainly due to growth in deposits and advances by over Rs. 30.965 billion and Rs. 43.305 billion respectively.

OUTLOOK

The biggest challenge for the banking sector is to maintain growth in earnings under declining spread scenario. To counter this challenge, the Bank will work aggressively to enhance the customer service and client base, supported by various initiatives including new products.

On the technology front the Bank continues to implement its new banking software. This system will virtually free the branches from all manual processing relating to back office functions and assist in providing superior customer services.

We are pleased to inform that the Bank has established an Asset Management Company, as a wholly owned subsidiary, to provide equity and money market investment services.

President & Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2006

	Note	(Unaudited) March 31, 2006	(Audited) December 31, 2005
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		27,735,463	33,051,049
Balances with other banks		27,773,669	31,813,513
Lendings to financial institutions		25,693,162	12,272,248
Investments - net	3	105,497,171	107,384,470
Advances - net	4	312,066,654	316,881,635
Other assets - net		15,264,724	14,481,818
Operating fixed assets		11,291,545	11,166,195
Deferred tax asset - net		1,922,281	1,842,977
		527,244,669	528,893,905
LIABILITIES			
Bills payable		1,397,794	5,776,325
Borrowings from financial institutions	5	23,060,509	34,904,352
Deposits and other accounts	6	441,861,769	432,545,165
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		18,316,622	15,180,213
Deferred tax liabilities - net		-	-
		484,636,694	488,406,055
NET ASSETS		42,607,975	40,487,850
REPRESENTED BY:			
Shareholders' equity			
Share capital		6,900,000	6,900,000
Capital reserves		2,177,622	2,051,371
Unappropriated profit and other reserves		25,039,810	23,079,826
		34,117,432	32,031,197
Minority Interest		868,662	846,801
		34,986,094	32,877,998
Surplus on revaluation of assets - net of tax	7	7,621,881	7,609,852
		42,607,975	40,487,850
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 12 form an integral part of these financial statements.

President and Chief Executive Officer

Director

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**HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2006**

	Quarter ended	
	March 31, 2006	March 31, 2005
	(Rupees in '000)	
Mark-up / return / interest earned	10,052,700	5,845,227
Mark-up / return / interest expensed	3,272,546	1,348,105
Net mark-up / interest income	6,780,154	4,497,122
Provision against non-performing loans and advances - net	557,906	142,154
Provision against off-balance sheet obligations and others (Reversal) against diminution in value of investments	-	-
Bad debts written off directly	(29,302)	(3,933)
	-	-
	528,604	138,221
Net mark-up / interest income after provisions	6,251,550	4,358,901
Non mark-up / interest income		
Fee, commission and brokerage income	749,014	619,298
Income / gain on investments	-	217,089
Dividend income including share of profit of joint ventures	53,133	117,970
Income from dealing in foreign currencies	259,151	243,741
Other income	444,684	403,331
Total non-mark-up / interest income	1,505,982	1,601,429
	7,757,532	5,960,330
Non mark-up / interest expense		
Administrative expenses	3,516,638	3,353,211
Other provisions / write offs - net	16,225	(23,870)
Other charges	15,349	123
Total non mark-up / interest expenses	3,548,212	3,329,464
	4,209,320	2,630,866
Staff retrenchment cost	10 2,097,000	2,100,000
Profit before taxation	2,112,320	530,866
Taxation - current	925,335	115,144
Taxation - prior year	-	-
Taxation - deferred	(90,596)	(2,380)
	834,739	112,764
Profit after taxation	1,277,581	418,102
Share of profit attributable to minority interest	(17,482)	(21,672)
Profit attributable to shareholders	1,260,099	396,430
Basic and diluted earnings per share	7.30	2.30
	(----- annualised -----)	

The annexed notes 1 to 12 form an integral part of these financial statements.

