Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months period ended June 30, 2008.

Financial Performance

The financial results of the bank are summarized below:

	(Rs. in '000)
Profit after tax	7,498,278
Share of profit attributable to minority interest	94,475
Profit attributable to shareholders	7,403,803
Appropriations relating to Statutory Reserves of the Bank, Joint Ventures and Subsidiary	652,032
Earnings per share rupees (Basic & Diluted)	9.75

During the six months period ended June 30, 2008, the Bank's performance improved driven by a balance sheet growth of 6% over December 31, 2007. Advances increased by 8% & Deposits increased by 10% over December 31, 2007. Bank's earnings also correspond with the balance sheet growth as its current period profit before tax increased by 14% from the corresponding period of the last year.

Future Outlook

The increase in oil and food prices, rising imports and the consequent higher borrowings have resulted in a significant widening of the trade and fiscal deficits leading to a sharp increase in the inflation and also a strong pressure on the Rupee. To restore macroeconomic stability the Government and the State Bank of Pakistan (SBP) have taken a number of initiatives, which include a further tightening of Monetary Policy by the SBP with a rise in the discount rate and an increase in reserve requirements. Going forward, we expect a slowdown in the economic growth, which is synonymous with the downward trend in the global economic markets. This phenomena may result in credit stress across the industry and we may see some of the sectors under perform in comparison to their previous expectations.

The expected slower credit off take and the reduction in spreads caused as a result of the SBP's directive to fix minimum deposit rates for the entire banking industry, will have an effect on the bank's earnings; the full impact of this change is expected to be seen in the second half earnings for the bank. The management will take all possible measures to address the expected impact whilst ensuring strict monitoring of the credit portfolio.

Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage and Government of Pakistan, SBP and Ministry of Finance for their constant support. I also thank our shareholders for their confidence and the staff for their dedication & continued support.

On behalf of the Board

R. Zakir Mahmood President & Chief Executive Officer Karachi: July 25, 2008

HABIB BANK LIMITED CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2008

	Note	(Unaudited) June 30, 2008	(Audited) December 31, 2007
		(Rupees	in '000)
ASSETS			
Cash and balances with treasury banks		70,728,829	55,487,664
Balances with other banks		25,991,305	27,020,704
Lendings to financial institutions		1,178,257	1,628,130
Investments	6	171,673,689	177,942,251
Advances	7	411,356,924	382,172,734
Other assets		31,974,370	27,346,111
Operating fixed assets		14,493,442	13,780,555
Deferred tax asset		8,315,595	6,613,372
	-	735,712,411	691,991,521
LIABILITIES			
Bills payable]	9,077,699	15,418,230
Borrowings from financial institutions	9	47,702,386	58,994,609
Deposits and other accounts	10	584,845,060	531,298,127
Sub-ordinated loans	11	3,419,850	3,100,000
Liabilities against assets subject to finance lease		-, -	-
Other liabilities		20,771,023	19,943,126
Deferred tax liabilities			
	L	665,816,018	628,754,092
NET ASSETS	-	69,896,393	63,237,429
REPRESENTED BY:	=		
Shareholders' equity	ſ	7 500 000	6 000 000
Share capital Reserves		7,590,000 23,598,098	6,900,000 10 821 455
			19,821,455
Unappropriated profit	l	31,667,680	28,341,670
Total equity attributable to the equity holders of the Bank		62,855,778	55,063,125
Minority interest		1,102,017	965,642
Surplus on revaluation of assets - net of tax	12	5,938,598	7,208,662
	-	69,896,393	63,237,429
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 22 form an integral part of the condensed interim consolidated financial information.

Director

HABIB BANK LIMITED CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

		Six mont	hs ended	Quarter	ended
	Note	January 01 to June 30, 2008	January 01 to June 30, 2007	April 01 to June 30, 2008	April 01 to June 30, 2007
			(Rupees i	n '000)	
Mark-up / return / interest earned	14	28,604,163	23,471,105	14,563,256	11,567,342
Mark-up / return / interest expensed	15	11,535,309	8,710,991	6,130,902	4,533,791
Net mark-up / interest income		17,068,854	14,760,114	8,432,354	7,033,551
Provision against non-performing loans and advances - net	7.2 / 7.3	1,130,980	813,166	641,797	493,320
(Reversal) against off-balance sheet obligations			(73,534)	-	(73,534)
Charge / (Reversal) of provision against diminution in value of investments	6.2	11,779	(41,862)	16,983	(37,696)
Bad debts written off directly			-	-	-
		1,142,759	697,770	658,780	382,090
Net mark-up / interest income after provisions		15,926,095	14,062,344	7,773,574	6,651,461
Non mark-up / interest income					
Fee, commission and brokerage income		1,951,199	1,486,975	1,042,218	817,542
Income / gain on investments	16	1,588,095	760,513	590,080	416,944
Income from dealing in foreign currencies		1,018,375	959,879	644,188	507,439
Other income		1,281,348	1,472,717	598,550	777,029
Total non-mark-up / interest income		5,839,017	4,680,084	2,875,036	2,518,954
Non mark-up / interest expense		21,765,112	18,742,428	10,648,610	9,170,415
Administrative expenses	17	10,034,114	8,614,053	5,320,968	4,146,759
Other provisions / write offs - net		112,955	(78,726)	161,190	(115,862)
Other charges		1,037	7,786	445	2,473
Total non mark-up / interest expenses		10,148,106	8,543,113	5,482,603	4,033,370
Profit before taxation		11,617,006	10,199,315	5,166,007	5,137,045
Taxation - current		4,271,719	3,714,169	2,101,050	1,840,034
- prior years		888,732	-	888,732	-
- deferred		(1,041,723)	(134,507)	(1,054,111)	(29,174)
		4,118,728	3,579,662	1,935,671	1,810,860
Profit after taxation		7,498,278	6,619,653	3,230,336	3,326,185
Attributable to:					
Equity holders of the Bank		7,403,803	6,579,644	3,149,736	3,311,765
Minority Interest		94,475	40,009	80,600	14,420
		7,498,278	6,619,653	3,230,336	3,326,185
			(Rupe	ees)	
Basic and diluted earnings per share		9.75	8.67	4.15	4.36
basic and unucu carnings per snare		2.73	0.07	4.13	4.30

The annexed notes 1 to 22 form an integral part of the condensed interim consolidated financial information

