

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the consolidated condensed interim financial statements for the six months period ended June 30, 2007

FINANCIAL PERFORMANCE

The financial results of the Group are summarized below: -

	(Rs. in '000)
Profit after tax	6,619,653
Share of profit attributable to minority interest	(40,009)
Profit attributable to shareholders	<hr/> 6,579,644
Appropriations relating to Statutory Reserves of the Bank, Joint Ventures and Subsidiary	1,294,984
Earning per share (Basic & Diluted)	9.54

Group's performance has substantially improved in first half of the year 2007 driven by a balance sheet growth of 11 per cent over December 31, 2006 compared to 4 per cent growth rate achieved by the Group in corresponding period. Group's earnings also correspond to the balance sheet growth as its current period profit before tax has registered an increase of Rs. 4.1 billion (69 per cent) from the corresponding period of the last year. The main factors of increase are increase in net interest income by Rs. 677 million, an increase gain on share of investments by Rs.644 million and a reduction in expenses relating to staff separation costs.

OUTLOOK

Banking sector in Pakistan is going through a phase of increasing liquidity. Deposit growth has been strong since the beginning of current year 2007, driven by Net Foreign Inflows. Loan growth has been lagging the deposit growth due to the tight Monetary Policy of the State Bank of Pakistan. Banks have used this opportunity to replace their high cost deposits. The Bank is confident that with its branch network and customer base, it will be able to meet the future growth challenges. The Investment made in our IT structure and restructuring of Retail/Consumer Banking gives us considerably advantage.

President & Chief Executive Officer

Habib Bank Limited
Condensed Interim Consolidated Balance Sheet
As at June 30, 2007

	Note	(Unaudited) June 30, 2007	(Audited) December 31, 2006
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		53,842,120	46,310,478
Balances with other banks		32,701,043	35,965,048
Lendings to financial institutions		20,419,974	6,550,128
Investments	6	153,245,628	119,587,476
Advances	7	354,980,449	349,432,685
Other assets		23,946,637	17,765,291
Operating fixed assets		12,858,547	11,954,876
Deferred tax asset		2,657,623	2,725,486
		654,652,021	590,291,468
LIABILITIES			
Bills payable		8,887,425	5,737,457
Borrowings from financial institutions	9	53,239,333	56,392,270
Deposits and other accounts	10	517,481,952	459,140,198
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		15,720,106	15,578,177
Deferred tax liability		-	-
		595,328,816	536,848,102
NET ASSETS		59,323,205	53,443,366
REPRESENTED BY:			
Shareholders' equity			
Share capital		6,900,000	6,900,000
Reserves		19,344,852	17,802,584
Unappropriated profit		24,418,195	20,475,080
Total equity attributable to the equity holders of the Bank		50,663,047	45,177,664
Minority interest		965,015	913,317
Surplus on revaluation of assets - net of deferred tax	11	7,695,143	7,352,385
		59,323,205	53,443,366
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Condensed Interim Consolidated Profit And Loss Account (Unaudited)
For the six months period ended June 30, 2007