President and Chief Executive Officer

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**HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)
FOR THE QUARTER ENDED MARCH 31, 2006**

	<u>Quarter ended</u>	
	<u>March 31, 2006</u>	<u>March 31, 2005</u>
	(Rupees in '000)	
Profit attributable to shareholders	1,260,099	396,430
Unappropriated profit brought forward	9,218,920	1,481,417
	<u>10,479,019</u>	<u>1,877,847</u>
Appropriations and transfers:		
Transferred from :		
Surplus on revaluation of fixed assets		
current period - net of tax	11,538	22,433
Declaration of final dividend in respect of		
year ended December 31, 2005 deferred by shareholders	690,000	-
	<u>701,538</u>	<u>22,433</u>
Transferred to:		
Statutory reserve	(124,149)	(78,958)
Capital reserve	-	-
General reserve	-	-
Reserves set aside as per regulatory requirements of		
overseas joint ventures and subsidiary	(1,653)	(13,176)
	<u>(125,802)</u>	<u>(92,134)</u>
Unappropriated profit carried forward	<u><u>11,054,755</u></u>	<u><u>1,808,146</u></u>

The annexed notes 1 to 12 form an integral part of these financial statements.

President and Chief Executive Officer

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HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2006

	March 31, 2006	March 31, 2005
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,112,320	530,866
Less: Dividend income including share of profit of joint ventures	(53,133)	(117,970)
Gain on sale of investments - net	-	(217,089)
	(53,133)	(335,059)
	2,059,187	195,807
Adjustment for non-cash charges		
Depreciation / amortization / adjustments	234,913	187,305
Reversal against diminution in the value of investments	(29,302)	(3,933)
Provision against non-performing loans and advances - net of reversals	557,906	149,283
Amortisation of premium on investments	92,209	96,680
Gain on sale of property and equipment - net	(2,810)	(2,758)
Miscellaneous provisions	278,266	42,751
	1,131,182	469,328
	3,190,369	665,135
(Increase) / decrease in operating assets		
Government securities	2,166,120	5,321,924
Lendings to financial institutions	(13,420,914)	(2,006,992)
Loans and advances	4,257,075	(9,486,305)
Other assets - net	193,737	(1,070,551)
	(6,803,982)	(7,241,924)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	9,316,604	6,268,028
Borrowings from financial institutions	(11,843,843)	(3,589,178)
Bills payable	(4,378,531)	(242,544)
Other liabilities - net	3,552,522	3,404,801
	(3,353,248)	5,841,107
	(6,966,861)	(735,682)
Income tax paid - net	(1,881,863)	5,059
Net cash flows from / (used in) operating activities	(8,848,724)	(730,623)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held to maturity and available-for-sale securities and joint ventures	(294,789)	956,561
Dividend income received	20,938	18,500
Fixed capital expenditure	280,736	(147,178)
Proceeds from sale of fixed assets	(638,189)	5,970
Net cash flows from investing activities	(631,304)	833,853
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures	124,598	(201,260)
Decrease in cash and cash equivalents during the period	(9,355,430)	(98,030)
Cash and cash equivalents at beginning of the period	64,864,562	64,962,592
Effects of exchange rate changes on cash and cash equivalents	-	-
	64,864,562	64,962,592
Cash and cash equivalents at end of the period	55,509,132	64,864,562

The annexed notes 1 to 12 form an integral part of these financial statements.