R. Zakir Mahmood President and Chief Executive Officer

Director

Director

HABIB BANK LIMITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

$\begin{array}{c c c c c c c c c c c c c c c c c c c $		Attributable to shareholders of the Group								
Image: Sector Carrier and Sector Se				Statutory	Rese	rves	[Minority	
Balance as at December 31, 2005 6,0000 2,38,150 132,50 9,214,707 6,073,812 2,0475,80 45,177,64 91,317 40,0009 6,019,60 Profit for the period ended June 30, 2007 - - - - - 6,579,644 6,579,644 6,579,644 6,579,644 6,509,009 6,619,05 Transferred from surphs on revaluation of fixed ansits - - - - 38,454 38,454 38,454 - 38,454 - 38,454 - 38,454 -<		Share Capital	translation	requirement of Joint Venture and	Bank	General		Subtotal		Total
Profit for the period ended June 30, 2007 .						(Rupees in '	000)			
Exchange randation released on disponal of investments <t< td=""><td>Balance as at December 31, 2006</td><td>6,900,000</td><td>2,381,560</td><td>132,505</td><td>9,214,707</td><td>6,073,812</td><td>20,475,080</td><td>45,177,664</td><td>913,317</td><td>46,090,981</td></t<>	Balance as at December 31, 2006	6,900,000	2,381,560	132,505	9,214,707	6,073,812	20,475,080	45,177,664	913,317	46,090,981
of investments - (188,265) - - - (188,265) - - (188,265) - - (188,265) - (188,265) - - - (188,265) - (188,265) -	Profit for the period ended June 30, 2007	- [-	-	-	-	6,579,644	6,579,644	40,009	6,619,653
ases - - - - 38,454 38,454 - 38,454 Effect of translation of net investment in foreign branches, subsidint's, joint venture and associates - - - - - 435,549 - - 38,454 38,454 - 38,454 </td <td></td> <td>-</td> <td>(188,265)</td> <td>-</td> <td>-</td> <td>-</td> <td></td> <td>(188,265)</td> <td></td> <td>(188,265)</td>		-	(188,265)	-	-	-		(188,265)		(188,265)
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		-	-	-	-	-	38,454	38,454	-	38,454
Transferred to statutory reserves . . 15,609 657,612 . <th< td=""><td>branches, subsidiaries, joint venture and associates</td><td>-</td><td></td><td>-</td><td>-</td><td>-</td><td>6,618,098</td><td></td><td></td><td>441,550 6,911,392</td></th<>	branches, subsidiaries, joint venture and associates	-		-	-	-	6,618,098			441,550 6,911,392
Cach dividend paid at R. 2 per share - - - 0.1,380,000) (1,380,000) - 0.1380,000 Minority share of surplus on revaluation of securities - - - - - - 5.688 5.66 Balance as at June 30, 2007 - - - - - - - 5.688 5.66 Devide to the six months period to December 31, 2007 - - - - - - - - 6.073,812 25.039,957 50.663,046 965,015 51.628,06 Portif for the six months period to December 31, 2007 - <td></td> <td>-</td> <td>-</td> <td>15.609</td> <td>657.612</td> <td>-</td> <td></td> <td>_</td> <td>-</td> <td>- -</td>		-	-	15.609	657.612	-		_	-	- -
Minority share of surplis on revaluation of sectinities 5.00000 2.628.844 148.114 9.872.319 6.073.812 25.039.957 50.663.046 965.015 51.628.06 Profit for the six nonths period to December 31, 2007 - - - 3.420.587 3.420.587 43.797 3.464.38 Exchange translation released on disposal of investments - <td< td=""><td></td><td>-</td><td>-</td><td>_</td><td>_</td><td>-</td><td></td><td>(1.380.000)</td><td>-</td><td>(1,380,000)</td></td<>		-	-	_	_	-		(1.380.000)	-	(1,380,000)
securities 1 1 1 1 5.68 5.68 Balance as at June 30, 2007 6,500,000 2,628,844 148,114 9,872,319 6,073,812 25,039,957 50,663,046 965,015 51,628,04 Profit for the six months period to December 31, 2007 - - - - 3,420,587 3,420,587 43,797 3,464,38 Exchange translation released on disposal of investments - - - - - - - - - 41,355 - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - (41,355) - - - - - - - - - - - - - - - -							(1,000,000)	(-,,,		(-,,,
Profit for the six months period to December 31, 2007 - - - 3,420,587 3,420,587 43,797 3,464,38 Exchange translation released on disposal of investments -	securities	6 900 000	2 628 844	- 148 114	9 872 319	6.073.812	25 039 957	50 663 046		5,688
Exchange translation released on disposal of investments . (41,35) . <th< td=""><td></td><td>-</td><td>2,020,011</td><td>-</td><td>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</td><td>0,010,012</td><td></td><td></td><td></td><td></td></th<>		-	2,020,011	-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0,010,012				
of investments		_		_	-	-	5,420,567	5,420,567	45,777	5,404,584
assets - - - - - 35,312 35,312 - 35,312 Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - - - - - 35,312 - 35,312 - 35,312 Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - - - - - 34,55,899 4,400,079 51,962 4,452,00 Transferred to statutory reserves - - 7,656 146,530 - (154,186) -		-	(41,355)	-	-	-	-	(41,355)	-	(41,355)
branches, subsidiaries, joint venture and associates - 985,535 - - - 985,535 8,165 993,77 Total recognised income and expense for the period 944,180 - - - 3,455,899 4,400,079 51,962 4,452,04 Transferred to statutory reserves - - 7,656 146,530 - (154,186) - </td <td></td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>35,312</td> <td>35,312</td> <td>-</td> <td>35,312</td>		-	-	-	-	-	35,312	35,312	-	35,312
Total recognised income and expense for the period $944,180$ - - $3,455,899$ $4,400,079$ $51,962$ $4,452,04$ Transferred to statutory reserves - - $7,656$ $146,530$ - - </td <td></td> <td>-</td> <td>985,535</td> <td>-</td> <td>-</td> <td>-</td> <td></td> <td>985.535</td> <td>8,165</td> <td>993,700</td>		-	985,535	-	-	-		985.535	8,165	993,700
Cash dividend paid at Rs. 1.3 per certificate by Modaraba </td <td></td> <td>L</td> <td></td> <td>-</td> <td>-</td> <td>-</td> <td>3,455,899</td> <td></td> <td></td> <td>4,452,041</td>		L		-	-	-	3,455,899			4,452,041
Minority share of surplus on revaluation of securities $ -$ <td>Transferred to statutory reserves</td> <td>-</td> <td>-</td> <td>7,656</td> <td>146,530</td> <td>-</td> <td>(154,186)</td> <td>-</td> <td>-</td> <td>-</td>	Transferred to statutory reserves	-	-	7,656	146,530	-	(154,186)	-	-	-
securities - <th<< td=""><td>Cash dividend paid at Rs. 1.3 per certificate by Modaraba</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(46,457)</td><td>(46,457)</td></th<<>	Cash dividend paid at Rs. 1.3 per certificate by Modaraba	-	-	-	-	-	-	-	(46,457)	(46,457)
Balance as at December 31, 2007 6,900,000 3,573,024 155,770 10,018,849 6,073,812 28,341,670 55,063,125 965,642 56,028,76 Profit for the period ended June 30, 2008 - - - - 7,403,803 7,403,803 94,475 7,498,27 Transferred from surplus on revaluation of fixed assets - - - - 24,239 24,239 - 24,23 Effect of translation of net investment in foreign branches, subsidiaries, joint ventures and associates Total recognised income and expense for the period - - - - - 3,124,611 - - - 3,124,611 46,616 3,171,22 Transferred to statutory reserves - - 16,373 635,659 - 7,428,042 10,552,653 141,091 10,693,74 Cash dividend at Rs. 4 per share -<									(1 979)	(4 979)
Transferred from surplus on revaluation of fixed assets24,23924,239-24,23924,239-24,23924,239-24,23924,239-24,23924,239-24,239<		6,900,000	3,573,024	155,770	10,018,849	6,073,812	28,341,670	55,063,125		56,028,767
assets - - - - 24,239 24,239 - 24,239 Effect of translation of net investment in foreign branches, subsidiaries, joint ventures and associates Total recognised income and expense for the period 3,124,611 - - 24,239 24,239 - 24,239 Transferred to statutory reserves - - - - - - - 24,239 10,552,653 141,091 10,693,74 Cash dividend at Rs. 4 per share - - 16,373 635,659 - (652,032) - - -	Profit for the period ended June 30, 2008	- [-	-	-	-	7,403,803	7,403,803	94,475	7,498,278
branches, subsidiaries, joint ventures and associates Total recognised income and expense for the period 3,124,611 - - - 3,124,611 46,616 3,171,22 Total recognised income and expense for the period 3,124,611 - - 7,428,042 10,552,653 141,091 10,693,74 Transferred to statutory reserves - - 16,373 635,659 - (652,032) - - - Cash dividend at Rs. 4 per share - - - - (2,760,000) (2,760,000) - (2,760,000)		-	-	-	-	-	24,239	24,239	-	24,239
Total recognised income and expense for the period 3,124,611 - - 7,428,042 10,552,653 141,091 10,693,74 Transferred to statutory reserves - - 16,373 635,659 - (652,032) - - - Cash dividend at Rs. 4 per share - - - - - (2,760,000) (2,760,000) - (2,760,000)			2 104 611					2 124 611	46 616	2 171 227
Cash dividend at Rs. 4 per share (2,760,000) - (2,760,000) - (2,760,000)		- L		-	-	-	7,428,042			10,693,744
	Transferred to statutory reserves	-	-	16,373	635,659	-	(652,032)	-	-	-
Issue of bonus shares 690,000 (690,000)	Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
	Issue of bonus shares	690,000	-	-	-	-	(690,000)	-	-	-
Minority share of surplus on revaluation of										
		7,590,000	6,697,635	172,143	10,654,508	6,073,812	31,667,680	62,855,778		(4,716) 63,957,795