	Note	Six months ended		Quarter ended	
		January 01 to June 30, 2007 (Rupees in '000)	January 01 to June 30, 2006 (Rupees in '000)	April 01 to June 30, 2007 (Rupees in '000)	April 01 to June 30, 2006 (Rupees in '000)
Mark-up / return / interest earned	13	23,471,105	20,318,726	11,567,342	10,266,026
Mark-up / return / interest expensed	14	8,712,921	6,237,689	4,535,656	2,965,143
Net mark-up / interest income		14,758,184	14,081,037	7,031,686	7,300,883
Provision against non-performing loans and advances - net (Reversal) / provision against off-balance sheet obligations	6.3	813,166	1,859,608	493,320	1,301,702
Reversal of provision against diminution in value of investments		(73,534)	-	(73,534)	-
Bad debts written off directly		(41,862)	(33,120)	(37,696)	(3,818)
		-	-	-	-
Net mark-up / interest income after provisions		697,770	1,826,488	382,090	1,297,884
		14,060,414	12,254,549	6,649,596	6,002,999
Non mark-up / interest income					
Fee, commission and brokerage income	15	1,486,975	1,553,494	817,542	804,480
Income / gain on investments		760,513	116,325	416,944	63,192
Income from dealing in foreign currencies		959,879	521,944	507,439	262,793
Other income		1,472,717	936,427	777,029	491,743
Total non-mark-up / interest income		4,680,084	3,128,190	2,518,954	1,622,208
		18,740,498	15,382,739	9,168,550	7,625,207
Non mark-up / interest expense					
Administrative expenses		8,050,723	7,463,624	4,142,594	3,568,660
Other provisions / write offs - net		(78,726)	147,512	(115,862)	131,287
Other charges		7,786	17,342	2,473	1,993
Total non mark-up / interest expenses		7,979,783	7,628,478	4,029,205	3,701,940
Staff Separation cost	16	10,760,715	7,754,261	5,139,345	3,923,267
		561,400	1,718,674	2,300	-
Profit before taxation		10,199,315	6,035,587	5,137,045	3,923,267
Taxation - current		3,714,169	2,676,239	1,840,034	1,750,904
Taxation - prior years		-	8,058	-	8,058
Taxation - deferred		(134,507)	(616,529)	(29,174)	(525,933)
Profit after taxation		3,579,662	2,067,768	1,810,860	1,233,029
		6,619,653	3,967,819	3,326,185	2,690,238
Attributable to:					
Equity holders of the Bank		6,579,645	3,943,398	3,311,766	2,683,299
Minority Interest		40,009	24,421	14,420	6,939
		6,619,653	3,967,819	3,326,185	2,690,238
		(---- Rupees ----)	(---- Rupees ----)		
Basic and diluted earnings per share		9.54	5.75	4.82	3.90

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Condensed Interim Consolidated Cash Flow Statement (Unaudited)
For the six months period ended June 30, 2007

	June 30, 2007	June 30, 2006
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,199,315	6,035,587
Less: Dividend income and fair value adjustment of associated and joint venture companies	(698,929)	(83,538)
Gain on sale of investments - net	(61,584)	(32,787)
	<u>(760,513)</u>	<u>(116,325)</u>
	9,438,802	5,919,262
Adjustment for:		
Depreciation / amortisation / adjustments	525,936	421,087
Reversal against diminution in the value of investments	(41,862)	(33,120)
Provision against non-performing loans and advances - net of reversals	813,166	1,859,608
Amortisation of premium on investments	165,497	183,566
Gain on sale of property and equipment - net	(27,220)	(41,968)
Miscellaneous provisions	337,368	(110,403)
	<u>1,772,885</u>	<u>2,278,770</u>
	11,211,687	8,198,032
(Increase) / decrease in operating assets		
Government securities	(27,677,026)	627,458
Lendings to financial institutions	(13,869,846)	(19,964,283)
Loans and advances	(6,360,930)	(46,389)
Other assets - net	(4,977,878)	(277,830)
	<u>(52,885,680)</u>	<u>(19,661,044)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	58,341,754	10,044,470
Borrowings from financial institutions	(3,152,937)	5,070,803
Bills payable	3,149,968	(1,684,554)
Other liabilities - net	490,985	6,398,048
	<u>58,829,770</u>	<u>19,828,767</u>
	17,155,777	8,365,755
Income tax paid - net	(4,940,176)	(3,492,837)
Net cash flows from operating activities	<u>12,215,601</u>	<u>4,872,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(5,697,568)	987,185
Repatriation from / (Investment in) subsidiary companies	-	-
Dividend income received	285,707	24,795
Fixed capital expenditure	(1,601,207)	(422,651)
Proceeds from sale of fixed assets	198,820	(78,331)
Exchange adjustment on translation of balances in foreign branches	247,284	344,011
Net cash flows used in / (from) investing activities	<u>(6,566,964)</u>	<u>855,009</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,381,000)	-
Net cash flows used in financing activities	<u>(1,381,000)</u>	<u>-</u>
Increase in cash and cash equivalents during the period	4,267,637	5,727,927
Cash and cash equivalents at beginning of the period	82,388,365	64,864,562
Effects of exchange rate changes on cash and cash equivalents	(112,839)	-
	82,275,526	64,864,562
Cash and cash equivalents at end of the period	<u>86,543,163</u>	<u>70,592,489</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)
For the six months period ended June 30, 2007

