

Condensed Interim Unconsolidated Balance Sheet

AS AT SEPTEMBER 30, 2008

	Note	(Unaudited)	(Audited)
		September 30, 2008	December 31, 2007
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		67,866,339	55,361,813
Balances with other banks		34,483,597	19,558,051
Lendings to financial institutions		12,943,778	1,628,130
Investments	6	122,634,752	171,932,281
Advances	7	410,082,543	362,260,528
Other assets		25,885,527	25,396,781
Operating fixed assets		14,588,110	13,582,240
Deferred tax asset		9,336,368	6,119,032
		<u>697,821,014</u>	<u>655,838,856</u>
LIABILITIES			
Bills payable		9,433,539	15,379,440
Borrowings from financial institutions	9	37,613,359	52,218,228
Deposits and other accounts	10	558,740,833	508,986,541
Sub-ordinated loans	11	3,907,805	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		22,461,409	18,210,692
Deferred tax liabilities		-	-
		<u>632,156,945</u>	<u>597,894,901</u>
NET ASSETS			
		<u>65,664,069</u>	<u>57,943,955</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		7,590,000	6,900,000
Reserves		23,407,098	18,628,584
Unappropriated profit		30,457,292	25,212,980
		61,454,390	50,741,564
Surplus on revaluation of assets - net of deferred tax	12	4,209,679	7,202,391
		<u>65,664,069</u>	<u>57,943,955</u>
CONTINGENCIES AND COMMITMENTS			
	13		

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

President and Chief Executive Officer

Director

Director

Director

Condensed Interim Unconsolidated Profit and Loss Account

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

Note	Nine months ended		Quarter ended		
	January 01 to September 30, 2008	January 01 to September 30, 2007	July 01 to September 30, 2008	July 01 to September 30, 2007	
(Rupees in '000)					
Mark-up / return / interest earned	14	43,911,113	35,393,664	16,344,629	12,839,627
Mark-up / return / interest expensed	15	17,946,541	13,145,914	6,902,534	4,897,651
Net mark-up / interest income		<u>25,964,572</u>	<u>22,247,750</u>	<u>9,442,095</u>	<u>7,941,976</u>
Provision against non-performing loans and advances - net (Reversal) / charge against off-balance sheet obligations (Reversal) of provision against diminution in value of investments	7.2 / 7.3 6.2	<u>2,709,179</u> -	<u>1,216,324</u> (54,626)	<u>1,601,178</u> -	<u>442,515</u> 18,908
Bad debts written off directly		(10,170)	(56,495)	(21,949)	(14,633)
		-	-	-	-
Net mark-up / interest income after provisions		<u>2,699,009</u>	<u>1,105,203</u>	<u>1,579,229</u>	<u>446,790</u>
		<u>23,265,563</u>	<u>21,142,547</u>	<u>7,862,866</u>	<u>7,495,186</u>
Non mark-up / interest income					
Fee, commission and brokerage income		3,247,046	2,057,474	1,414,862	666,484
Income / gain on investments	16	710,670	777,360	59,355	242,570
Income from dealing in foreign currencies		1,632,511	1,050,428	654,513	123,216
Other income		<u>1,704,753</u>	<u>2,040,308</u>	<u>641,535</u>	<u>611,404</u>
Total non-mark-up / interest income		<u>7,294,980</u>	<u>5,925,570</u>	<u>2,770,265</u>	<u>1,643,674</u>
		<u>30,560,543</u>	<u>27,068,117</u>	<u>10,633,131</u>	<u>9,138,860</u>
Non mark-up / interest expense					
Administrative expenses	17	14,988,204	12,252,112	5,481,063	4,039,978
Other provisions / write offs - net		200,112	(51,454)	87,157	27,272
Other charges		1,157	8,491	120	705
Total non mark-up / interest expense		<u>15,189,473</u>	<u>12,209,149</u>	<u>5,568,340</u>	<u>4,067,955</u>
Profit before taxation		<u>15,371,070</u>	<u>14,858,968</u>	<u>5,064,791</u>	<u>5,070,905</u>
Taxation - current		6,323,553	6,192,678	2,370,432	2,555,384
- prior periods		1,062,330	-	-	-
- deferred		(1,630,666)	(546,270)	(564,901)	(120,923)
		<u>5,755,217</u>	<u>5,646,408</u>	<u>1,805,531</u>	<u>2,434,461</u>
Profit after taxation		<u>9,615,853</u>	<u>9,212,560</u>	<u>3,259,260</u>	<u>2,636,444</u>
					----- (Rupees) -----
Basic and diluted earnings per share		<u>12.67</u>	<u>12.14</u>	<u>4.29</u>	<u>3.47</u>