The annexed notes 1 to 22 form an integral part of the condensed interim consolidated financial information.

HABIB BANK LIMITED CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES11.617.00610.193.15Profit before taxation11.617.00610.193.15Less: Dividend income and share of profit of associated(1.406.700) (61.830)(69.829) (61.830)and joint venure companies(1.406.700) (61.830)(69.829) (61.830)Adjoutnet for non-cash charges(1.588.005)(760.513) (760.513)Depreciation / amortisation / adjustments(1.808.005) (760.513)(760.513) (760.513)Charge / (Reveal) againt dimination in the value of investments(1.779) (2.93.08)(41.862) (1.33.090)Charge / (Reveal) againt dimination in the value of investments(1.779) (2.93.08)(41.862) (1.33.090)Miscellancom provisions(1.679) (2.93.08)(2.7,677.026) (1.33.09.00)Miscellancom provisions(1.39.0700) (1.72.288)(1.39.09.00) (1.72.288)Increase / decrease in operating assets(1.49.94.915) (1.39.0700)(2.7,677.026) (1.39.08.044)Constand advances(1.87.78.718) (1.97.7775)(2.97.77.715) (1.63.09.310)Deposits and other accounts(1.87.78.718) (1.97.7775)(3.53.54.69.33) (3.53.54.44)Deposits and other accounts(3.53.54.69.33) (1.63.40.531)(3.53.54.69.33) (3.27.7775)Deposits and other accounts(3.53.54.69.33) (1.63.40.531)(3.53.57.57775)Deposits and other accounts(3.53.54.69.33) (1.63.40.531)(3.53.57.576)Deposits and other accounts(3.53.54.69.33) (1.63.40.531)(3.69.75.7775)Deposits and other accounts(3.69.77.78.78.91) <br< th=""><th></th><th>June 30, 2008 (Rupees i</th><th>June 30 2007 n '000)</th></br<>		June 30, 2008 (Rupees i	June 30 2007 n '000)
Profit before taxation11,617,00610,199,315Less: Dividend income and share of profit of associated and joint venture companies(1.406,790) (1.813,05)(6098,929) (1.813,05)Gain on sale of investments - net(1.588,095) (1.0288,095)(7605,113) (1.0288,095)Adjustment for non-cash charges Depreciation / amortisation / adjustments784,668 (1.1779)\$25,5936 (1.1779)Depreciation / amortisation / adjustments784,668 (1.1779)\$25,936 (1.1779)Charge / (Reversal) against diminution in the value of investments Provision against non-performing loans and advances - net of reversals784,668 (1.1779)\$27,220 	CASH FLOWS FROM OPERATING ACTIVITIES	(
and joint venture companies Gain on sale of investments - net (1,406,790) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,1388,095) (1,172) (1,1388,095) (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,172) (1,130,800 (1,1389,340) (1,139,223) (1,139,224) (1,224,224) (1,224,224) (1,224,22		11,617,006	10,199,315
Gain on sale of investments - net (15838095) (1618849) Adjustment for non-cash charges (1588095) (169813) Depreciation / anortisation / adjustments (170513) (170513) Charge / (Reversal) against diminution in the value of investments (1813605) (11779) (41462) Cain on sale of property and equipment - net (27,220) (650,475) (37,220) Miscellaneous provisions 11,3086,00 11,211,687 (36,30700) 11,772,885 (Increase) / decrease in operating assets (30,445,731) (63,600,30) (48,893,40) (48,893,40) Covernment securities 14,894,915 (22,677,202) (32,677,737) (34,630,30) (34,677,37) (34,630,31) (34,630,30) (43,77,37) Coreament securities 14,894,915 (22,885,680) (22,885,680) (22,885,680) (43,630,31) (43,630,31) (43,630,31) (43,630,31) (43,149,68) (45,288,580) (45,288,580) (45,288,580) (45,288,580) (44,980,31) (31,29,283) (34,149,98) (45,288,580) (45,288,580) (45,288,580) (45,288,580) (45,288,580)			
Adjustment for non-cash chargesDepreciation / amoritasiton / adjustmentsCharge / (Reversal) against diminution in the value of investmentsProvision against non-performing loans and advances - net of reversalsAmoritasiton of premium on investmentsProvision against non-performing loans and advances - net of reversalsAmoritasiton of premium on investmentsProvision against non-performing loans and advances - net of reversalsAmoritasiton of premium on investmentsProvision against non-performing loans and advances - net of reversalsAmoritasiton of premium on investments(1,1779)Miscellaneous provisions(1ncrease) / decrease in operating assetsCovernment securitiesLendings to financial institutionsLendings to financial institutionsDeposits and other accountsBorrowings from financial institutionsBills payableOther labilities - netDeposits and oher accountsMet cash flows from / used in) operating activitiesCASH FLOWS FROM INVESTING ACTIVITESNet cash flows from / used in) operating activitiesCASH FLOWS FROM FINANCING ACTIVITESNet cash flows used in /(from) investing activitiesCASH FLOWS FROM FINANCING ACTIVITESDividend income receivedDividend piadNet cash flows used in /(from) investing activitiesCash and cash equivalents and epin of the periodEffects of exchange rate changes on cash and cash equivalentsDividend piadNet cash flows used in financing activitiesCash and cash equivalents ant e			
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$\begin{array}{c} \text{Charge } (\text{Reversall against diminution in the value of investments} \\ \text{Provision against non-performing loans and advances - net of reversals} \\ \text{Amorisiation of premium on investments} \\ \text{Gain on sale of property and equipment - net} \\ \text{Miscellaneous provisions} \\ \begin{array}{c} 113,0930 \\ 133,086 \\ 22,088 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.722,885 \\ 1.309,709 \\ 1.372,775 \\ 1.389,620 \\ 1.12,887,718 \\ (52,885,680) \\ 1.613,809,440 \\ (30,445,731) \\ (53,809,440) \\ 1.63,809,440 \\ (30,445,731) \\ (52,885,680) \\ 1.619,463 \\ 400,985 \\ 37,735,442 \\ 30,553,544 \\ 17,155,777 \\ 10 \text{come tax paid - net} \\ \textbf{Cast flow strong row ing a from financial institutions \\ 1.619,463 \\ 400,985 \\ 37,735,442 \\ 30,553,544 \\ 17,155,777 \\ 10 \text{come tax paid - net} \\ Net cash flows from / (used in) operating activities \\ CASH FLOWS FROM INVESTING ACTIVITIES \\ Net cash flow streed in / operating activities \\ CASH FLOWS FROM INVESTING ACTIVITIES \\ Net cash flow sued in / fixed assets \\ 31,24,611 \\ 32,706 \\ 31,24,601 \\ 32,160 \\ 31,24,611 \\ 32,2100 \\ 31,24,611 \\ 32,2100 \\ 31,24,611 \\ 32,2100 \\ 31,24,611 \\ 32,2100 \\ 31,24,611 \\ 32,200,300 \\ (1,381,000) \\ 1.62,800 \\ 32,600,300 \\ (1,381,000) \\ 1.62,800 \\ 32,600,300 \\ (1,381,000) \\ 1.62,800 \\ 32,500,308 \\ 82,200,368 \\ 82,200,378$		704 ((0)	525.026