Share Capital	Attributable to shareholders of the Group						Minority Interest	Total	
	Exchange Translation Reserve	Statutory Reserves		Other Reserves		Subtotal			
		Statutory requirement of Joint Venture and Subsidiaries	Bank	General	Unappropriated profit				
----- (Rupees in '000) -----									
Balance as at December 31, 2005	6,900,000	1,932,210	119,161	7,787,094	6,073,812	9,908,920	32,721,197	846,801	33,567,998
Profit for the six months period ended June 30, 2006	-	-	-	-	-	3,943,398	3,943,398	24,421	3,967,819
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	24,940	24,940	-	24,940
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	344,011	-	-	-	-	344,011	19,975	363,986
Total recognized income and expense for the period	-	344,011	-	-	-	3,968,338	4,312,349	44,396	4,356,745
Transferred to statutory reserves	-	-	4,645	-	-	(4,645)	-	-	-
Transferred to statutory reserves	-	-	-	395,782	-	(395,782)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(5,917)	(5,917)
Balance as at June 30, 2006	6,900,000	2,276,221	123,806	8,182,876	6,073,812	13,476,831	37,033,546	885,280	37,918,826
Profit for the six months period to December 31, 2006	-	-	-	-	-	8,686,861	8,686,861	45,635	8,732,496
Exchange translation released on disposal of investments	-	(55,709)	-	-	-	-	(55,709)	-	(55,709)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	41,918	41,918	-	41,918
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	161,048	-	-	-	-	161,048	23,690	184,738
Total recognized income and expense for the period	-	105,339	-	-	-	8,728,779	8,834,118	69,325	8,903,443
Transferred to statutory reserves	-	-	8,699	1,031,831	-	(1,040,530)	-	-	-
Cash dividend paid at Rs 1 per share	-	-	-	-	-	(690,000)	(690,000)	(42,885)	(732,885)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	1,597	1,597
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
Profit for the six months period to June 30, 2007	-	-	-	-	-	6,579,645	6,579,645	40,009	6,619,653
Exchange translation released on disposal of investments	-	(188,265)	-	-	-	-	(188,265)	-	(188,265)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	38,454	38,454	-	38,454
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	435,549	-	-	-	-	435,549	6,001	441,550
Total recognized income and expense for the period	-	247,284	-	-	-	6,618,099	6,865,383	46,010	6,911,392
Transferred to statutory reserves	-	-	15,609	1,279,375	-	(1,294,984)	-	-	-
Cash dividend paid at Rs 2 per share	-	-	-	-	-	(1,380,000)	(1,380,000)	-	(1,380,000)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	5,688	5,688
Balance as at June 30, 2007	6,900,000	2,628,844	148,114	10,494,082	6,073,812	24,418,195	50,663,047	965,015	51,628,061

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Notes to the Condensed Interim Financial Statements (Unaudited)
For the six months period ended June 30, 2007

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.

2 STATEMENT OF COMPLIANCE

These condensed interim 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, directives issued by the Securities Exchange Commission of Pakistan and the State Bank of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. 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 requirements 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'.

The State Bank of Pakistan, vide its BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

During 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transactions undertaken by a bank, effective from financial periods beginning on or after January 01, 2006. The standard has not been adopted by stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association has taken up the matter with the State Bank of Pakistan.

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 group for the year ended December 31, 2006.

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 group for the year ended December 31, 2006.