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

President and Chief Executive Officer

Director

Director

Director

Condensed Interim Unconsolidated Statement of Changes in Equity

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	RESERVES					Total
	Share Capital	Exchange Translation Reserve	Statutory	General	Unappropriated profit	
(Rupees in '000)						
Balance as at December 31, 2006 as previously reported	6,900,000	1,528,953	9,214,707	6,073,812	22,047,700	45,765,172
Effect of change in accounting policy with respect to subsidiaries, associates and joint venture	-	-	-	-	(2,765,760)	(2,765,760)
Balance as at December 31, 2006 - Restated	6,900,000	1,528,953	9,214,707	6,073,812	19,281,940	42,999,412
Profit for the nine months ended September 30, 2007	-	-	-	-	9,212,560	9,212,560
Transferred from surplus on revaluation of fixed assets	-	-	-	-	59,992	59,992
Effect of translation of net investment in foreign branches	-	402,049	-	-	-	402,049
Total recognised income and expense for the period	-	402,049	-	-	9,272,552	9,674,601
Transferred to statutory reserves	-	-	921,256	-	(921,256)	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	(1,380,000)	(1,380,000)
Balance as at September 30, 2007	6,900,000	1,931,002	10,135,963	6,073,812	26,253,236	51,294,013
Profit for the period from October to December 31, 2007	-	-	-	-	(1,171,144)	(1,171,144)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	13,774	13,774
Effect of translation of net investment in foreign branches	-	604,921	-	-	-	604,921
Total recognised income and expense for the period	-	604,921	-	-	(1,157,370)	(552,449)
Transferred to statutory reserves	-	-	(117,114)	-	117,114	-
Balance as at December 31, 2007	6,900,000	2,535,923	10,018,849	6,073,812	25,212,980	50,741,564
Profit for the nine months ended September 30, 2008	-	-	-	-	9,615,853	9,615,853
Transferred from surplus on revaluation of fixed assets	-	-	-	-	40,044	40,044
Effect of translation of net investment in foreign branches	-	3,816,929	-	-	-	3,816,929
Total recognised income and expense for the period	-	3,816,929	-	-	9,655,897	13,472,826
Transferred to statutory reserves	-	-	961,585	-	(961,585)	-
Cash dividend at Rs. 4 per share	-	-	-	-	(2,760,000)	(2,760,000)
Issue of bonus shares	690,000	-	-	-	(690,000)	-
Balance as at September 30, 2008	7,590,000	6,352,852	10,980,434	6,073,812	30,457,292	61,454,390