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Borrowings from financial institutions $(11.292.223)$ $(3.152.937)$ Bills payable $(11.292.223)$ $(6.340,531)$ $3.149.968$ Other liabilities - net $(7.533.642)$ $58.829.770$ Income tax paid - net $(7.617.783)$ $(4.940.176)$ Net cash flows from / (used in) operating activities $22.935,761$ $12.215,601$ CASH FLOWS FROM INVESTING ACTIVITIES $(7.727.264)$ $(5.697,568)$ Net investments in securities, associates and joint venture companies $(7.727,264)$ $(5.697,568)$ Dividend income received $(1.0,07)$ $(1.500.207)$ $(1.601.207)$ Proceeds from sale of fixed assets $3.124.611$ 247.284 Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $(2.760,000)$ $(1.381.000)$ Net cash flows used in / (from) investing activities $(2.760,000)$ $(1.381.000)$ Increase / (decrease) in cash and cash equivalents during the period $14.211.766$ $4.267.637$ Cash and cash equivalents at beginning of the period $82.388.365$ (112.839) $82.308.368$ $82.275.526$	Increase / (decrease) in operating liabilities		
Bills payable Other liabilities - net $(6,340,531)$ $1,619,463$ $3,149,968$ $400,985$ Other liabilities - net $(7,617,783)$ $30,553,544$ $400,985$ $37,533,642$ $58,829,770$ $12,215,601$ Income tax paid - net Net cash flows from / (used in) operating activities $(7,617,783)$ $22,935,761$ $(4,940,176)$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIES Net investments in securities, associates and joint venture companies Dividend income received Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $(7,727,264)$ $(1,500,207)$ $32,160$ $(5,697,568)$ $285,707$ $(1,601,207)$ $32,160$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ $(1,381,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $-14,220,7637$ $82,508,368$ $-2,508,368$ $-2,508,368$ $82,388,365$ $-112,839$		53,546,933	58,341,754
Other liabilities - net1.619,463490,985 $37,533,642$ $58,829,770$ $30,553,544$ $17,155,777$ Income tax paid - net(7,617,783)(4,940,176)Net cash flows from / (used in) operating activities $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIES (7,727,264)(5,697,568)Net investments in securities, associates and joint venture companies(7,727,264)(5,697,568)Dividend income received(1,500,207)(1,601,207)Fixed capital expenditure(1,500,207)(1,601,207)Proceeds from sale of fixed assets3,124,611247,284Net cash flows used in / (from) investing activities(5,963,995)(6,566,964)CASH FLOWS FROM FINANCING ACTIVITIES(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents82,208,36882,275,526	Borrowings from financial institutions	(11,292,223)	(3,152,937)
37,533,642 $58,829,770$ $30,553,544$ $17,155,777$ Income tax paid - net $(7,617,783)$ Net cash flows from / (used in) operating activities $22,935,761$ $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIES $(7,727,264)$ Net investments in securities, associates and joint venture companies $(7,727,264)$ Dividend income received $(1,500,207)$ Fixed capital expenditure $22,935,761$ Proceeds from sale of fixed assets $3,124,611$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ Net cash flows used in / (from) investing activities $(2,760,000)$ CASH FLOWS FROM FINANCING ACTIVITIESDividend paid $(2,760,000)$ Net cash flows used in financing activitiesIncrease / (decrease) in cash and cash equivalents during the periodIncrease / (decrease) in cash and cash equivalents during the periodEffects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,508,368$ $82,508,368$ $82,508,368$	Bills payable	(6,340,531)	3,149,968
30,553,544 $17,155,777$ Income tax paid - net $(7,617,783)$ $(4,940,176)$ Net cash flows from / (used in) operating activities $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIES $(7,727,264)$ $(5,697,568)$ Net investments in securities, associates and joint venture companies $(7,727,264)$ $(5,697,568)$ Dividend income received $(1,500,207)$ $(1,601,207)$ Fixed capital expenditure $32,160$ $247,284$ Proceeds from sale of fixed assets $3,124,611$ $247,284$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES $(2,760,000)$ $(1,381,000)$ Dividend paid $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,755,526$	Other liabilities - net	1,619,463	490,985
Income tax paid - net $(7,617,783)$ $(4,940,176)$ Net cash flows from / (used in) operating activities $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIES $(7,727,264)$ $12,215,601$ Net investments in securities, associates and joint venture companies $(7,727,264)$ $(5,697,568)$ Dividend income received $(1,500,207)$ $(1,500,207)$ $(1,500,207)$ Proceeds from sale of fixed assets $3,124,611$ $247,284$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $(5,963,995)$ $(6,566,964)$ Net cash flows used in / (from) investing activities $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$		37,533,642	58,829,770