5 FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2006.

6	INVESTMENTS	Note	June 30, 2007			December 31, 2006		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
----- (Rupees in '000) -----								
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Market treasury bills		87,865	-	87,865	86,392	-	86,392
	- Pakistan investment bonds	6.1	13,537,612	-	13,537,612	14,782,250	-	14,782,250
<i>Overseas Government securities</i>								
			222,527	-	222,527	224,382	-	224,382
<i>Debentures and Corporate Debt Instruments</i>								
			40,370	-	40,370	166,996	-	166,996
			13,888,374	-	13,888,374	15,260,020	-	15,260,020
Available-for-sale securities (AFS)								
<i>Federal Government Securities</i>								
	- Market treasury bills		61,701,573	20,716,672	82,418,245	35,891,929	21,337,072	57,229,001
	- Pakistan investment bonds		4,290,502	-	4,290,502	987,349	-	987,349
	- Government of Pakistan Guaranteed Bonds		20,377,365	-	20,377,365	20,653,643	-	20,653,643
	- Government of Pakistan bonds (US Dollar / Euro)		854,741	-	854,741	864,805	-	864,805
<i>Overseas Government securities</i>								
			6,713,686	-	6,713,686	6,163,192	-	6,163,192
<i>Fully paid-up ordinary shares:</i>								
	- Listed companies		2,747,533	-	2,747,533	1,679,827	-	1,679,827
	- Unlisted companies	6.2	452,642	-	452,642	455,613	-	455,613
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		525,826	-	525,826	510,926	-	510,926
	- Unlisted securities		16,805,651	-	16,805,651	12,117,227	-	12,117,227
<i>NIT units</i>								
			43,396	-	43,396	32,134	-	32,134
<i>Preference shares</i>								
			171,500	-	171,500	171,667	-	171,667
<i>Other investments</i>								
			478,919	-	478,919	183,414	-	183,414
			115,163,334	20,716,672	135,880,006	79,711,726	21,337,072	101,048,798
Investment in subsidiary companies								
			-	-	-	-	-	-
Investment in associates and joint venture companies								
		6.1	3,477,248	-	3,477,248	3,278,658	-	3,278,658
			132,528,956	20,716,672	153,245,628	98,250,404	21,337,072	119,587,476

6.1 The market value of securities classified as held-to-maturity and investment in associates and joint venture companies amounted to Rs. 11,917 million and 16,494 million (2006: Rs. 12,625 million and 5,967 million) respectively as at June 30, 2007.

6.2 The break-up value of the securities of unlisted companies amounted to Rs.1,077.230 million (2006: Rs.948.286 million) as at June 30, 2007

6.3 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:

	Note	June 30, 2007	December 31, 2006
----- (Rupees in '000) -----			
Opening balance		518,932	562,065
Reversed during the period / year		(41,862)	(13,697)
Amount written off		(26,594)	(29,436)
Closing balance		<u>450,476</u>	<u>518,932</u>

7 ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		293,366,440	291,209,502
Outside Pakistan		44,679,589	38,068,479
		<u>338,046,029</u>	<u>329,277,981</u>
Net investment in finance lease - in Pakistan		10,300,123	11,827,390
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		8,123,807	9,843,365
Payable outside Pakistan		21,210,655	20,415,802
		29,334,462	30,259,167
Provision against non-performing advances	7.2	<u>(22,700,165)</u>	<u>(21,931,853)</u>
		<u>354,980,449</u>	<u>349,432,685</u>

Fully provided non-performing advances classified as loss for more than five years

In Pakistan		5,685,529	6,622,757
Outside Pakistan		488,944	493,578
		6,174,473	7,116,335
Provision	7.3	<u>(6,174,473)</u>	<u>(7,116,335)</u>
		-	-

7.1 Advances include Rs. 34,829.748 million (2006: 30,032.988 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 separate category:

Category of Classification	June 30, 2007								
	Non-performing advances			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Specific Provision									
Other assets especially mentioned	609,754	-	609,754	-	-	-	609,754	-	609,754
Substandard	6,908,316	759,207	7,667,523	674,368	-	674,368	6,233,948	759,207	6,993,155
Doubtful	2,959,255	212,907	3,172,162	1,154,476	106,454	1,260,930	1,804,779	106,453	1,911,232
Loss	14,985,289	8,395,020	23,380,309	11,245,898	8,298,914	19,544,812	3,739,391	96,106	3,835,497
	<u>25,462,614</u>	<u>9,367,134</u>	<u>34,829,748</u>	<u>13,074,742</u>	<u>8,405,368</u>	<u>21,480,110</u>	<u>12,387,872</u>	<u>961,766</u>	<u>13,349,638</u>
General Provision	-	-	-	955,051	265,004	1,220,055	-	-	-
	<u>25,462,614</u>	<u>9,367,134</u>	<u>34,829,748</u>	<u>14,029,793</u>	<u>8,670,372</u>	<u>22,700,165</u>	<u>12,387,872</u>	<u>961,766</u>	<u>13,349,638</u>

