

HABIB BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2006

	Note	(Unaudited) September 30, 2006	(Audited) December 31, 2005 (Restated) (Rupees in '000)
ASSETS			
Cash and balances with treasury banks		43,408,885	33,014,694
Balances with other banks		21,174,007	23,304,315
Lendings to financial institutions		19,844,216	12,272,248
Investments - net	5	91,122,818	102,984,482
Advances - net	6	308,429,938	307,602,748
Other assets - net		16,244,375	14,265,234
Operating fixed assets		11,233,385	11,046,166
Deferred tax asset - net		2,417,976	1,577,875
		513,875,600	506,067,762
LIABILITIES			
Bills payable		2,982,500	5,694,018
Borrowings from financial institutions	7	32,075,585	30,160,501
Deposits and other accounts	8	411,246,212	416,603,030
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		19,872,771	13,879,346
Deferred tax liabilities - net		-	-
		466,177,068	466,336,895
NET ASSETS		47,698,532	39,730,867
REPRESENTED BY:			
Shareholders' equity			
Share capital		6,900,000	6,900,000
Capital reserves		1,730,346	1,539,181
Unappropriated profit and other reserves		31,713,942	23,683,236
		40,344,288	32,122,417
Surplus on revaluation of assets - net of tax	9	7,354,244	7,608,450
		47,698,532	39,730,867
CONTINGENCIES AND COMMITMENTS			
	10		

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006

	Nine months ended		Quarter ended	
	January 01 to September 30, 2006	January 01 to September 30, 2005 (Restated)	July 01 to September 30, 2006	July 01 to September 30, 2005 (Restated)
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	31,090,383	20,843,374	11,426,707	8,062,274
Mark-up / return / interest expensed	9,070,134	4,538,193	3,135,622	1,750,195
Net mark-up / interest income	22,020,249	16,305,181	8,291,085	6,312,079
Provision against non-performing loans and advances - net	1,922,928	1,219,844	50,886	837,394
Provision against off-balance sheet obligations and others	-	128,851	-	-
(Reversal) against diminution in value of investments	(36,677)	(16,554)	(3,557)	(10,532)
Bad debts written off directly	-	-	-	-
	1,886,251	1,332,141	47,329	826,862
Net mark-up / interest income after provisions	20,133,998	14,973,040	8,243,756	5,485,217
Non mark-up / interest income				
Fee, commission and brokerage income	2,176,976	1,928,586	720,673	742,156
Income / gain on investments	32,384	801,486	(403)	46,507
Dividend income	330,063	142,431	120,764	49,099
Income from dealing in foreign currencies	915,911	823,725	431,692	318,814
Other income	1,466,140	1,286,891	561,850	415,415
Total non-mark-up / interest income	4,921,474	4,983,119	1,834,576	1,571,991
	25,055,472	19,956,159	10,078,332	7,057,208
Non mark-up / interest expense				
Administrative expenses	10,867,655	10,152,349	3,756,450	3,358,299
Other provisions - net	156,160	(9,572)	8,648	11,539
Other charges	17,438	42,356	96	649
Total non mark-up / interest expenses	11,041,253	10,185,133	3,765,194	3,370,487
	14,014,219	9,771,026	6,313,138	3,686,721
Staff retrenchment cost	12 1,718,674	1,500,000	-	-
Profit before taxation	12,295,545	8,271,026	6,313,138	3,686,721
Taxation - current	5,098,924	1,606,353	2,433,309	1,486,874
Taxation - prior periods	-	(50,540)	-	41
Taxation - deferred	(797,890)	1,064,074	(156,862)	(343,831)
	4,301,034	2,619,887	2,276,447	1,143,084
Profit after taxation	7,994,511	5,651,139	4,036,691	2,543,637
Basic and diluted earnings per share	15.45	10.92	5.85	3.69
	(----- annualised -----)		(----- for the quarter -----)	