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

President and Chief Executive Officer

Director

Director

Director

Condensed Interim Unconsolidated Cash Flow Statement

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	September 30, 2008	September 30, 2007
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		(Restated)
Profit before taxation	15,371,070	14,858,968
Dividend income	(550,693)	(546,750)
Gain on sale of investments - net	(159,977)	(230,610)
	(710,670)	(777,360)
	14,660,400	14,081,608
Adjustment for non-cash charges		
Depreciation / amortisation / adjustments (Reversal) / charge of provision against diminution in the value of investments	1,150,519	789,531
Provision against non-performing loans and advances - net of reversals	10,170	(56,495)
Amortisation of premium on investments	2,709,179	1,216,324
Gain on sale of property and equipment - net	207,820	245,664
Miscellaneous provisions	(31,578)	(39,032)
	403,817	(209,051)
	4,449,927	1,946,941
	19,110,327	16,028,549
(Increase) / decrease in operating assets		
Government securities	55,752,846	(59,459,628)
Lendings to financial institutions	(11,315,648)	4,470,456
Loans and advances	(51,248,418)	7,556,779
Other assets - net	(1,451,573)	(1,855,426)
	(8,262,793)	(49,287,819)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	49,754,292	66,839,535
Borrowings from financial institutions	(14,604,869)	(18,228,161)
Bills payable	(5,945,901)	1,358,475
Other liabilities - net	3,119,396	4,384,481
	32,322,918	54,354,330
	43,170,452	21,095,060
Income tax paid - net	(8,699,615)	(6,323,186)
Net cash flows from operating activities	34,470,837	14,771,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture	(6,523,578)	(3,198,170)
Repatriation from / (Investment in) subsidiary companies	-	242,747
Dividend income received	550,693	539,597
Fixed capital expenditure	(2,163,834)	(2,145,726)
Proceeds from sale of fixed assets	39,025	91,437
Exchange adjustment on translation of balances in foreign branches	3,816,929	402,049
Net cash flows used in investing activities	(4,280,765)	(4,068,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,760,000)	(1,380,000)
Net cash flows used in financing activities	(2,760,000)	(1,380,000)
Increase in cash and cash equivalents during the period	27,430,072	9,323,808
Cash and cash equivalents at beginning of the period	66,585,809	69,182,313
Effects of exchange rate changes on cash and cash equivalents	8,334,055	594,655
	74,919,864	69,776,968
Cash and cash equivalents at end of the period	102,349,936	79,100,776

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

President and Chief Executive Officer

Director

Director

Director

Notes to the Condensed Interim Unconsolidated Financial Statements

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

1 STATUS AND NATURE OF BUSINESS

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.

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 Bank 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 unconsolidated financial statements of the bank for the year ended December 31, 2007.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6 INVESTMENTS

Note	September 30, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
	Held-to-maturity securities (HTM)					
	Federal Government Securities					
	-Pakistan Investment Bonds					
6.1	10,758,806	-	10,758,806	12,164,051	-	12,164,051
	Overseas Government Securities					
	-Overseas Government Securities					
	77,397	-	77,397	58,951	-	58,951
	Debentures and Corporate Debt Instruments					
	45,455	-	45,455	-	-	-
	<u>10,881,658</u>	<u>-</u>	<u>10,881,658</u>	<u>12,223,002</u>	<u>-</u>	<u>12,223,002</u>
	Available-for-sale securities (AFS)					
	Federal Government Securities					
	- Market Treasury Bills					
	48,310,256	-	48,310,256	72,418,745	28,556,867	100,975,612
	2,412,906	7,175,712	9,588,618	9,823,565	-	9,823,565
	8,043,200	-	8,043,200	8,137,844	-	8,137,844
	2,267,042	-	2,267,042	2,789,967	-	2,789,967
	- Government of Pakistan Bonds (US Dollar / Euro)					
	9,922,765	-	9,922,765	9,496,980	-	9,496,980
	Overseas Government Securities					
	Fully paid-up ordinary shares					
	- Listed companies					
	1,300,651	-	1,300,651	836,001	-	836,001
	- Unlisted companies					
	435,990	-	435,990	416,458	-	416,458
	Debentures and Corporate Debt Instruments					
	- Listed securities					
	2,315,660	-	2,315,660	1,044,923	-	1,044,923
	- Unlisted securities					
	18,681,455	-	18,681,455	14,727,344	-	14,727,344
	NIT Units					
	22,463	-	22,463	41,827	-	41,827
	Preference Shares					
	181,700	-	181,700	200,000	-	200,000
	Other Investments					
	1,237,326	-	1,237,326	1,815,538	-	1,815,538
	95,131,414	7,175,712	102,307,126	121,749,192	28,556,867	150,306,059
	4,047,978	-	4,047,978	4,047,978	-	4,047,978
	Investment in subsidiary companies					
	Investment in associates and joint venture					
6.3	5,397,990	-	5,397,990	5,355,242	-	5,355,242
	<u>115,459,040</u>	<u>7,175,712</u>	<u>122,634,752</u>	<u>143,375,414</u>	<u>28,556,867</u>	<u>171,932,281</u>