President and Chief Executive Officer

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Director

**HABIB BANK LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2006**

	Attributable to shareholders of the Group							Sub Total	Minority interest	Total
	Share Capital	Other tier 1 Capital	RESERVES			Unappropriated profit / (accumulated loss)				
			Capital	Other Reserves						
Exchange Translation Reserve	Joint Ventures and Subsidiaries	Statutory	General							
(Rupees in '000)										
Balance as at December 31, 2004 restated	6,900,000	-	1,927,344	718,386	6,003,860	6,073,812	1,481,417	23,104,819	835,390	23,940,209
Profit for the period	-	-	-	-	-	-	418,102	418,102	-	418,102
Share of profit attributable to minority interest	-	-	-	-	-	-	(21,672)	(21,672)	21,672	-
Share of statutory reserves of joint ventures and subsidiary	-	-	-	13,176	-	-	(13,176)	-	-	-
Transferred from surplus on revaluation of fixed assets to accumulated losses for: - Current year - net of tax	-	-	-	-	-	-	22,433	22,433	-	22,433
Transferred to statutory reserves	-	-	-	-	78,958	-	(78,958)	-	-	-
Transferred to general reserves	-	-	-	-	-	-	-	-	-	-
Minority share of surplus on revaluation of securities of modaraba	-	-	-	-	-	-	-	-	6,108	6,108
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	(201,260)	-	-	-	-	(201,260)	-	(201,260)
Balance as at March 31, 2005 restated	6,900,000	-	1,726,084	731,562	6,082,818	6,073,812	1,808,146	23,322,422	863,170	24,185,592
Profit for the period	-	-	-	-	-	-	9,228,447	9,228,447	-	9,228,447
Share of profit attributable to minority interest	-	-	-	-	-	-	(61,574)	(61,574)	61,574	-
Share of statutory reserves of joint ventures and subsidiary	-	-	-	1,265	-	-	(1,265)	-	-	-
Transferred from surplus on revaluation of fixed assets to accumulated profit for: - current year - net of tax	-	-	-	-	-	-	25,776	25,776	-	25,776
Transferred to statutory reserves	-	-	-	-	1,704,276	-	(1,704,276)	-	-	-
Transferred to general reserves	-	-	-	-	-	-	-	-	-	-
Final cash dividend	-	-	-	-	-	-	(690,000)	(690,000)	-	(690,000)
Profit distributed to minority shareholders	-	-	-	-	-	-	-	-	(46,454)	(46,454)
Minority share of deficit on revaluation of securities of modaraba	-	-	-	-	-	-	-	-	(2,626)	(2,626)
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	(478,532)	-	-	-	-	(478,532)	(28,863)	(507,395)
Exchange translation / statutory reserves released on disposal of investment	-	-	684,658	(613,666)	-	-	613,666	684,658	-	684,658
Balance as at December 31, 2005 restated	6,900,000	-	1,932,210	119,161	7,787,094	6,073,812	9,218,920	32,031,197	846,801	32,877,998
Profit for the period	-	-	-	-	-	-	1,277,581	1,277,581	-	1,277,581
Share of profit attributable to minority interest	-	-	-	-	-	-	(17,482)	(17,482)	17,482	-
Share of statutory reserves of joint ventures and subsidiary	-	-	-	1,653	-	-	(1,653)	-	-	-
Transferred from surplus on revaluation of fixed assets to accumulated profit for: - Current year - net of tax	-	-	-	-	-	-	11,538	11,538	-	11,538
Transferred to statutory reserves	-	-	-	-	124,149	-	(124,149)	-	-	-
Transferred to general reserves	-	-	-	-	-	-	-	-	-	-
Declaration of final dividend in respect of year ended December 31, 2005 deferred by shareholders	-	-	-	-	-	-	690,000	690,000	-	690,000
Profit distributed to minority shareholders	-	-	-	-	-	-	-	-	-	-
Minority share of surplus on revaluation of securities of modaraba	-	-	-	-	-	-	-	-	36	36
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	124,598	-	-	-	-	124,598	4,343	128,941
Balance as at March 31, 2006	6,900,000	-	2,056,808	120,814	7,911,243	6,073,812	11,054,755	34,117,432	868,662	34,986,094

The annexed notes 1 to 12 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, 2006

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
- First Habib Bank Modaraba, Pakistan
- HBL Asset Management 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 May12, 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 group for the year ended December 31, 2005.