Net cash flows from / (used in) operating activities $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIESNet investments in securities, associates and joint venture companies $(7,727,264)$ $106,705$ $(5,697,568)$ $285,707$ $(1,500,207)$ $32,160$ $(5,697,568)$ $285,707$ $(1,601,207)$ $198,820$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ $247,284$ $247,284$ $(5,963,995)$ Net cash flows used in / (from) investing activities $(5,696,6964)$ $247,284$ $(5,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid $(2,760,000)$ $(2,760,000)$ $(1,381,000)$ $(1,381,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$ $82,288,365$ $(112,839)$		30,553,544	17,155,777
Net cash flows from / (used in) operating activities $22,935,761$ $12,215,601$ CASH FLOWS FROM INVESTING ACTIVITIESNet investments in securities, associates and joint venture companies $(7,727,264)$ $106,705$ $(5,697,568)$ $285,707$ $(1,500,207)$ $32,160$ $(5,697,568)$ $285,707$ $(1,601,207)$ $198,820$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ $247,284$ $247,284$ $(5,963,995)$ Net cash flows used in / (from) investing activities $(5,696,6964)$ $247,284$ $(5,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid $(2,760,000)$ $(2,760,000)$ $(1,381,000)$ $(1,381,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$ $82,288,365$ $(112,839)$	Income tax paid - net	(7,617,783)	(4,940,176)
Net investments in securities, associates and joint venture companies $(7,727,264)$ $(5,697,568)$ Dividend income received106,705 $(1,500,207)$ $(1,601,207)$ Fixed capital expenditure3,21603,2160198,820Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures3,124,611247,284Net cash flows used in / (from) investing activities $(5,697,568)$ 247,284CASH FLOWS FROM FINANCING ACTIVITIES $(5,697,60,000)$ $(1,381,000)$ Dividend paid $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$			
Net investments in securities, associates and joint venture companies $(7,727,264)$ $(5,697,568)$ Dividend income received106,705 $(1,500,207)$ $(1,601,207)$ Fixed capital expenditure3,21603,2160198,820Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures3,124,611247,284Net cash flows used in / (from) investing activities $(5,697,568)$ 247,284CASH FLOWS FROM FINANCING ACTIVITIES $(5,697,60,000)$ $(1,381,000)$ Dividend paid $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$	CASH ELOWS EROM INVESTING ACTIVITIES		
Dividend income received $106,705$ (1,500,207) $285,707$ (1,601,207)Fixed capital expenditure $(1,500,207)$ $32,160$ $(1,601,207)$ $198,820$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ $247,284$ $247,284$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid $(2,760,000)$ $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period Effects of exchange rate changes on cash and cash equivalents $82,308,368$ $82,275,526$ $82,275,526$		(7,727,264)	(5.697.568)
Fixed capital expenditure $(1,500,207)$ $(1,601,207)$ Proceeds from sale of fixed assets $32,160$ $198,820$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ $247,284$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$			
Proceeds from sale of fixed assets $32,160$ $198,820$ Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures $3,124,611$ $247,284$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$			
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures3,124,611247,284Net cash flows used in / (from) investing activities(5,963,995)(6,566,964)CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid(2,760,000)(1,381,000)Net cash flows used in financing activities(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365 (112,839)Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526			
subsidiaries and joint ventures $3,124,611$ $247,284$ Net cash flows used in / (from) investing activities $(5,963,995)$ $(6,566,964)$ CASH FLOWS FROM FINANCING ACTIVITIESDividend paid $(2,760,000)$ $(1,381,000)$ Net cash flows used in financing activities $(2,760,000)$ $(1,381,000)$ Increase / (decrease) in cash and cash equivalents during the period $14,211,766$ $4,267,637$ Cash and cash equivalents at beginning of the period $82,508,368$ $82,388,365$ $(112,839)$ Effects of exchange rate changes on cash and cash equivalents $82,508,368$ $82,275,526$,
CASH FLOWS FROM FINANCING ACTIVITIES Dividend paid(2,760,000)(1,381,000)Net cash flows used in financing activities(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365 (112,839)Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526		3,124,611	247,284
Dividend paid(2,760,000)(1,381,000)Net cash flows used in financing activities(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526-	Net cash flows used in / (from) investing activities	(5,963,995)	(6,566,964)
Dividend paid(2,760,000)(1,381,000)Net cash flows used in financing activities(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526-	CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows used in financing activities(2,760,000)(1,381,000)Increase / (decrease) in cash and cash equivalents during the period14,211,7664,267,637Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526-		(2.760.000)	(1.381.000)
Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526	1		
Cash and cash equivalents at beginning of the period82,508,36882,388,365Effects of exchange rate changes on cash and cash equivalents-(112,839)82,508,36882,275,526			
Effects of exchange rate changes on cash and cash equivalents - (112,839) 82,508,368 82,275,526	Increase / (decrease) in cash and cash equivalents during the period	14,211,766	4,267,637
Effects of exchange rate changes on cash and cash equivalents - (112,839) 82,508,368 82,275,526	Cash and cash equivalents at beginning of the period	82.508.368	82,388.365
82,508,368 82,275,526		-	
Cash and cash equivalents at end of the period 96,720,134 86,543,163		82,508,368	
Cash and cash equivalents at end of the perior 20,720,134 00,343,103	Cash and cash equivalents at end of the period	96 720 134	86 5/13 163
	Cash and cash equivalents at one of the perior	70,720,134	00,5+5,105