7.2 Particulars of provision for non-performing financing

	June 30, 2007			December 31, 2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	20,518,688	1,413,165	21,931,853	32,011,517	1,531,749	33,543,266
Exchange adjustment	(36,150)	(13,358)	(49,508)	1,160,608	(10,388)	1,150,220
Charge for the year	1,254,996	46,601	1,301,597	3,089,217	50,219	3,139,436
Reversals	(52,095)	(226,353)	(278,448)	(117,814)	(158,415)	(276,229)
	1,202,901	(179,752)	1,023,149	2,971,403	(108,196)	2,863,207
Amounts written off	(478,335)	-	(478,335)	(8,508,505)	-	(8,508,505)
Other movements (specified)	273,006	-	273,006	(7,116,335)	-	(7,116,335)
Closing balance	<u>21,480,110</u>	<u>1,220,055</u>	<u>22,700,165</u>	<u>20,518,688</u>	<u>1,413,165</u>	<u>21,931,853</u>

7.3 Particulars of provision against fully provided non-performing advances classified as loss for more than five years

	June 30, 2007	December 31, 2006
----- (Rupees in '000) -----		
Opening balance	7,116,335	-
Exchange adjustment	(4,634)	-
Reversal	(209,983)	-
Transferred during period / year	(273,006)	7,116,335
Write off	(454,239)	-
	<u>6,174,473</u>	<u>7,116,335</u>

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

	June 30, 2007				December 31, 2006			
	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 **	Limit sanctioned during the year	Loan repaid during the year
----- (Rupees in '000) -----								
Debits 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 *	572,510	572,510	342,765	24,119	253,864	333,004	196,000	148,877
- in respect of key management personnel	274,605	274,605	102,538	12,360	184,427	184,427	106,400	47,337
Debits 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	-	-	-	-	-	292,000	-	-
Debits due by								
- Retirement benefit funds	1,033,720	1,389,612	-	355,892	1,389,612	2,520,733	-	-

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

	For the six months period ended	
	June 30, 2007	June 30, 2006
8 OPERATING FIXED ASSETS		
8.1 Addition to fixed assets		
The following additions have been made to tangible fixed assets during the half year ended June 30, 2007:		
Land	192,657	-
Building including related machinery	205,668	3,836
Furniture, fixtures and office equipments	786,713	345,566
Vehicles	10,192	40,119
Intangible assets	43,879	177,259
Capital work-in-progress	362,098	141,805
	<u>1,601,207</u>	<u>708,585</u>
8.2 Disposal of fixed assets		
The following disposals have been made from tangible fixed assets during the half year ended June 30, 2007:		
Land	(10,800)	(14,490)
Building including related machinery	(20,072)	(1,390)
Furniture, fixtures and office equipments	(146,546)	(60,254)
Vehicles	(61,608)	(64,226)
Intangible assets	(736)	-
	<u>(239,762)</u>	<u>(140,360)</u>
9 BORROWINGS FROM FINANCIAL INSTITUTIONS	June 30, 2007	December 31, 2006
Secured		
Borrowings from State Bank of Pakistan under		
Export refinance scheme	15,250,907	15,678,110
Locally manufactured machinery refinance scheme	7,945	9,145
Long term finance - export oriented projects	7,791,556	8,213,632
Repurchase agreement borrowings	20,688,547	21,285,463
	<u>43,738,955</u>	<u>45,186,350</u>
Unsecured		
In Pakistan		
Interbank call money borrowings including borrowings by domestic subsidiaries	651,627	1,881,744
Outside Pakistan		
Overdrawn nostro accounts	284,245	692,708
Borrowings of overseas branches	8,564,506	8,631,468
	8,848,751	9,324,176
	9,500,378	11,205,920
	<u>53,239,333</u>	<u>56,392,270</u>
10 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	164,026,960	135,098,044
Savings chequing account	181,282,000	168,057,000
Other savings account	58,095,504	52,325,375
Current accounts - non-remunerative	103,370,005	90,350,296
	506,774,469	445,830,715
Financial institutions		
Remunerative deposits	6,952,445	8,612,135
Non-remunerative deposits	3,755,038	4,697,348
	10,707,483	13,309,483
	<u>517,481,952</u>	<u>459,140,198</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	June 30, 2007	December 31, 2006
(Rupees in '000)			
Surplus arising on revaluation of:			
- fixed assets	11.1	7,296,275	7,334,729
- investments	11.2	398,868	17,656
Surplus on revaluation of assets - net of deferred tax		<u>7,695,143</u>	<u>7,352,385</u>