6.1 The market value of investments classified as held-to-maturity (HTM) and investments in listed associates and joint venture is as follows:

	September 30, 2008		December 31, 2007	
	Cost	Market value	Cost	Market value
	(Rupees in '000)			
	(Restated)			

- Investments classified as held-to-maturity	10,758,806	8,414,149	12,164,051	10,573,096
- Investments in listed associates and joint venture	5,215,246	15,877,255	5,215,246	20,029,558

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 are as follows:

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
Opening balance	421,729	518,932
(Reversal) during the period / year	(10,170)	(84,310)
Amount written off	(82,472)	(12,893)
Closing balance	<u>329,087</u>	<u>421,729</u>

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%).

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

7 ADVANCES	Note	September 30, 2008		December 31, 2007	
		(Rupees in '000)			
Loans, cash credits, running finances, etc:					
In Pakistan		337,930,459		310,514,853	
Outside Pakistan		58,484,506		38,796,664	
		396,414,965		349,311,517	
Net investment in finance lease - in Pakistan		3,948,019		7,567,196	
Bills discounted and purchased (excluding Government treasury bills)					
Payable in Pakistan		9,813,039		6,387,870	
Payable outside Pakistan		21,410,509		17,484,643	
		31,223,548		23,872,513	
Provision against non-performing advances	7.2	(21,503,989)		(18,490,698)	
		410,082,543		362,260,528	
Fully provided non-performing advances classified as loss for more than five years					
In Pakistan		12,228,183		11,909,930	
Outside Pakistan		-		-	
		12,228,183		11,909,930	
Provision	7.3	(12,228,183)		(11,909,930)	

7.1 Advances include Rs. 29,717,932 million (2007: Rs. 24,588,751 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:

Category of classification	September 30, 2008								
	Non-Performing advances			Provision required and held			Net Non-Performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	935,530	-	935,530	-	-	-	935,530	-	935,530
Substandard	7,376,367	121,402	7,497,769	1,820,912	30,357	1,851,269	5,555,455	91,045	5,646,500
Doubtful	4,350,974	568,094	4,919,068	2,175,483	355,681	2,531,164	2,175,491	212,413	2,387,904
Loss	9,350,367	7,015,198	16,365,565	9,350,367	6,962,446	16,312,813	-	52,752	52,752
	22,013,238	7,704,694	29,717,932	13,346,762	7,348,484	20,695,246	8,666,476	356,210	9,022,686
General provision									
	-	-	-	603,863	204,880	808,743	-	-	-
	22,013,238	7,704,694	29,717,932	13,950,625	7,553,364	21,503,989	8,666,476	356,210	9,022,686

7.2 Particulars of provision for non-performing financing

Note	September 30, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	17,592,094	898,604	18,490,698	17,508,675	1,303,886	18,812,561
Exchange adjustment and other movement	1,439,053	54,386	1,493,439	204,470	(11,144)	193,326
Charge for the period / year	3,276,691	18,523	3,295,214	9,165,446	42,590	9,208,036
Reversals	(65,629)	(162,770)	(228,399)	(184,939)	(436,728)	(621,667)
	3,211,062	(144,247)	3,066,815	8,980,507	(394,138)	8,586,369
Amounts written off	(413,112)	-	(413,112)	(3,124,578)	-	(3,124,578)
Transferred to over 5 years category	(1,133,851)	-	(1,133,851)	(5,976,980)	-	(5,976,980)
Closing balance	20,695,246	808,743	21,503,989	17,592,094	898,604	18,490,698