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006

	Nine months ended		Quarter ended	
	January 01 to September 30, 2006	January 01 to September 30, 2005 (Restated)	July 01 to September 30, 2006	July 01 to September 30, 2005 (Restated)
----- (Rupees in '000) -----				
Profit attributable to shareholders	7,994,511	5,651,139	4,036,691	2,543,637
Unappropriated profit brought forward	9,822,330	2,986,184	13,409,308	5,135,869
	<u>17,816,841</u>	<u>8,637,323</u>	<u>17,445,999</u>	<u>7,679,506</u>
Appropriations and transfers:				
Transferred from :				
Surplus on revaluation of fixed assets current period - net of tax	36,195	63,185	11,255	20,376
Transferred to:				
Statutory reserve	(799,451)	(1,040,541)	(403,669)	(384,915)
Capital reserve	-	-	-	-
General reserve	-	-	-	-
Cash dividend Re. 0.50 per share	-	(345,000)	-	-
	<u>(799,451)</u>	<u>(1,385,541)</u>	<u>(403,669)</u>	<u>(384,915)</u>
Unappropriated profit carried forward	<u>17,053,585</u>	<u>7,314,967</u>	<u>17,053,585</u>	<u>7,314,967</u>

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

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President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006

	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,295,545	8,271,026
Less: Dividend income and fair value adjustments of joint ventures	(330,063)	(214,073)
Gain on sale of investments - net	(32,384)	(801,486)
	(362,447)	(1,015,559)
	11,933,098	7,255,467
Adjustment for non-cash charges		
Depreciation / amortization / adjustments	597,629	580,684
Reversal of provision against diminution in the value of investments	(36,677)	(16,554)
Provision against non-performing loans and advances - net of reversals	1,922,928	1,219,844
Amortisation of premium on investments	274,103	315,211
Gain on sale of property and equipment - net	65,314	(11,317)
Miscellaneous provisions	(30,545)	(263,054)
	2,792,752	1,824,814
	14,725,850	9,080,281
(Increase) / decrease in operating assets		
Government securities	11,612,054	2,714,761
Lendings to financial institutions	(7,571,968)	617,684
Loans and advances	(2,750,120)	(21,598,019)
Other assets - net	953,812	(3,636,917)
	2,243,778	(21,902,491)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	(5,356,818)	14,408,867
Borrowings from financial institutions	1,915,084	(5,619,156)
Bills payable	(2,711,518)	(66,674)
Other liabilities - net	6,023,970	6,906,101
	(129,282)	15,629,138
	16,840,346	2,806,928
Income tax paid - net	(7,859,739)	(1,049,639)
Net cash flows from operating activities	8,980,607	1,757,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities and joint ventures	(6,339)	1,446,487
Investment in subsidiary companies	(200,000)	-
Dividend income received	157,927	103,640
Fixed capital expenditure	(947,889)	(478,851)
Proceeds from sale of fixed assets	88,412	20,722
Net cash flows from investing activities	(907,889)	1,091,998
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	-	(345,000)
Net cash flows from financing activities	-	(345,000)
Exchange adjustment on translation of balances in foreign branches	191,165	(386,365)
Increase in cash and cash equivalents during the period	8,263,883	2,117,922
Cash and cash equivalents at beginning of the period	55,186,142	56,655,838
Effects of exchange rate changes on cash and cash equivalents	1,132,867	(716,121)
	56,319,009	55,939,717
Cash and cash equivalents at end of the period	64,582,892	58,057,639