The annexed notes 1 to 22 form an integral part of the condensed interim consolidated financial information.

HABIB BANK LIMITED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as given in its annual consolidated financial statements.

2 BASIS OF PREPARATION

These financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These condensed Interim Financial Statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2007.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007.

5 FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by Group are consistent with that disclosed in the financial statements of the Group for the year ended December 31, 2007.

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			June 30, 2008		December 31, 2007			
INVESTMENTS	Note	Held by group	Given as collateral	Total	Held by group	Given as collateral	Total	
	-			(Rupees i	in '000)			
Held-to-maturity securities (HTM)								
Federal Government Securities								
- Pakistan Investment Bonds	6.1	10,817,721	-	10,817,721	12,164,051	-	12,164,051	
Overseas Government Securities		64,879	-	64,879	58,951	-	58,951	
Debentures and Corporate Debt Instruments		-	-	-	-	-	-	
-	_	10,882,600	-	10,882,600	12,223,002	-	12,223,002	
Available-for-sale Securities (AFS)								
Federal Government Securities								
- Market Treasury Bills	Γ	75,656,548	11,161,068	86,817,616	72,497,871	28,556,867	101,054,738	
- Pakistan Investment Bonds		8,500,631	1,357,620	9,858,251	9,823,565	-	9,823,565	
- Government of Pakistan Guaranteed Bonds		12,371,632	-	12,371,632	12,011,364	-	12,011,364	
- Government of Pakistan Bonds (US Dollar / Eu	co)	3,089,402	-	3,089,402	2,789,968	-	2,789,968	
Overseas Government Securities		10,940,958	-	10,940,958	9,496,982	-	9,496,982	
Fully paid-up ordinary shares:								
- Listed companies		1,488,686	-	1,488,686	854,140	-	854,140	
- Unlisted companies		415,476	-	415,476	416,456	-	416,456	
Debentures and Corporate Debt Instruments								
- Listed securities		1,846,588	-	1,846,588	1,044,923	-	1,044,923	
- Unlisted securities		23,673,101	-	23,673,101	18,749,125		18,749,125	
NIT Units		38,230	-	38,230	44,338	-	44,338	
Preference Shares		181,700	-	181,700	200,000	-	200,000	
Other Investments		1,522,501	-	1,522,501	1,815,538	-	1,815,538	
		139,725,453	12,518,688	152,244,141	129,744,270	28,556,867	158,301,137	
Investment in associates and joint								
venture companies	6.3	8,546,948	-	8,546,948	7,418,112	-	7,418,112	
		159,155,001	12,518,688	171,673,689	149,385,384	28,556,867	177,942,251	

6.1 The market value of investments classified as "held-to-maturity" as at June 30, 2008 amounted to Rs. 8,566.580 million (2007: Rs. 10,573.095 million).

6.2 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

	June 30, 2008 (Rupees	December 31, 2007 s in '000)
Opening balance	421,729	518,932
Charge / (Reversed) during the period / year	11,779	(84,310)
Amount written off	(82,472)	(12,893)
Closing balance	351,036	421,729

- **6.3** Platinum Habib Bank Plc., undertook an Initial Public Offer (IPO) last year which was over subscribed by 2.69 times. Subsequent to the offer, the shareholding of HBL has been reduced to 8.11% (2007: 15.29%).
- 6.4 Share of profit of associates has been accounted for on an estimated basis where financial statements as of June 30, 2008 are not available. Summary of financial statements are as follows:

	June 3	0, 2008			
	Based on the financial		Profit / Loss		
	statements as on	Currency	Local currency (Amount in '000)	(Rupees in '000)	
PlatinumHabib Bank Plc., Nigeria	For the nine months period ended March 31, 2008	Naira	19,033,000	10,376,792	
Diamond Trust Bank Limited, Kenya	For the three months period ended March 31, 2008	Shs	295,339	292,208	
Himalayan Bank Limited, Nepal	For the nine months period ended April 15, 2008	NRs	626,640	615,799	
New Jubilee Life Insurance Co. Ltd.	For the three months period ended March 31, 2008	PKR	36,394	36,394	
New Jubilee Insurance Co. Ltd.	For the three months period ended March 31, 2008	PKR	6,881	6,881	
Kyrgyz Investment and Credit Bank	For the six months period ended June 30, 2008	US \$	1,679	107,740	
HBL Income Fund	For the six months period ended June 30, 2008	PKR	332,662	332,662	
HBL Multi Asset Fund	For the six months period ended June 30, 2008	PKR	19,593	19,593	

ADVANCES	Note	June 30, 2008	December 31, 2007 5 in '000)
T 1 1 1 1		(IIIIpres	·
Loans, cash credits, running finances, etc.			
In Pakistan		322,743,097	310,370,832
Outside Pakistan		72,994,769	55,501,503
		395,737,866	365,872,335
Net investment in finance lease - in Pakistan		6,669,232	8,719,113
Bills discounted and purchased			
(excluding Government treasury bills):			
Payable in Pakistan		7,572,285	6,387,872
Payable outside Pakistan		23,945,248	22,499,580
		31,517,533	28,887,452
Provision against non-performing advances	7.2	(22,567,707)	(21,306,166)
		411,356,924	382,172,734
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		12,020,346	11,909,930
Outside Pakistan		-	-
		12,020,346	11,909,930
Provision	7.3	(12,020,346)	(11,909,930)
		-	-

7.1 Advances include Rs. 28,840.601 million (2007: Rs. 27,692.769 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category:

	June 30, 2008										
	Non-p	performing adv	ances	Provisi	on required and	l held	Net no	on-performing adva	nces		
Category of	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total		
classification					(Rupees in	'000)					
Specific Provision											
Other assets especially											
mentioned	770,963	-	770,963	-	-	-	770,963	-	770,963		
Substandard	5,568,540	1,009,300	6,577,840	1,372,596	47,349	1,419,945	4,195,944	961,951	5,157,895		
Doubtful	2,607,719	81,531	2,689,250	1,303,858	42,664	1,346,522	1,303,861	38,867	1,342,728		
Loss	9,469,472	9,333,076	18,802,548	9,469,472	9,308,338	18,777,810	-	24,738	24,738		
	18,416,694	10,423,907	28,840,601	12,145,926	9,398,351	21,544,277	6,270,768	1,025,556	7,296,324		
General provision	-	-	-	700,493	322,937	1,023,430	-	-	-		
	18,416,694	10,423,907	28,840,601	12,846,419	9,721,288	22,567,707	6,270,768	1,025,556	7,296,324		

7.2 Particulars of provision against non-performing advances

		June 30, 2008			December 31, 2007		
		Specific	General	Total	Specific	General	Total
	Note			(Ruj	pees in '000)		
Opening balance		20,255,532	1,050,634	21,306,166	20,518,688	1,413,165	21,931,853
Exchange adjustment		815,058	29,018	844,076	308,226	(6,899)	301,327
Charge for the period / year		1,486,135	42,463	1,528,598	9,205,663	81,096	9,286,759
Reversals		(54,568)	(98,685)	(153,253)	(185,137)	(436,728)	(621,865)
		1,431,567	(56,222)	1,375,345	9,020,526	(355,632)	8,664,894
Amounts written off		(290,097)	-	(290,097)	(3,614,928)	-	(3,614,928)
Transferred to / from over 5 years category	7.3	(667,783)	-	(667,783)	(5,976,980)	-	(5,976,980)
Closing balance		21,544,277	1,023,430	22,567,707	20,255,532	1,050,634	21,306,166

7.3 Particulars of provision against fully provided non-performing advances classified as		June 30,	December 31,
loss for more than five years	Note	2008	2007
		(Rupees	in '000)
Opening balance		11,909,930	7,116,335
Reversal		(244,365)	(426,667)
Transferred from / to during the period / year	7.2	667,783	5,976,980
Write off		(313,002)	(756,718)
		12,020,346	11,909,930

7.4 Particulars of loans and advances

to directors, associated companies, etc.

