

## Director's Review

**On behalf of the Board of Directors, I am pleased to present the consolidated condensed interim financial statements for the three months period ended March 31, 2008.**

### FINANCIAL PERFORMANCE

The financial results of the bank are summarized below:

	(Rs. in '000)
Profit after tax	4,267,942
Share of profit attributable to minority interest	<u>13,875</u>
Profit attributable to shareholders	4,254,067
Appropriations relating to Statutory Reserves of the Bank, Joint Ventures and Subsidiary	<u><u>395,509</u></u>
Earnings per share rupees (Basic & Diluted)	<u><u>6.17</u></u>

During the three months period ended March 31, 2008, Group's performance has improved driven by a balance sheet growth of 1.6 per cent over December 31, 2007. Group's earnings also correspond to the balance sheet growth as its current period profit before tax has registered an increase of 27 per cent from the corresponding period of the last year.

### Outlook

Banking sector has enjoyed a period of strong loan demand and stable margins in the first quarter of CY08. Credit demand has rebounded after a weak CY07; coming mainly from working capital needs of both private and public sector companies. Outlook for the remaining part of CY08 is similar however as the government will try to control inflation and bring down deficits. This will create opportunities but also increases the risks for the banking sector.

### Appreciation and Acknowledgement

In conclusion, I extend my thanks and appreciation to HBL Share Holders, customers and employees for their constant support and trust and we hope to deliver good results in the future. We also express our earnest appreciation to the Government of Pakistan, State Bank of Pakistan and Ministry of Finance for their unfaltering support.

On behalf of the Board

R. Zakir Mahmood  
President & Chief Executive Officer  
Karachi:

**HABIB BANK LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2008**

	Note	(Unaudited) March 31, 2008	(Audited) December 31, 2007
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		53,879,576	55,487,664
Balances with other banks		21,920,650	27,020,704
Lendings to financial institutions		6,901,595	1,628,130
Investments	6	185,046,843	177,942,251
Advances	7	386,907,791	382,172,734
Other assets		26,999,512	27,346,111
Operating fixed assets		14,310,554	13,780,555
Deferred tax asset		6,813,592	6,613,372
		702,780,113	691,991,521
<b>LIABILITIES</b>			
Bills payable		9,498,855	15,418,230
Borrowings from financial institutions	9	63,803,201	58,994,609
Deposits and other accounts	10	537,724,314	531,298,127
Sub-ordinated loans	11	3,136,300	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		23,958,243	19,943,126
Deferred tax liabilities		-	-
		638,120,913	628,754,092
<b>NET ASSETS</b>		64,659,200	63,237,429
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		6,900,000	6,900,000
Reserves		21,202,673	19,821,455
Unappropriated profit		28,762,347	28,341,670
Total equity attributable to the equity holders of the Bank		56,865,020	55,063,125
Minority interest		975,966	965,642
Surplus on revaluation of assets - net of tax	12	6,818,214	7,208,662
		64,659,200	63,237,429
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

**R. Zakir Mahmood**  
**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2008**

	Note	March 31, 2008	March 31, 2007
(Rupees in '000)			
Mark-up / return / interest earned	14	14,040,907	11,903,763
Mark-up / return / interest expensed	15	5,404,407	4,177,265
Net mark-up / interest income		8,636,500	7,726,498
Provision against non-performing loans and advances - net	7.2 / 7.3	489,183	319,846
Provision against off-balance sheet obligations		-	-
Reversal of provision against diminution in value of investments	6.2	(5,204)	(4,166)
Bad debts written off directly		-	-
		483,979	315,680
Net mark-up / interest income after provisions		8,152,521	7,410,818
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		908,981	669,433
Income / gain on investments	16	998,015	343,569
Income from dealing in foreign currencies		374,187	452,440
Other income		682,798	695,688
Total non-mark-up / interest income		2,963,981	2,161,130
		11,116,502	9,571,948
<b>Non mark-up / interest expense</b>			
Administrative expenses		4,713,146	4,467,229
Other provisions / write offs - net		(48,235)	37,136
Other charges		592	5,313
Total non mark-up / interest expenses		4,665,503	4,509,678
<b>Profit before taxation</b>		6,450,999	5,062,270
Taxation - current		2,170,669	1,874,135
- prior periods		-	-
- deferred		12,388	(105,333)
		2,183,057	1,768,802
<b>Profit after taxation</b>		4,267,942	3,293,468
<b>Attributable to:</b>			
Equity holders of the Bank		4,254,067	3,267,879
Minority interest		13,875	25,589
		4,267,942	3,293,468
------(Rupees)-----			
Basic and Diluted earnings per share		6.17	4.74