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006

	RESERVES					Total
	Share Capital	Capital Exchange Translation Reserve	Other Reserves			
			Statutory	General	Unappropriated profit	
----- (Rupees in '000) -----						
Balance as at December 31, 2004 as previously stated	6,900,000	1,746,285	6,003,860	6,073,812	2,641,184	23,365,141
Effect of change in accounting policy with respect to dividend	-	-	-	-	345,000	345,000
Balance as at December 31, 2004 as restated	6,900,000	1,746,285	6,003,860	6,073,812	2,986,184	23,710,141
Profit for the period ended September 30, 2005	-	-	-	-	5,651,139	5,651,139
Transferred from surplus on revaluation of fixed assets	-	-	-	-	63,185	63,185
Effect of translation of net investment in foreign branches	-	(191,901)	-	-	-	(191,901)
Total recognized income and expense for the period	-	(191,901)	-	-	5,714,324	5,522,423
Transferred to statutory reserves	-	-	1,040,541	-	(1,040,541)	-
Transferred to general reserves	-	-	-	-	-	-
Final cash dividend	-	-	-	-	(345,000)	(345,000)
Balance as at September 30, 2005 as restated	6,900,000	1,554,384	7,044,401	6,073,812	7,314,967	28,887,564
Profit for the period from October to December 2005	-	-	-	-	3,265,032	3,265,032
Transferred from surplus on revaluation of fixed assets	-	-	-	-	(14,976)	(14,976)
Effect of translation of net investment in foreign branches	-	(15,203)	-	-	-	(15,203)
Total recognized income and expense for the period	-	(15,203)	-	-	3,250,056	3,234,853
Transferred to statutory reserves	-	-	742,693	-	(742,693)	-
Transferred to general reserves	-	-	-	-	-	-
Cash Dividend	-	-	-	-	(690,000)	(690,000)
Exchange translation released on disposal of investment	-	-	-	-	-	-
Balance as at December 31, 2005 as previously stated	6,900,000	1,539,181	7,787,094	6,073,812	9,132,330	31,432,417
Effect of change in accounting policy with respect to dividend (later deferred by the shareholders)	-	-	-	-	690,000	690,000
Balance as at December 31, 2005 as restated	6,900,000	1,539,181	7,787,094	6,073,812	9,822,330	32,122,417
Profit for the period from September 30, 2006	-	-	-	-	7,994,511	7,994,511
Transferred from surplus on revaluation of fixed assets	-	-	-	-	36,195	36,195
Effect of translation of net investment in foreign branches	-	191,165	-	-	-	191,165
Total recognized income and expense for the period	-	191,165	-	-	8,030,706	8,221,871
Transferred to statutory reserves	-	-	799,451	-	(799,451)	-
Transferred to general reserves	-	-	-	-	-	-
Balance as at September 30, 2006	6,900,000	1,730,346	8,586,545	6,073,812	17,053,585	40,344,288

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months period ended September 30, 2006

1 THE BANK AND ITS OPERATIONS

Habib Bank Limited is incorporated in Pakistan and is engaged in commercial banking, modaraba management, asset management and related services in Pakistan and overseas.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. 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 requirement of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34 'Interim Financial Reporting'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 except for the following:

During the period the Institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated June 19, 2006 which requires that all declarations of dividends to holders of equity instrument including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date, should not be recognized as liabilities or change in reserves at the balance sheet date. Previously all declarations of dividend to holders of equity instruments and transfers to reserves relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated. The change in accounting policy had following impact on these condensed interim financial statements:

	September 30, 2006	December 31, 2005
	---(Rupees in '000) ---	
Decrease in other liabilities	-	690,000
Increase in unappropriated profit	-	690,000

4 ACCOUNTING ESTIMATES

The basis for accounting estimates 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.

5 INVESTMENTS	Note	September 30, 2006			December 31, 2005		
		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>							
- Pakistan investment bonds	5.1	15,190,092	-	15,190,092	15,866,815	-	15,866,815
<i>Overseas Government securities</i>		1,899,823	-	1,899,823	2,212,674	-	2,212,674
<i>Debentures and Corporate Debt Instruments</i>		120,610	-	120,610	281,905	-	281,905
		17,210,525	-	17,210,525	18,361,394	-	18,361,394
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
- Market treasury bills		27,203,500	466,168	27,669,668	32,281,358	3,144,679	35,426,037
- Pakistan investment bonds		935,915	-	935,915	946,480	-	946,480
- Government of Pakistan Guaranteed Bonds		20,386,747	-	20,386,747	23,689,206	-	23,689,206
- WAPDA bonds		-	-	-	599,991	-	599,991
- Government of Pakistan bonds (US Dollar / Euro)		857,345	-	857,345	852,254	-	852,254
<i>Overseas Government securities</i>		8,611,837	-	8,611,837	7,844,127	-	7,844,127
<i>Fully paid-up ordinary shares:</i>							
- Listed companies		1,192,575	-	1,192,575	1,092,043	-	1,092,043
- Unlisted companies		385,753	-	385,753	385,755	-	385,755
<i>Debentures and Corporate Debt Instruments</i>		7,375,189	-	7,375,189	7,289,772	-	7,289,772
<i>Preference shares</i>		200,167	-	200,167	260,983	-	260,983
<i>Other investments</i>		90,329	-	90,329	90,329	-	90,329
<i>Investment (net of provision)</i>		67,239,357	466,168	67,705,525	75,332,298	3,144,679	78,476,977
<i>Surplus on revaluation of investments</i>	9.2	13,189	2,920	16,109	266,070	946	267,016
Investments (at revalued amount)		67,252,546	469,088	67,721,634	75,598,368	3,145,625	78,743,993
Investment in subsidiary companies		2,752,080	-	2,752,080	2,552,080	-	2,552,080
Investment in associates and joint venture companies		3,438,579	-	3,438,579	3,327,015	-	3,327,015
		90,653,730	469,088	91,122,818	99,838,857	3,145,625	102,984,482