11.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		7,989,613	7,950,982
Surplus on revaluation during the period/year		-	131,519
Surplus realised on disposal of revalued properties during the period / year		(14,210)	(18,517)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(24,244)	(48,341)
Related deferred tax liability of incremental depreciation charged during the period / year		(13,055)	(26,030)
Surplus on revaluation of fixed assets as at period / year end		<u>7,938,104</u>	<u>7,989,613</u>

Less: related deferred tax liability on:

- revaluation as at January 1	654,884	675,067
- revaluation of Group's properties recognised/ (adjusted) during the period / year	-	5,847
- incremental depreciation charged during the period / year transferred to profit and loss account	(13,055)	(26,030)
	<u>641,829</u>	<u>654,884</u>
	<u>7,296,275</u>	<u>7,334,729</u>

11.2 Surplus / (deficit) on revaluation of available-for-sale investments

Market treasury bills	(85,281)	(92,722)
Pakistan Investment Bonds	(122,638)	(142,457)
Listed securities	646,932	155,506
NIT units	31,867	20,605
Other investments	142,124	88,456
	613,004	29,388
Less: related deferred tax liability	(214,136)	(11,732)
	<u>398,868</u>	<u>17,656</u>

	June 30, 2007	December 31, 2006
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees	<u>12,052,766</u>	<u>10,934,318</u>
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	1,055,361	721,858
Financial institutions	940,177	844,157
Others	<u>29,289,734</u>	<u>30,129,415</u>
	<u>31,285,272</u>	<u>31,695,430</u>
12.3 Trade-related commitments		
Credit cash	107,494,285	102,510,323
Credit documentary acceptances	14,944,940	12,375,995
Credit acceptances	<u>9,136,752</u>	<u>9,278,055</u>
	<u>131,575,977</u>	<u>124,164,373</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>49,094,685</u>	<u>44,311,700</u>
12.5 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, 2007	December 31, 2006
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>38,006,899</u>	<u>52,898,091</u>
Sale	<u>45,355,435</u>	<u>44,985,569</u>
Commitments in respect of foreign currency options		
Purchase	<u>1,688,187</u>	<u>1,470,566</u>
Sale	<u>1,688,187</u>	<u>1,470,566</u>
The above commitments have maturities falling within one year.		
12.7 Commitments for acquisition of operating fixed assets / intangibles	<u>708,375</u>	<u>587,277</u>

	Note	June 30, 2007	June 30, 2006
13 MARK-UP / RETURN / INTEREST EARNED		(Rupees in '000)	
<i>On loans and advances to</i>			
- Customers		17,578,680	14,954,278
- Financial institutions		881,111	-
<i>On investments</i>			
- Available for sale	13.1	4,128,970	3,802,766
- Held to maturity		551,149	193,818
On deposits with financial institutions		114,717	593,341
On lendings to financial institutions		216,478	774,523
		<u>23,471,105</u>	<u>20,318,726</u>
13.1	During the period State Bank of Pakistan (SBP) had made short payment of Rs 450 million on account of interest payment relating to Tax Bond for the period June 2005 to June 2007. Consequently, bank has reversed the above amount from the interest income for the period January 01, to June 30, 2007 and is pursuing the claim with Government of Pakistan.		
14 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		7,534,112	5,173,094
Securities sold under repurchase agreement borrowings		350,659	174,099
Other short term borrowings		740,169	839,674
Long term borrowings		86,051	50,617
Others		1,930	205
		<u>8,712,921</u>	<u>6,237,689</u>
15 INCOME/GAIN ON INVESTMENTS			
Dividend income		213,242	50,229
Share of profit of associates and joint venture		365,700	33,309
Gain on sale of securities		181,571	32,787
		<u>760,513</u>	<u>116,325</u>
16	During the period 777 (2006: 2,343) employees were separated with effect from January 13, 2007. In addition to payments under the staff retirement funds, an amount of Rs. 561 million (2006: 1,719 million) was paid under the separation scheme.		

17 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development holds 51% share of the Bank. The Group has related party relationship with its associated undertakings, joint venture company, employee benefit plans of the Group / related party, and members of the Key Management Personnel of the Group / 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) other than 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.