3 INVESTMENTS	Note	March 31, 2006			December 31, 2005		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
Held to Maturity securities (HTM)							
<i>Federal Government Securities</i>							
		50,000	-	50,000	48,272	-	48,272
		15,578,104	-	15,578,104	15,866,815	-	15,866,815
		2,050,221	-	2,050,221	2,212,674	-	2,212,674
		292,184	-	292,184	291,365	-	291,365
		17,970,509	-	17,970,509	18,419,126	-	18,419,126
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
		33,572,504	867,672	34,440,176	32,281,358	3,144,679	35,426,037
		942,997	-	942,997	946,480	-	946,480
	3.1	23,693,501	-	23,693,501	24,140,057	-	24,140,057
		599,991	-	599,991	599,991	-	599,991
		853,484	-	853,484	852,254	-	852,254
		7,768,757	-	7,768,757	8,142,980	-	8,142,980
<i>Fully paid-up ordinary shares:</i>							
		1,102,156	-	1,102,156	1,102,154	-	1,102,154
		385,755	-	385,755	385,755	-	385,755
		14,271,356	-	14,271,356	13,960,141	-	13,960,141
		3,953	-	3,953	3,953	-	3,953
		260,983	-	260,983	260,983	-	260,983
		86,792	-	86,792	86,792	-	86,792
		83,542,229	867,672	84,409,901	82,762,898	3,144,679	85,907,577
	7.2	303,747	(470)	303,277	267,472	946	268,418
		83,845,976	867,202	84,713,178	83,030,370	3,145,625	86,175,995
Investment in associates and joint venture companies							
		2,813,484	-	2,813,484	2,789,349	-	2,789,349
		104,629,969	867,202	105,497,171	104,238,845	3,145,625	107,384,470

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, 2006	December 31, 2005
	(Rupees in '000)	
Opening balance	562,065	655,870
Reversed during the period / year	(29,302)	(82,568)
Amount written off	(9,040)	(11,237)
Closing balance	<u>523,723</u>	<u>562,065</u>

4 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	266,623,043	272,397,998
Outside Pakistan	<u>42,341,690</u>	<u>40,997,903</u>
	308,964,733	313,395,901
Net investment in finance lease - in Pakistan	12,913,919	12,636,997
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	<u>11,328,379</u>	<u>12,352,640</u>
Payable outside Pakistan	<u>12,634,347</u>	<u>12,039,363</u>
	23,962,726	24,392,003
Provision against non-performing advances		
- Specific	(32,159,694)	(32,011,517)
- General	(1,615,030)	(1,531,749)
	<u>312,066,654</u>	<u>316,881,635</u>

4.1 Advances include Rs 40,731.217 million (2005: Rs 42,887.825 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2006		
	Non-performing advances	Provision Required	Provision Held
	----- (Rupees in '000) -----		
Pakistan			
Other assets especially mentioned	342,880	-	-
Substandard	2,560,473	418,911	418,911
Doubtful	2,824,847	1,473,040	1,473,040
Loss	<u>21,455,190</u>	<u>17,843,987</u>	<u>17,843,987</u>
	27,183,390	19,735,938	19,735,938
Overseas operations	13,547,827	12,423,756	12,423,756
General Provision - Domestic	-	1,350,588	1,350,588
General Provision - Overseas	-	264,442	264,442
Total	<u>40,731,217</u>	<u>33,774,724</u>	<u>33,774,724</u>

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

	Balance as at March 31, 2006	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 *	219,159	268,133
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	262,800	290,000
Debts due by 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, **December 31,**
2006 **2005**
(Rupees in '000)

5 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under:

Export refinance scheme	13,827,953	14,525,086
Locally manufactured machinery refinance scheme	9,638	9,638
Long term finance - export oriented projects	996,484	276,327
Repurchase agreement borrowings	867,672	3,141,207
	<u>15,701,747</u>	<u>17,952,258</u>