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

**R. Zakir Mahmood**  
**President and Chief Executive Officer**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2008**

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,450,999	5,062,270
Less: Dividend income and share of profit of associated and joint venture companies	(852,354)	(315,717)
Gain on sale of investments - net	(145,661)	(7,692)
	(998,015)	(323,409)
	5,452,984	4,738,861
<b>Adjustment for non-cash charges</b>		
Depreciation / amortisation / adjustments	383,428	248,591
Reversal against diminution in the value of investments	(5,204)	(4,166)
Provision against non-performing loans and advances - net of reversals	489,183	319,846
Amortisation of premium on investments	72,378	83,961
Gain on sale of property and equipment - net	(3,378)	(16,972)
Miscellaneous provisions	(29,135)	37,136
	907,272	668,396
	6,360,256	5,407,257
<b>(Increase) / decrease in operating assets</b>		
Government securities	(181,823)	(9,096,672)
Lendings to financial institutions	(5,273,465)	4,176,595
Loans and advances	(5,603,461)	5,470,279
Other assets - net	(1,925,566)	(2,637,512)
	(12,984,315)	(2,087,310)
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	6,426,187	9,146,790
Borrowings from financial institutions	4,808,592	(12,548,110)
Bills payable	(5,919,375)	(2,222,723)
Other liabilities - net	4,487,742	511,074
	9,803,146	(5,112,969)
	3,179,087	(1,793,022)
Income tax paid - net	(2,624,005)	(385,294)
<b>Net cash flows from / (used in) operating activities</b>	555,082	(2,178,316)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture companies	(6,712,071)	(1,905,818)
Dividend income received	63,182	219,509
Fixed capital expenditure	(914,611)	(565,943)
Proceeds from sale of fixed assets	4,567	28,921
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures	295,709	312,233
<b>Net cash flows used in / (from) investing activities</b>	(7,263,224)	(1,911,098)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(1,381,033)
<b>Net cash flows used in financing activities</b>	-	(1,381,033)
Increase / (decrease) in cash and cash equivalents during the period	(6,708,142)	(5,470,447)
Cash and cash equivalents at beginning of the period	82,508,368	82,274,241
Effects of exchange rate changes on cash and cash equivalents	-	1,285
	82,508,368	82,275,526
Cash and cash equivalents at end of the period	75,800,226	76,805,079

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

**R. Zakir Mahmood**  
**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONSOLIDATED CONDENSED INTERIM CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2008**

Share Capital	Attributable to shareholders of the Group							Minority Interest	Total	
	Exchange Translation Reserve	Statutory requirement of Joint Venture and Subsidiaries	Bank	Reserve for Issue of Bonus Shares	General	Unappropriated profit	Subtotal			
------(Rupees in '000)-----										
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 quarter ended March 31, 2007	-	-	-	-	-	-	3,267,879	3,267,879	25,589	3,293,468
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	12,153	12,153	-	12,153
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associate:	-	312,233	-	-	-	-	-	312,233	414	312,647
Total recognised income and expense for the period	-	312,233	-	-	-	-	3,280,032	3,592,265	26,003	3,618,268
Transferred to statutory reserves	-	-	8,926	325,714	-	-	(334,640)	-	-	-
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 of Modaraba	-	-	-	-	-	-	-	-	1,287	1,287
Balance as at March 31, 2007	6,900,000	2,693,793	141,431	9,540,421	-	6,073,812	22,040,472	47,389,929	940,607	48,330,536
Profit for the period ended	-	-	-	-	-	-	6,732,352	6,732,352	58,217	6,790,569
Exchange translation released on disposal of investments	-	(229,620)	-	-	-	-	-	(229,620)	-	(229,620)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	61,613	61,613	-	61,613
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associate:	-	1,108,851	-	-	-	-	-	1,108,851	13,752	1,122,603
Total recognised income and expense for the period	-	879,231	-	-	-	-	6,793,965	7,673,196	71,969	7,745,165
Transferred to statutory reserves	-	-	14,339	478,428	-	-	(492,767)	-	-	-
Cash dividend paid at Rs. 1.3 per certificate by Modaraba	-	-	-	-	-	-	-	-	(46,457)	(46,457)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	-	(477)	(477)
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	56,028,767
Profit for the quarter ended March 31, 2008	-	-	-	-	-	-	4,254,067	4,254,067	13,875	4,267,942
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	12,119	12,119	-	12,119
Effect of translation of net investment in foreign branches, subsidiaries, joint ventures and associate:	-	295,709	-	-	-	-	-	295,709	1,165	296,874
Total recognised income and expense for the period	-	295,709	-	-	-	-	4,266,186	4,561,895	15,040	4,576,935
Transferred to statutory reserves	-	-	7,439	388,070	-	-	(395,509)	-	-	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Transfer to reserve for issue of bonus shares	-	-	-	-	690,000	-	(690,000)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	-	(4,716)	(4,716)
Balance as at March 31, 2008	6,900,000	3,868,733	163,209	10,406,919	690,000	6,073,812	28,762,347	56,865,020	975,966	57,840,986

