

**HABIB BANK LIMITED**  
**BALANCE SHEET**  
**AS AT MARCH 31, 2006**

	Note	(Unaudited) March 31, 2006	(Audited) December 31, 2005
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		27,691,310	33,014,694
Balances with other banks		21,420,828	23,304,315
Lendings to financial institutions		25,693,162	12,272,248
Investments - net	3	101,081,068	102,984,482
Advances - net	4	302,782,714	307,602,748
Other assets - net		15,032,416	14,265,234
Operating fixed assets		11,176,740	11,046,166
Deferred tax asset - net		1,634,547	1,577,875
		506,512,785	506,067,762
<b>LIABILITIES</b>			
Bills payable		1,279,120	5,694,018
Borrowings from financial institutions	5	19,729,711	30,160,501
Deposits and other accounts	6	426,776,661	416,603,030
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		17,686,882	14,569,346
Deferred tax liabilities - net		-	-
		465,472,374	467,026,895
<b>NET ASSETS</b>		41,040,411	39,040,867
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		6,900,000	6,900,000
Capital reserves		1,596,333	1,539,181
Unappropriated profit and other reserves		24,936,261	22,993,236
		33,432,594	31,432,417
Surplus on revaluation of assets - net of tax	7	7,607,817	7,608,450
		41,040,411	39,040,867
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>8</b>		

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**  
**PROFIT AND LOSS ACCOUNT (Unaudited)**  
**FOR THE QUARTER ENDED MARCH 31, 2006**

	<b>Quarter ended</b>	
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
	<b>(Rupees in '000)</b>	
Mark-up / return / interest earned	9,719,048	5,555,135
Mark-up / return / interest expensed	3,124,611	1,229,885
Net mark-up / interest income	6,594,437	4,325,250
Provision against non-performing loans and advances - net	561,036	144,430
Provision against off-balance sheet obligations and others (Reversal) against diminution in value of investments	-	-
Bad debts written off directly	(29,302)	(3,933)
	-	-
	531,734	140,497
Net mark-up / interest income after provisions	6,062,703	4,184,753
<b>Non mark-up / interest income</b>		
Fee, commission and brokerage income	703,771	559,931
Income / gain on investments	76,913	217,089
Dividend income	41,053	187,580
Income from dealing in foreign currencies	241,357	222,912
Other income	438,080	385,911
Total non-mark-up / interest income	1,501,174	1,573,423
	7,563,877	5,758,176
<b>Non mark-up / interest expense</b>		
Administrative expenses	3,341,392	3,174,371
Other provisions - net	16,225	(23,870)
Other charges	15,349	123
Total non mark-up / interest expenses	3,372,966	3,150,624
	4,190,911	2,607,552
Staff retrenchment cost	<b>10</b> 2,097,000	2,100,000
<b>Profit before taxation</b>	2,093,911	507,552
Taxation - current	920,388	115,144
Taxation - prior year	-	-
Taxation - deferred	(67,964)	(2,380)
<b>Profit after taxation</b>	852,424	112,764
	1,241,487	394,788
Basic and Diluted earnings per share	7.20	2.29
	( ----- 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**  
**PROFIT AND LOSS ACCOUNT (continued)**  
**FOR THE QUARTER ENDED MARCH 31, 2006**

	<b>Quarter ended</b>	
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
	<b>(Rupees in '000)</b>	
<b>Profit attributable to shareholders</b>	1,241,487	394,788
Unappropriated profit brought forward	9,132,330	2,641,184
	<u>10,373,817</u>	<u>3,035,972</u>
<b>Appropriations and transfers:</b>		
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	-	-
	<u>(124,149)</u>	<u>(78,958)</u>
Unappropriated profit carried forward	<u><u>10,951,206</u></u>	<u><u>2,979,447</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**  
**CASH FLOW STATEMENT (Unaudited)**  
**FOR THE QUARTER ENDED MARCH 31, 2006**