Unsecured

In Pakistan

Interbank call money borrowing including borrowing by domestic subsidiaries

1,183,173

10,375,000

Outside Pakistan

Overdrawn nostro accounts

707,459

367,460

Borrowings of overseas branches

5,468,130

6,209,634

6,175,589

6,577,094

7,358,762

16,952,094

23,060,509

34,904,352

6 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits

119,756,109

100,469,938

Savings deposits

229,627,453

219,660,754

Current accounts - non-remunerative

83,844,729

104,878,310

433,228,291

425,009,002

Financial institutions

Remunerative deposits

6,139,642

3,581,694

Non-remunerative deposits

2,493,836

3,954,469

8,633,478

7,536,163

441,861,769

432,545,165

7 SURPLUS ON REVALUATION OF ASSETS - net of tax	Note	March 31, 2006	December 31, 2005
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	7.1	7,264,377	7,275,915
- investments	7.2	357,504	333,937
Surplus on revaluation of assets - net of tax		<u>7,621,881</u>	<u>7,609,852</u>
7.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		7,950,982	8,027,572
(Adjustment) on revaluation of bank's properties during the period / year		-	(95)
Surplus realised on disposal of revalued properties during the period / year		-	(2,057)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(11,538)	(46,152)
Related deferred tax liability of incremental depreciation charged during the period / year		(7,072)	(28,286)
Surplus on revaluation of fixed assets as at period / year end		<u>7,932,372</u>	<u>7,950,982</u>
Less: related deferred tax liability on:			
revaluation as at January 1		675,067	703,687
revaluation of bank's properties (adjusted) during the period / year		-	(33)
incremental depreciation charged during the period / year transferred to profit and loss account		(7,072)	(28,286)
disposal of revalued properties reversed during the period / year		-	(301)
		<u>667,995</u>	<u>675,067</u>
		<u>7,264,377</u>	<u>7,275,915</u>
7.2 Surplus / (deficit) on revaluation of investments			
Market treasury bills		(21,989)	(47,772)
Pakistan Investment Bonds		(132,212)	(136,744)
Listed securities		315,863	342,415
NIT units		26,399	25,426
Other investments		115,216	85,093
		303,277	268,418
Add: related deferred tax asset		54,227	65,519
		<u>357,504</u>	<u>333,937</u>

		March 31, 2006	December 31, 2005
		(Rupees in '000)	
8	CONTINGENCIES AND COMMITMENTS		
8.1	Direct credit substitutes	28,021,141	25,098,266
8.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	Government	9,979,310	9,988,190
	Financial institutions	620,400	558,487
	Others	2,421,992	2,699,708
		<u>13,021,702</u>	<u>13,246,385</u>
8.3	Trade-related commitments		
	Credit cash	79,060,968	78,902,540
	Credit documentary acceptance	9,506,181	10,694,765
	Credit acceptance	10,397,262	10,672,476
		<u>98,964,411</u>	<u>100,269,781</u>
8.4	Commitments in respect of forward lending		
	The Group makes commitments to extend credit in the normal course of its business but none of these are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
		March 31, 2006	December 31, 2005
		(Rupees in '000)	
8.5	Other contingencies		
	Claims against the Group not acknowledged as debts	39,558,744	39,670,401
8.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	41,204,028	32,207,080
	Sale	37,184,920	28,668,592
8.7	Commitments for acquisition of operating fixed assets	193,433	46,657
8.8	Other commitments	197,760	202,395

9 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, joint venture companies, employee benefit plans of the group or of any related party, and members of the Key Management Personnel of the Group or of any related party, including both executive and non-executive directors and executive officers.

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 normal risk (i.e. under the comparable uncontrolled price method). Details of loans and advances to the companies or firms in which the directors of the Group, are interested as directors, partners or in case of private companies, as members are given in note 4.2 to these financial statements.

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. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives including key management personnel are determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	March 31, 2006	December 31, 2005
	(Rupees in '000)	
Balances outstanding as at the year end		
- Borrowings / Deposits from		
- Joint Venture and Associates	1,819,419	1,548,957
- Retirement benefit funds	368,628	277,361
- Companies in which Directors are interested	149,086	144,289
- Advances to		
- Retirement benefit funds	1,335,855	1,877,816
- Companies in which Directors are interested	262,800	292,000
- Receivable from defined benefit plan - net	4,099,449	4,010,179
	March 31, 2006	March 31, 2005
	(Rupees in '000)	
Profit / Expense for the year		
- Interest paid	1,943	8,399
- Interest income	84,773	5,366
Share of profit of joint venture companies - net of tax	7,127	47,751

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

- 10 During the period 2,343 employees in the Non-clerical staff cadre were retrenched with effect from March 10, 2006. The bank has committed to pay, in addition to payments under the staff retirement funds, an amount of Rs 2,097 million under the retrenchment scheme. The impact, if any, on staff retirement benefit schemes will be finalised in due course through actuarial valuations.

11 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where ever necessary, for the purpose of comparison. These include the consolidation of a subsidiary, namely, First Habib Bank Modaraba as referred to in note 1 to these financial statements.

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Bank.

President and Chief Executive Officer

Director

Director

Director