		June 30,	2008			Decem	ber 31, 2007	
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding ** '000)	Limit sanctioned during the year	Loan repaid during the year
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 * in respect of key management personnel 	- 787,132 335,024	801,370 338,973	- 103,558 27,869	- 14,238 3,949	697,812 311,104	731,164 326,962	477,300 142,535	33,352 15,858
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	-	1,333,333	-	1,333,333	1,333,333	1,533,333	-	200,000
Debts due by - Retirement benefit funds	-	1,033,720	-	1,033,720	1,033,720	1,389,612	-	355,892

The disclosure of the period-end balance, limit/ amount sanctioned and the highest amount outstanding during the period / is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the period / year.

* (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)

OPERATING FIXED ASSETS 8

8	OPERATING FIXED ASSETS	For the six month	ns period ended
8.1	Addition to fixed assets	June 30, 2008	June 30, 2007
		(Rupees	in '000)
	The following additions have been made to tangible fixed assets during the period ended June 30, 2008:		
	Land	502,881	192,657
	Building including related machinery	22,718	205,668
	Furniture, fixtures and office equipments	560,149	554,094
	Vehicles	90,929	10,192
	Intangible assets	121,139	276,498
	Capital work-in-progress	202,391	362,098
		1,500,207	1,601,207

8.2 Disposal of fixed assets

The following disposals have been made from tangible fixed assets during the period ended June 30, 2008:

Land	-	10,800
Building including related machinery	-	20,072
Furniture, fixtures and office equipments	84,312	146,546
Vehicles	36,288	61,608
Intangible assets	262	736
	120,862	239,762

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9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	June 30, 2008	December 31, 2007
Secured	(Rupee	s in '000)
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	10,471,801	10,783,073
Locally manufactured machinery refinance scheme	-	6,747
Long term finance - export oriented projects	6,633,354	7,376,449
Repurchase agreement borrowings	<u>12,678,852</u> 29,784,007	28,370,002 46,536,271
Unsecured		
In Pakistan:		r
Interbank call money borrowings including borrowings by domestic subsidiaries	1,129,000	408,363
Outside Pakistan:		
Overdrawn nostro accounts	173,365	462,495
Borrowings of overseas branches	16,616,014	11,587,480
	16,789,379	12,049,975
	17,918,379 47,702,386	12,458,338 58,994,609
DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	157,477,469	142,718,688
Savings chequing account	199,858,000	194,299,616
Other savings account	87,002,821	70,074,713
Current accounts - remunerative	3,015,292	1,672,810
Current accounts - non-remunerative	<u>129,100,577</u> 576,454,159	108,881,122 517,646,949
Financial institutions		
Remunerative deposits	4,211,435	9,066,729
Non-remunerative deposits	4,179,466	4,584,449
	8,390,901	13,651,178
	584,845,060	531,298,127

11 SUB-ORDINATED LOANS

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The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2007: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at market rates. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan.

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12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Ν	Note	June 30, 2008 (Rupees	December 31, 2007 in '000)
	Surplus arising on revaluation of:			
		12.1 12.2	7,245,575 (1,306,977)	7,269,814 (61,152)
	Surplus on revaluation of assets - net of deferred tax	_	5,938,598	7,208,662
12.1	Surplus on revaluation of fixed assets			
	Surplus on revaluation of fixed assets as at January 1		7,889,744	7,989,613
	Surplus realised on disposal of revalued properties during the period / year Transferred to accumulated profit in respect of incremental		-	(25,288)
	depreciation charged during the period / year - net of deferred tax Related deferred tax liability of incremental depreciation		(24,239)	(48,478)
	charged during the period / year		(13,052)	(26,103)
	Surplus on revaluation of fixed assets as at period / year end	_	7,852,453	7,889,744
	Less: related deferred tax liability on:	Г		
	- revaluation as at January 1		619,930	654,884
	 - surplus realised on disposal of revalued properties during the period / year - incremental depreciation charged during the period / year 		-	(8,851)
	transferred to profit and loss account		(13,052)	(26,103)
		_	606,878	619,930
		=	7,245,575	7,269,814
12.2	Surplus / (deficit) on revaluation of investments			
	Market treasury bills		(347,555)	(242,682)
	Pakistan investment bonds		(1,434,800)	(179,220)
	Listed securities		(189,078)	205,991
	NIT units		26,701	32,809
	Other investments		(61,358)	83,338
			(2,006,090)	(99,764)
	Add / (Less) / add: related deferred tax asset / (liability)	_	699,113	38,612
		=	(1,306,977)	(61,152)

13	CONTINGENCIES AND COMMITMENTS	June 30, 2008 (Rupees	December 31, 2007 in '000)
13.1	Direct credit substitutes - financial guarantees	31,432,451	40,162,575
13.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	Government	3,763,623	2,500,419
	Financial institutions	720,232	352,392
	Others	15,288,172	11,976,067
		19,772,027	14,828,878
13.3	Trade-related commitments		
	Credit cash	114,153,720	116,310,413
	Credit documentary acceptances	29,089,502	12,439,668
	Credit acceptances	33,138,898	24,069,290
		176,382,120	152,819,371
13.4	Other contingencies		
	Claims against the Group not acknowledged as debts	45,794,289	45,864,219

13.5 Commitments in respect of forward lending

The Group 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.

		June 30, 2008 (Rupees	December 31, 2007 in '000)
13.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	35,660,518	39,324,335
	Sale	44,342,526	42,960,952
	The above commitments have maturities falling within one year.		
	Commitments in respect of foreign currency swaps / options		
	Purchase	2,030,839	2,171,290
	Sale	2,030,839	2,171,290
13.7	Commitments for acquisition of operating fixed assets / intangibles	1,736,062	682,435

13.8 Taxation

The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2006. The tax authorities have concluded the audit of years 2002 through 2005 and audit of year 2006 is in process.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs 1,622 million.