5.1 The market value of Pakistan Investment Bonds classified as "held-to-maturity" amounted to Rs 13,204.918 million as at September 30, 2006.

5.2 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:

	September 30, 2006	December 31, 2005
	----- (Rupees in '000) -----	
Opening balance	562,065	655,870
Reversed during the period / year	(36,677)	(82,568)
Amount written off	(29,436)	(11,237)
Closing balance	<u>495,952</u>	<u>562,065</u>
6 ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	273,641,420	272,535,496
Outside Pakistan	<u>30,348,377</u>	<u>28,216,747</u>
	303,989,797	300,752,243
Net investment in finance lease - in Pakistan	11,360,493	11,498,509
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	<u>10,986,935</u>	<u>12,352,640</u>
Payable outside Pakistan	<u>11,019,708</u>	<u>10,841,541</u>
	22,006,643	23,194,181
Provision against non-performing advances		
- Specific	(27,558,434)	(26,395,473)
- General	<u>(1,368,561)</u>	<u>(1,446,712)</u>
	<u>308,429,938</u>	<u>307,602,748</u>

6.1 Advances include Rs. 36,341.593 million (2005: Rs 35,623.139 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2006		
	Non-performing advances	Provision Required	Provision Held
	----- (Rupees in '000) -----		
Pakistan			
Other Assets Especially Mentioned	343,250	-	-
Substandard	3,170,554	732,742	732,742
Doubtful	2,392,187	779,156	779,156
Loss	<u>22,465,560</u>	<u>18,905,259</u>	<u>18,905,259</u>
	28,371,551	20,417,157	20,417,157
Overseas operations	7,970,042	7,141,277	7,141,277
General Provision - Domestic	-	1,242,871	1,242,871
General Provision - Overseas	-	<u>125,690</u>	<u>125,690</u>
Total	<u>36,341,593</u>	<u>28,926,995</u>	<u>28,926,995</u>

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

	Balance as at September 30, 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 *	333,004	333,004
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	-	-
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)		

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
7 BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from State Bank of Pakistan under		
Export refinance scheme	13,227,124	14,525,086
Locally manufactured machinery refinance scheme	9,144	9,638
Long term finance - export oriented projects	1,669,482	276,327
Repurchase agreement borrowings	466,169	3,141,207
	<u>15,371,919</u>	<u>17,952,258</u>
Unsecured		
In Pakistan		
Interbank call money borrowing	11,800,000	10,050,000
Outside Pakistan		
Overdrawn nostro accounts	2,046,160	367,460
Borrowings of overseas branches	2,857,506	1,790,783
	4,903,666	2,158,243
	<u>16,703,666</u>	<u>12,208,243</u>
	<u>32,075,585</u>	<u>30,160,501</u>
8 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	104,610,488	89,957,605
Savings deposits	204,540,155	218,552,757
Current accounts - non-remunerative	92,820,286	101,889,146
	<u>401,970,929</u>	<u>410,399,508</u>
Financial institutions		
Remunerative deposits	7,913,685	3,617,049
Non-remunerative deposits	1,361,598	2,586,473
	9,275,283	6,203,522
	<u>411,246,212</u>	<u>416,603,030</u>

9 SURPLUS ON REVALUATION OF ASSETS - net of tax	Note	September 30, 2006	December 31, 2005
(Rupees in '000)			
Surplus arising on revaluation of:			
- fixed assets	9.1	7,230,405	7,275,915
- investments	9.2	123,839	332,535
Surplus on revaluation of assets - net of tax		<u>7,354,244</u>	<u>7,608,450</u>