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

	June 30, 2007	December 31, 2006
	(Rupees in '000)	
Balances outstanding as at the period/ year end		
- Borrowings / Deposits from		
- Joint Venture and Associates	2,215,478	2,497,800
- Retirement Benefit Funds	197,610	235,383
- Companies in which Directors are interested	144,511	148,199
- Key Management Personnel	22,740	13,816
- Receivable from defined benefit plan	5,282,264	4,835,017
- Payable to defined benefit plan	-	15,769
	Six months ended	
	June 30, 2007	June 30, 2006
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint Venture and Associates	52,037	43,200
- Retirement benefit funds	4,530	3,637
- Companies in which Directors are interested	637	238
- Key Management Personnel	227	138
- Interest income		
- Retirement benefit funds	73,068	20,359
- Companies in which Directors are interested	-	14,281
- Share of profit of joint venture companies and associates - net of tax	307,008	22,650
- Insurance premium paid to related parties	113,353	100,768

17.1 KEY MANAGEMENT PERSONNEL

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

	June 30, 2007	June 30, 2006
	(Rupees in '000)	
Managerial remuneration (including allowances)	315,015	273,762
Contribution to provident and benevolent fund	8,002	7,146
Number of persons	159	170

17.2 The Bank operates a short-term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The amount for the period amounted to Rs.220 million (2006: Rs. 191 million)

17.3 In the year 2007, the bank introduced a Staff Retention Incentive Scheme for selected employees. Under the scheme, the employees are committed to continue employment with the bank for a minimum period of three years and the bank advances money by way of bonus to executives to purchase shares of Habib Bank Limited (HBL) to be held for a period of three years. The cost is being accrued over the vesting period, which amounted to Rs. 8 million.

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	June 30, 2007					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest and non-markup income	12,156	3,044	289	2,452	1,497	19,438
Total expenses including provision	4,135	1,084	50	1,513	2,457	9,239
Net income (loss)	8,021	1,960	239	939	(960)	10,199
Segment assets (gross)	85,794	241,965	121,957	114,453	119,357	683,526
Segment non-performing loans	7,508	11,876	-	9,367	12,879	41,630
Segment provision required including general provision	5,204	4,498	-	8,670	10,502	28,874
Segment liabilities including equity	382,169	113,577	19,599	71,626	67,681	654,652
Segment return on asset (%)	10.31%	11.50%	6.74%	5.33%	1.00%	-
Segment cost of funds (%)	3.67%	9.91%	6.74%	2.25%	0.91%	-

	June 30, 2006					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- Rupees in million -----					
Net interest and non-markup income	12,342	2,652	274	2,218	(277)	17,209
Total expenses including provision	4,872	1,507	46	1,468	3,280	11,173
Net income (loss)	7,470	1,145	228	750	(3,557)	6,036
Segment assets (gross)	91,729	196,034	86,922	111,567	101,660	587,912
Segment non-performing loans	6,448	6,725	-	13,883	16,488	43,544
Segment provision required including general provision	4,875	3,686	-	12,905	13,798	35,264
Segment liabilities including equity	332,782	58,279	24,811	98,171	38,605	552,648
Segment return on asset (%)	9.38%	9.95%	8.08%	4.57%	1.03%	-
Segment cost of funds (%)	2.71%	8.02%	8.08%	1.96%	0.85%	-

19 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, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	20,617	34,741
Investments - net	-	64,919
- Murabaha	47,952	26,071
- Ijara	24,680	1,139,902
Other assets	166,044	7,266
Operating fixed assets	998,738	772
	<u>1,258,031</u>	<u>1,273,671</u>
LIABILITIES		
Bills payable	-	-
Borrowings from financial institutions	517,777	489,090
Deposit and other accounts	9,609	9,259
Other liabilities	27,235	105,773
	554,621	604,122
NET ASSETS	<u><u>703,410</u></u>	<u><u>669,549</u></u>
REPRESENTED BY		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	243,235	176,845
Unappropriated / Unremitted profit	(2,442)	36,408
	687,865	660,325
Surplus on revaluation of assets	15,545	9,224
	<u><u>703,410</u></u>	<u><u>669,549</u></u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 4.953 million (2006: Rs. 0.053 million).

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on _____ 2007.

President and Chief Executive Officer

Director

Director

Director