	<b>March 31, 2006</b>	<b>March 31, 2005</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,093,911	507,552
Less: Dividend income including fair value adjustment of joint ventures	(41,053)	(187,580)
Gain on sale of investments - net	(76,913)	(217,089)
	<u>(117,966)</u>	<u>(404,669)</u>
	1,975,945	102,883
<b>Adjustment for non-cash charges</b>		
Depreciation / amortization / adjustments	255,706	178,272
Reversal of provision against diminution in the value of investments	(29,302)	(3,933)
Provision against non-performing loans and advances - net of reversals	561,036	144,430
Amortisation of premium on investments	92,209	96,680
Gain on sale of property and equipment - net	(2,764)	(2,758)
Miscellaneous provisions	278,266	42,751
	<u>1,155,151</u>	<u>455,442</u>
	3,131,096	558,325
<b>(Increase) / decrease in operating assets</b>		
Government securities	1,870,933	5,364,597
Lendings to financial institutions	(13,420,914)	(2,006,992)
Loans and advances	4,258,998	(9,834,513)
Other assets - net	209,461	(1,101,336)
	<u>(7,081,522)</u>	<u>(7,578,244)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	10,173,631	9,560,137
Borrowings from financial institutions	(10,430,790)	(2,215,061)
Bills payable	(4,414,898)	(247,426)
Other liabilities - net	3,529,270	3,424,390
	<u>(1,142,787)</u>	<u>10,522,040</u>
	(5,093,213)	3,502,121
Income tax refunded / (paid)	(1,876,916)	7,381
<b>Net cash flows from / (used in) operating activities</b>	<u>(6,970,129)</u>	<u>3,509,502</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities and joint ventures	68,684	572,538
Repatriation from / (Investment in) subsidiary companies	-	78,917
Dividend income received	20,938	18,500
Fixed capital expenditure	277,623	(150,687)
Proceeds from sale of fixed assets	(661,139)	5,970
<b>Net cash flows from investing activities</b>	<u>(293,894)</u>	<u>525,238</u>
Exchange adjustment on translation of balances in foreign branches	57,152	(201,260)
(Decrease) / Increase in cash and cash equivalents during the period	<u>(7,206,871)</u>	<u>3,833,480</u>
Cash and cash equivalents at beginning of the period	56,319,009	52,485,529
Effects of exchange rate changes on cash and cash equivalents	-	-
	56,319,009	52,485,529
Cash and cash equivalents at end of the period	<u>49,112,138</u>	<u>56,319,009</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**  
**STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**FOR THE QUARTER ENDED MARCH 31, 2006**

	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, 2004 as restated	6,900,000	-	1,746,285	-	6,003,860	6,073,812	2,641,184	23,365,141
Profit after taxation for the period	-	-	-	-	-	-	394,788	394,788
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 as restated	6,900,000	-	1,545,025	-	6,082,818	6,073,812	2,979,447	23,581,102
Profit after taxation for the period	-	-	-	-	-	-	8,521,383	8,521,383
Transferred from surplus on revaluation of fixed assets to accumulated losses for:								
- Current period - net of tax	-	-	-	-	-	-	25,776	25,776
Transferred to statutory reserves	-	-	-	-	1,704,276	-	(1,704,276)	-
Transferred to general reserves	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	-	-	(690,000)	(690,000)
Effect of translation of net investment in foreign branches, subsidiaries and joint venture companies	-	-	(5,844)	-	-	-	-	(5,844)
Exchange translation released on disposal of investment	-	-	-	-	-	-	-	-
Balance as at December 31, 2005 restated	6,900,000	-	1,539,181	-	7,787,094	6,073,812	9,132,330	31,432,417
Profit for the period	-	-	-	-	-	-	1,241,487	1,241,487
Transferred from surplus on revaluation of fixed assets to accumulated losses for:								
- current period - net of tax	-	-	-	-	-	-	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
Effect of translation of net investment in foreign branches	-	-	57,152	-	-	-	-	57,152
Balance as at March 31, 2006	6,900,000	-	1,596,333	-	7,911,243	6,073,812	10,951,206	33,432,594

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  
Notes to the Financial Statements (Unaudited)  
For the quarter ended March 31, 2006

**1 THE BANK 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.

**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, 2005.

3 INVESTMENTS	Note	March 31, 2006			December 31, 2005		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
							(Rupees in '000)
<b>Held to Maturity securities (HTM)</b>							
<i>Federal Government Securities</i>							
		15,578,104		15,578,104	15,866,815	-	15,866,815
		2,050,221		2,050,221	2,212,674	-	2,212,674
		282,724		282,724	281,905	-	281,905
		17,911,049	-	17,911,049	18,361,394	-	18,361,394
<b>Available-for-sale securities (AFS)</b>							
<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	23,240,712		23,240,712	23,689,206	-	23,689,206
		599,991		599,991	599,991	-	599,991
		853,484		853,484	852,254	-	852,254
		7,768,757		7,768,757	7,844,127	-	7,844,127
<i>Fully paid-up ordinary shares:</i>							
		1,092,046		1,092,046	1,092,043	-	1,092,043
		385,755		385,755	385,755	-	385,755
		7,258,559		7,258,559	7,289,772	-	7,289,772
		3,537		3,537	3,537	-	3,537
		260,983		260,983	260,983	-	260,983
		86,792		86,792	86,792	-	86,792
		76,066,117	867,672	76,933,789	75,332,298	3,144,679	78,476,977
	7.2	289,683	(470)	289,213	266,070	946	267,016
		76,355,800	867,202	77,223,002	75,598,368	3,145,625	78,743,993
		2,552,080	-	2,552,080	2,552,080	-	2,552,080
		3,394,937	-	3,394,937	3,327,015	-	3,327,015
		100,213,866	867,202	101,081,068	99,838,857	3,145,625	102,984,482

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:

	<b>Quarter ended March 31, 2006</b>	<b>Year ended December 31, 2005</b>
	----- (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>
<b>4 ADVANCES</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	266,744,710	272,535,496
Outside Pakistan	29,329,794	28,216,747
	<u>296,074,504</u>	<u>300,752,243</u>
Net investment in finance lease - in Pakistan	11,780,136	11,498,509
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,328,379	12,352,640
Payable outside Pakistan	11,617,387	10,841,541
	22,945,766	23,194,181
Provision against non-performing advances		
- Specific	(26,487,949)	(26,395,473)
- General	(1,529,743)	(1,446,712)
	<u>302,782,714</u>	<u>307,602,748</u>

4.1 Advances include Rs. 34,982.320 million (2005: Rs 37,022.780 million) which have been placed under non-performing status as detailed below:

Category of Classification	<b>March 31, 2006</b>		
	Non-performing advances	Provision Required	Provision Held
	----- (Rupees in '000) -----		
<b>Pakistan</b>			
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	21,455,190	17,844,147	17,844,147
	<u>27,183,390</u>	<u>19,736,098</u>	<u>19,736,098</u>
<b>Overseas operations</b>	7,798,930	6,751,851	6,751,851
<b>General Provision - Domestic</b>	-	1,347,088	1,347,088
<b>General Provision - Overseas</b>	-	182,655	182,655
<b>Total</b>	<u>34,982,320</u>	<u>28,017,692</u>	<u>28,017,692</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 Bank 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 Bank 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 Bank to its executives as per their terms of employment)		
** (Maximum amount has been arrived at by reference to month end balance)		

March 31, 2006	December 31, 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
	15,701,747	17,952,258

**Unsecured**

In Pakistan

Interbank call money borrowing

Outside Pakistan

Overdrawn nostro accounts  
Borrowings of overseas branches

850,000	10,050,000
1,091,597	367,460
2,086,367	1,790,783
3,177,964	2,158,243
4,027,964	12,208,243
19,729,711	30,160,501

**6 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	109,177,789	89,957,605
Savings deposits	228,535,372	218,552,757
Current accounts - non-remunerative	81,445,688	101,889,146
	419,158,849	410,399,508

**Financial institutions**

Remunerative deposits	6,139,642	3,617,049
Non-remunerative deposits	1,478,170	2,586,473
	7,617,812	6,203,522
	426,776,661	416,603,030



7 SURPLUS ON REVALUATION OF ASSETS - net of deferred 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	343,440	332,535
Surplus on revaluation of assets - net of deferred tax		<u>7,607,817</u>	<u>7,608,450</u>
<b>7.1 Surplus on revaluation of fixed assets</b>			
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 unappropriated 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>
<b>7.2 Surplus / (deficit) on revaluation of investments</b>			
Market treasury bills		(21,989)	(47,772)
Pakistan Investment Bonds		(132,212)	(136,744)
Listed securities		303,810	342,796
NIT units		24,388	23,643
Other investments		115,216	85,093
		289,213	267,016
Add: related deferred tax asset		54,227	65,519
		<u>343,440</u>	<u>332,535</u>

**March 31,**            **December 31,**  
**2006**                    **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 9,942,430 9,936,359

Financial institutions 434,959 374,609

Others 2,383,546 2,662,069

12,760,935            12,973,037

**8.3 Trade-related commitments**

Credit cash 78,229,140 78,061,343

Credit documentary acceptance 9,471,821 10,675,069

Credit acceptance 8,797,674 9,512,380

96,498,635            98,248,792

**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,**  
**2006**                    **2005**  
**(Rupees in '000)**

**8.5 Other contingencies**

Claims against the Bank not acknowledged as debts 39,557,587 39,669,246

**8.6 Commitments in respect of forward foreign exchange contracts**

Purchase 40,367,118 32,053,081

Sale 36,348,010 28,514,593

**8.7 Commitments for acquisition of operating fixed assets** 193,433 46,657

**8.8 Other commitments** 197,760 46,657

## 9 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its subsidiaries, associated undertakings, joint venture companies, employee benefit plans of the Bank or of any related party, and members of the Key Management Personnel of the Bank 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 Bank 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 benefits 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:

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<b>(Rupees in '000)</b>	
<b>Balances outstanding as at the year end</b>		
<b>- Borrowings / Deposits from</b>		
- Joint Venture and Associates	1,819,419	1,548,957
- Subsidiary companies	87,712	26,906
- Retirement benefit funds	368,628	277,361
- Companies in which Directors are interested	149,086	144,289
<b>- Advances to</b>		
- Subsidiary companies	1,642,434	1,314,580
- Companies in which Directors are interested	262,800	292,000
- Receivable from defined benefit plan - net	4,099,449	4,010,179
- Retirement benefit fund	1,335,855	1,877,816
- Acceptances during the year	13,470	23,998
- Other contingencies and commitments	8,102	3,756
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
	<b>(Rupees in '000)</b>	
<b>Profit / Expense for the year</b>		
- Interest paid	1,943	9,599
- Interest income	84,773	5,366
- Modarba management fees	2,000	2,000
- Other expense - Subsidiaries and Joint ventures	7,599	415

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 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**