9.1 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	(9,315)	(95)
Surplus realised on disposal of revalued properties during the period / year	(2,430)	(2,057)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(33,765)	(46,152)
Related deferred tax liability of incremental depreciation charged during the period / year	(18,181)	(28,286)
Surplus on revaluation of fixed assets as at period / year end	<u>7,887,291</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	(18,181)	(28,286)
disposal of revalued properties reversed during the period / year	-	(301)
	<u>656,886</u>	<u>675,067</u>
	<u>7,230,405</u>	<u>7,275,915</u>

9.2 Surplus / (deficit) on revaluation of investments

Market treasury bills	(151,996)	(47,772)
Pakistan Investment Bonds	(148,470)	(136,744)
Listed securities	196,190	342,796
NIT units	19,563	23,643
Other investments	100,822	85,093
	16,109	267,016
Add: related deferred tax asset	107,730	65,519
	<u>123,839</u>	<u>332,535</u>

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
10 CONTINGENCIES AND COMMITMENTS		
10.1 Direct credit substitutes	18,371,702	25,098,266
10.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	22,189,261	9,936,359
Financial institutions	440,454	374,609
Others	2,369,275	2,662,069
	<u>24,998,990</u>	<u>12,973,037</u>
10.3 Trade-related commitments		
Credit cash	96,516,179	78,061,343
Credit documentary acceptance	5,488,139	10,675,069
Credit acceptance	11,940,179	9,512,380
	<u>113,944,497</u>	<u>98,248,792</u>

10.4 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.

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
10.5 Other contingencies		
Claims against the Bank not acknowledged as debts	43,941,234	39,669,246
10.6 Commitments in respect of forward foreign exchange contracts		
Purchase	45,292,404	32,053,081
Sale	37,522,133	28,514,593
10.7 Commitments for acquisition of operating fixed assets	298,949	46,657
10.8 Other commitments	155,309	202,395

11 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its parent, subsidiaries, associated undertakings, joint venture companies, their employee benefit plans and their Key Management Personnel.

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).

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 period-end were as follows:

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint Venture and Associates	2,319,508	1,548,957
- Subsidiary companies	228,928	26,906
- Retirement benefit funds	169,132	277,361
- Companies in which Directors are interested	128,133	144,289
- Advances to		
- Subsidiary companies	157,974	137,500
- Retirement benefit fund	1,364,466	1,877,816
- Companies in which Directors are interested	-	292,000
- Placements with subsidiaries	982,157	1,177,080
- Receivable from defined benefit plan - net	4,327,967	4,010,179
- Acceptances during the period / year	9,835	23,998
- Other contingencies and commitments	56,335	3,756
	Nine months ended	
	September 30, 2006	September 30, 2005
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint Venture and Associates	67,580	88,478
- Subsidiary companies	1,390	1,641
- Retirement benefit funds	4,811	1,171
- Interest income		
- Subsidiary companies	26,244	46,277
- Retirement benefit funds	37,050	21,440
- Companies in which Directors are interested	17,707	14,352
- Modarba management fees	1,339	6,000
- Other income - Subsidiaries and Joint ventures	-	8,744
- Other expense - Subsidiaries and Joint ventures	7,409	1,185

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

12 STAFF RETRENCHMENT COST

During the period 2,343 employees in the Non-clerical staff cadre were retrenched with effect from March 10, 2006. The bank has paid, in addition to payments under the staff retirement funds, an amount of Rs 1,718.674 million under the scheme.

13 ISLAMIC BANKING BRANCH

Financial figures of the Islamic Banking Branch, which are included in these financial statements, are as follows:

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	5,229	37,807
Advances - net of provision	34,383	18,219
Other assets	17,250	6,677
	<u>56,862</u>	<u>62,703</u>
LIABILITIES		
Bills payable	41	7
Deposit and other accounts	5,928	11,358
Other liabilities	23	72
	5,992	11,437
NET ASSETS	<u>50,870</u>	<u>51,266</u>
REPRESENTED BY		
Islamic Banking Fund	50,000	50,000
Reserves	-	-
Unappropriated / Unremitted profit	870	1,266
	<u>50,870</u>	<u>51,266</u>
Surplus / (Deficit) on revaluation of assets	-	-
	<u>50,870</u>	<u>51,266</u>

14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on

by the Board of Directors of the Bank.

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director