Management's view is that the settlement reached, after deliberations by the technical committee formed by the Prime Minister and Chairman AJ&K Council, relates to the long outstanding issue of basis of computation of income in AJK. The foreign tax credit claimed by the bank is in accordance with accounting practice and the law.

The tax authorities allocated the total operating expenses on the basis of turnover/ income. Management's view is that the law requires that expenses should be based on specific expenditure allocated in a reasonable manner, which is based on assets deployed.

Appeals against these assessments are in process. Although the bank has made partial payment of tax assessed, under protest, no provision has been made in the financial statements for these issues, as the management is confident that the eventual outcome of these issues will be in the favour of the bank.

14 MARK-UP / RETURN / INTEREST EARNED

	For the six month	hs period ended
	June 30, 2008	June 30, 2007
	(Rupees	in '000)
On loans and advances to:		
- Customers	20,593,293	17,578,680
- Financial institutions	159,894	881,111
On investments:		
- Available-for-sale	6,748,195	4,287,463
- Held-to-maturity	316,911	392,656
On deposits with financial institutions	670,585	114,717
On lendings to financial institutions	115,285	216,478
	28,604,163	23,471,105
MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	9,272,959	7,534,112
Securities sold under repurchase agreement borrowings	1,377,177	350,659
Other short term borrowings	634,181	740,169
Long term borrowings	250,992	86,051
	11,535,309	8,710,991
INCOME / GAIN ON INVESTMENTS		
Dividend income	106,705	213,242
Share of profit of associates and joint venture	1,300,085	365,700
Gain on sale of securities	181,305	181,571
	1,588,095	760,513

17 WORKERS WELFARE FUND

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The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher. Accordingly the liability of Rs 210 million on the basis of profit before tax for the period ended June 30, 2008 has been accounted for in this period and is included in administrative expenses.

18 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The other related parties are the Group's associated undertakings, joint venture companies, employee benefit plans of the Group / related party, Key Management Personnel and Directors of the Group / related parties.

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) other then those under terms of employment. Details of loans and advances to related parties are given in note 7.4 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.

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

	June 30, 2008 (Rupees	December 31, 2007 s in '000)
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	4,014,356	4,790,355
- Retirement benefit funds	65,044	107,135
- Companies in which directors are interested	543,126	515,020
- Receivable from defined benefit plan	5,403,785	5,193,448
- Acceptances during the period / year	197,100	2,767
- Placements with joint venture and associates	335,008	335,764
	For the six mon	ths period ended
	June 30,	June 30,
	2008	2007
	(Rupees	s in '000)
		(Restated)
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	50,326	52,037
- Retirement benefit funds	1,589	4,530
- Companies in which Directors are interested	2,121	637
- Premium paid to companies in which directors are interested	200,030	113,353
- Interest income		
- Retirement benefit funds	36,112	73,068
- Companies in which Directors are interested	15,135	-
- Share of profit of joint venture companies and associates - net of tax	725,686	307,008

18.1 Key management personnel

Key Management Personnel comprises Members of Management Committee, Regional Management, Country Managers and Senior Executives:

	For the six months period ended		
	June 30,	June 30,	
	2008	2007	
	(Rupees	in '000)	
		(Restated)	
Managerial remuneration (including allowances)	401,566	334,296	
Contribution to provident and benevolent fund	12,821	12,327	
Medical	9,344	7,359	
	423,731	353,982	
Number of persons	156	165	

19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group upees in million	Head Office / support services	Total
Net interest and non-markup income	12,743	3,795	1,077	4,557	736	22,908
Total expenses including provision	6,894	1,482	204	2,187	524	11,291
Net income (loss)	5,849	2,313	873	2,370	212	11,617
Segment assets (gross)	110,331	309,914	153,770	139,217	46,583	759,815
Segment non-performing loans	5,137	11,662	-	10,424	1,618	28,841
Segment provision required including general provision	3,280	7,760	-	5,793	7,270	24,103
Segment liabilities including equity	431,738	99,338	18,660	100,009	85,967	735,712
Segment return on asset (%)	9.41%	11.42%	9.16%	6.42%	3.68%	-
Segment cost of funds (%)	3.63%	9.23%	8.76%	2.71%	0.33%	-

For the six months ended June 30, 2007						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total	
	(Rupees in million)					
			(Restated)			
12,156	3,044	289	2,452	1,497	19,438	
4,135	1,084	50	1,513	2,457	9,239	
8,021	1,960	239	939	(960)	10,199	
85,794	241,965	121,957	114,453	114,243	678,412	
7,508	11,876	-	9,367	6,079	34,830	
5,204	4,498	-	8,670	5,388	23,760	
382,169	113,577	19,599	71,626	67,681	654,652	
8.84%	10.92%	7.44%	6.93%	6.08%	-	
3.04%	8.96%	7.44%	3.39%	4.60%	-	
	banking 12,156 4,135 8,021 85,794 7,508 5,204 382,169 8.84%	Retail banking Corporate / commercial banking 12,156 3,044 4,135 1,084 8,021 1,960 85,794 241,965 7,508 11,876 5,204 4,498 382,169 113,577 8.84% 10.92%	Retail banking Corporate / commercial banking Treasury 12,156 3,044 289 4,135 1,084 50 8,021 1,960 239 85,794 241,965 121,957 7,508 11,876 - 5,204 4,498 - 382,169 113,577 19,599 8.84% 10.92% 7.44%	Retail banking Corporate / commercial banking Treasury commercial banking International banking group	Retail banking Corporate / commercial banking Treasury commercial banking International banking Head Office / support services	

20 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

Financial figures of the Islamic Banking Branch and First Habib Bank Modaraba are as follows:

	June 30, 2008 (Rupees	December 31, 2007 3 in '000)
		(Restated)
ASSETS		
Cash and balances with treasury banks	34,768	31,838
Investments - net	66,244	30,191
Murabaha	3,982	31,540
Ijara	1,317,870	1,025,149
Musharaka	50,000	-
Other assets	71,992	171,779
Operating fixed assets	1,060	1,279
	1,545,916	1,291,776
LIABILITIES		
Borrowings from financial institutions	409,020	452,352
Deposit and other accounts	39,432	12,396
Other liabilities	398,669	168,017
	847,121	632,765
NET ASSETS	698,795	659,011
REPRESENTED BY:		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	183,440	202,600
Unappropriated / Unremitted profit	63,401	(951)
	693,913	648,721
Surplus on revaluation of assets	4,882	10,290
	698,795	659,011

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 32.356 million (2007: Rs. 0.023 million).

21. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on July 25, 2008.

22. GENERAL

The figures have been restated / reclassified where necessary for comparison purposes.

R. Zakir Mahmood

President and Chief Executive Officer

Director

Director