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

7.3 Particulars of provision against fully provided non-performing advances classified as loss for more than five years	Note	September 30, 2008		December 31, 2007	
		(Rupees in '000)			
Opening balance		11,909,930		7,116,335	
Reversal		(357,636)		(426,667)	
Transferred during the period / year	7.2	1,133,851		5,976,980	
Write off		(457,962)		(756,718)	
		12,228,183		11,909,930	

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

	September 30, 2008				December 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**	Limit sanctioned during the year	Loan repaid during the year
	(Rupees in '000)							
Debits due by directors or executives of the Bank or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	879,761	902,297	204,485	22,536	697,812	731,164	477,300	33,352
- in respect of key management personnel	384,114	391,145	80,041	7,031	311,104	326,962	142,535	15,858
Debits due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	-	1,333,333	-	1,333,333	1,333,333	1,533,333	-	200,000
Debits due by								
- Subsidiary company	188,947	266,447	150,000	105,073	144,020	315,441	150,000	143,480
- Retirement benefit funds	-	1,033,720	-	1,033,720	1,033,720	1,389,612	-	355,892

Debits due by directors or executives of the Bank or any of them either severally or jointly with any other persons

- in respect of directors
- in respect of executives *
- in respect of key management personnel

Debits due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members

Debits due by
- Subsidiary company
- Retirement benefit funds

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

* (These represent staff loans given by the Bank to its executives as per their terms of employment)

** (Maximum amount has been arrived at by reference to month end balance)

8 OPERATING FIXED ASSETS

8.1 Addition to fixed assets

The following additions have been made to tangible and intangible fixed assets during the period ended September 30, 2008:

	For the nine months ended	
	September 30, 2008	September 30, 2007
	(Rupees in '000)	
Land	515,754	202,657
Building including related machinery	99,263	424,371
Furniture, fixtures and office equipments	822,538	1,014,748
Vehicles	109,738	13,614
Intangible assets	143,405	48,527
Capital work-in-progress	473,136	441,809
	2,163,834	2,145,726

8.2 Disposal of fixed assets

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

Land	3,960	16,017
Building including related machinery	-	24,969
Furniture, fixtures and office equipments	124,653	184,343
Vehicles	40,272	60,432
Intangible asset	281	736
	169,166	286,497

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	10,051,776	10,783,073
Locally manufactured machinery refinance scheme	-	6,747
Long term finance - export oriented projects	6,005,425	7,376,449
Borrowings from subsidiary companies	-	155,000
Repurchase agreement borrowings	8,611,194	28,370,002
	<u>24,668,395</u>	<u>46,691,271</u>
Unsecured		
In Pakistan:		
Interbank call money borrowing	-	100,030
Outside Pakistan:		
Overdrawn nostro accounts	637,641	705,430
Borrowings of overseas branches	12,307,323	4,721,497
	<u>12,944,964</u>	<u>5,426,927</u>
	<u>12,944,964</u>	<u>5,526,957</u>
	<u>37,613,359</u>	<u>52,218,228</u>
10 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	153,170,451	126,001,346
Savings chequing account	192,434,000	194,696,000
Other savings account	77,255,647	68,644,550
Current accounts - remunerative	2,918,020	1,672,810
Current accounts - non-remunerative	126,695,065	106,227,854
	<u>552,473,183</u>	<u>497,242,560</u>
Financial institutions		
Remunerative deposits	3,178,794	9,085,258
Non-remunerative deposits	3,088,856	2,658,723
	<u>6,267,650</u>	<u>11,743,981</u>
	<u>558,740,833</u>	<u>508,986,541</u>

11 SUB-ORDINATED LOANS

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 libor + 175 bps. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness 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. The bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net opening position.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	7,229,770	7,269,814
- investments	(3,020,091)	(67,423)
Surplus on revaluation of assets - net of deferred tax	<u>4,209,679</u>	<u>7,202,391</u>
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	(3,686)	(25,288)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(36,358)	(48,478)
Related deferred tax liability of incremental depreciation charged during the period / year	(19,577)	(26,103)
Surplus on revaluation of fixed assets as at period / year end	<u>7,830,123</u>	<u>7,889,744</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	619,930	654,884
- surplus realised on disposal of revalued properties during the period / year	-	(8,851)
- incremental depreciation charged during the period / year transferred to profit and loss account	(19,577)	(26,103)
	<u>600,353</u>	<u>619,930</u>
	<u>7,229,770</u>	<u>7,269,814</u>
12.2 Surplus / (deficit) on revaluation of investments		
Market treasury bills	(184,897)	(242,208)
Pakistan investment bonds	(1,712,361)	(179,220)
Sukuk and Euro bonds	(1,629,620)	-
Listed securities	(582,620)	197,963
NIT units	11,350	30,714
Other investments	(550,598)	83,338
	<u>(4,648,746)</u>	<u>(109,413)</u>
Add: related deferred tax asset	1,628,655	41,990
	<u>(3,020,091)</u>	<u>(67,423)</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

13 CONTINGENCIES AND COMMITMENTS

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
13.1 Direct credit substitutes - financial guarantees	<u>34,443,993</u>	<u>40,162,575</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	2,509,698	1,138,177
Financial institutions	848,586	352,392
Others	17,084,214	11,836,713
	<u>20,442,498</u>	<u>13,327,282</u>
13.3 Trade-related commitments		
Credit cash	148,210,011	115,901,075
Credit documentary acceptances	16,613,217	12,439,668
Credit acceptances	22,586,694	18,716,733
	<u>187,409,922</u>	<u>147,057,476</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>46,839,690</u>	<u>45,863,026</u>

13.5 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	40,255,616	39,324,335
Sale	39,300,457	42,960,952
The above commitments have maturities falling within one year		
Commitments in respect of foreign currency swaps / options		
Purchase	371,567	2,171,290
Sale	371,567	2,171,290
13.7 Commitments for acquisition of operating fixed assets / intangibles	1,269,643	682,435

13.8 Taxation

The income tax returns of Habib Bank Limited have been submitted up to 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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

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 2,293 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 nine months ended	
	September 30, 2008	September 30, 2007
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	32,203,040	26,028,284
- Financial institutions	123,627	108,748
<i>On investments:</i>		
- Available-for-sale	9,833,064	7,141,117
- Held-to-maturity	480,191	583,743
On deposits with financial institutions	998,775	1,021,568
On lendings to financial institutions	272,416	510,204
	<u>43,911,113</u>	<u>35,393,664</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	15,067,105	11,471,294
Securities sold under repurchase agreement borrowings	1,699,902	458,375
Other short term borrowings	803,480	1,088,935
Long term borrowings	376,054	127,310
	<u>17,946,541</u>	<u>13,145,914</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	550,693	546,750
Gain on sale of securities	159,977	230,610
	<u>710,670</u>	<u>777,360</u>

17 WORKERS WELFARE FUND

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 313.751 million on the basis of profit before tax for the period ended September 30, 2008 has been accounted for in this period and is included in administrative expenses.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

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 Bank's subsidiaries, associated undertakings, joint venture companies, employee benefit plans of the Bank / related party, Key Management Personnel and Directors of the Bank / 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 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 benefits plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment.

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

	September 30, 2008	December 31, 2007
Balances outstanding as at the period / year end		
(Rupees in '000)		
- Borrowings / Deposits from		
- Joint venture and associates	3,813,697	4,790,355
- Subsidiary companies	318,536	322,811
- Retirement benefit funds	342,704	107,135
- Companies in which Directors are interested	474,449	515,020
- Receivable from defined benefit plan	5,523,501	5,193,448
- Acceptances during the period / year	118,836	902,767
- Receivable from subsidiary companies	67,255	10,446
- Payable to subsidiary companies	69	12,276
Placements with		
- Subsidiary companies and associates	3,544,927	4,579,454
For the nine months ended		
	September 30, 2008	September 30, 2007
(Rupees in '000)		
Profit / Expense for the period		
- Interest paid		(Restated)
- Joint venture and associates	88,752	79,681
- Subsidiary companies	5,263	3,520
- Retirement benefit funds	3,851	4,856
- Companies in which Directors are interested	4,033	7
- Premium paid to companies in which Directors are interested	185,452	143,414
- Interest income		
- Subsidiary companies	13,651	31,829
- Retirement benefit funds	39,892	73,068
- Companies in which Directors are interested	24,783	-
- Modaraba management fees	3,794	4,147
- Other income - Subsidiaries and joint venture	485	4
- Other expense - Subsidiaries and joint venture	7,885	6,759
- Dividend income		
- Joint venture and associate	381,830	135,212
- Subsidiary companies	4,875	4,875

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

18.1 Key management personnel

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

	For the nine months ended	
	September 30, 2008	September 30, 2007
	(Rupees in '000)	
		(Restated)
Managerial remuneration (including allowances)	509,627	418,016
Contribution to provident and benevolent fund	12,845	13,431
Medical	19,249	8,906
	<u>541,721</u>	<u>440,353</u>
Number of persons	<u>141</u>	<u>132</u>

19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2008					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest and non-markup income	19,965	6,288	1,691	4,124	1,192	33,260
Total expenses including provision	10,569	3,664	317	2,647	692	17,889
Net income (loss)	9,396	2,624	1,374	1,477	500	15,371
Segment assets (gross)	97,472	329,543	110,468	116,168	66,153	719,804
Segment non-performing loans	5,584	16,002	-	6,925	1,207	29,718
Segment provision required including general provision	3,369	9,165	-	3,201	6,248	21,983
Segment liabilities including equity	431,531	90,133	11,223	79,098	85,836	697,821
Segment return on asset (%)	9.44%	11.73%	9.67%	5.80%	1.24%	-
Segment cost of funds (%)	3.56%	9.44%	9.21%	2.07%	0.09%	-
	For the nine months ended September 30, 2007					
	(Rupees in million)					
Net interest and non-markup income	18,062	4,813	411	2,890	1,998	28,174
Total expenses including provision	5,989	1,408	58	1,720	4,140	13,315
Net income (loss)	12,073	3,405	353	1,170	(2,142)	14,859
Segment assets (gross)	117,915	245,000	182,940	84,258	18,992	649,105
Segment non-performing loans	6,763	9,734	-	6,455	14,571	37,523
Segment provision required including general provision	4,354	3,023	-	5,587	13,398	26,362
Segment liabilities including equity	381,090	104,990	11,885	52,381	72,397	622,743
Segment return on asset (%)	8.08%	10.67%	8.17%	4.56%	1.93%	-
Segment cost of funds (%)	2.36%	8.56%	8.17%	2.70%	0.11%	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

20. ISLAMIC BANKING BRANCH

Financial figures of the Islamic Banking Branch, are as follows:

	September 30, 2008	December 31, 2007
(Rupees in '000)		
ASSETS		
Cash and balances with treasury banks	31,791	15,879
Investments - net	45,455	-
Murabaha	2,958	31,540
Ijara	259,295	24,495
Musharaka	50,000	-
Other assets	137,150	50,387
	<u>526,649</u>	<u>122,301</u>
LIABILITIES		
Deposit and other accounts	14,156	12,396
Other liabilities	442,770	60,856
	<u>456,926</u>	<u>73,252</u>
NET ASSETS	<u>69,723</u>	<u>49,049</u>
REPRESENTED BY:		
Islamic Banking Fund	50,000	50,000
Unappropriated profit / (loss)	19,723	(951)
	<u>69,723</u>	<u>49,049</u>

The commitment in respect of letters of credit of Islamic Banking Branches of Habib Bank Limited amounted to Rs. 17,194 million (2007: Rs. 0.023 million).

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on October 24, 2008.

22. GENERAL

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

President and Chief Executive Officer

Director

Director

Director