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

## **HABIB BANK LIMITED**

### **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED MARCH 31, 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 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail. 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.

In addition, Securities and Exchange Commission of Pakistan has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha and IFAS 2 - Ijara issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006 and IFAS 2 was effective for leases entered into after July 1, 2007. These standards have 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 and Modaraba Association of Pakistan have taken up the issue with SBP and Securities and Exchange Commission 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 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 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 Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2007.

6	INVESTMENTS	Note	March 31, 2008			December 31, 2007		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
----- (Rupees in '000) -----								
<b>Held-to-maturity securities (HTM)</b>								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		-	-	-	-	-	-
	- Pakistan Investment Bonds	6.1	11,788,116	-	11,788,116	12,164,051	-	12,164,051
	<i>Overseas Government Securities</i>		57,848	-	57,848	58,951	-	58,951
	<i>Debentures and Corporate Debt Instruments</i>		-	-	-	-	-	-
			<u>11,845,964</u>	<u>-</u>	<u>11,845,964</u>	<u>12,223,002</u>	<u>-</u>	<u>12,223,002</u>
<b>Available-for-sale Securities (AFS)</b>								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		65,114,244	35,559,679	100,673,923	72,497,871	28,556,867	101,054,738
	- Pakistan Investment Bonds		10,756,963	-	10,756,963	9,823,565	-	9,823,565
	- Government of Pakistan Guaranteed Bonds		11,974,483	-	11,974,483	12,011,364	-	12,011,364
	- Government of Pakistan Bonds (US Dollar / Euro)		2,827,923	-	2,827,923	2,789,968	-	2,789,968
	<i>Overseas Government Securities</i>		10,518,346	-	10,518,346	9,496,982	-	9,496,982
	<i>Fully paid-up ordinary shares:</i>							
	- Listed companies		1,435,476	-	1,435,476	1,543,170	-	1,543,170
	- Unlisted companies		416,464	-	416,464	416,456	-	416,456
	<i>Debentures and Corporate Debt Instruments</i>							
	- Listed securities		1,485,668	-	1,485,668	1,044,923	-	1,044,923
	- Unlisted securities		24,289,099	-	24,289,099	18,749,125	-	18,749,125
	<i>NIT Units</i>		45,234	-	45,234	44,338	-	44,338
	<i>Preference Shares</i>		200,000	-	200,000	200,000	-	200,000
	<i>Other Investments</i>		885,066	-	885,066	1,126,508	-	1,126,508
			<u>129,948,966</u>	<u>35,559,679</u>	<u>165,508,645</u>	<u>129,744,270</u>	<u>28,556,867</u>	<u>158,301,137</u>
	<b>Investment in associates and joint venture companies</b>	6.3	<u>7,692,234</u>	<u>-</u>	<u>7,692,234</u>	<u>7,418,112</u>	<u>-</u>	<u>7,418,112</u>
			<u>149,487,164</u>	<u>35,559,679</u>	<u>185,046,843</u>	<u>149,385,384</u>	<u>28,556,867</u>	<u>177,942,251</u>

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2007 amounted to Rs. 10,062.745 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:

	March 31, 2008	December 31, 2007
	----- (Rupees in '000) -----	
Opening balance	421,729	518,932
Reversed during the period / year	(5,204)	(84,310)
Amount written off	-	(12,893)
Closing balance	<u>416,525</u>	<u>421,729</u>

6.3 PlatinumHabib Bank Plc, Nigeria (PHB), our associate undertook a Public Offer, closing on December 19, 2007 which was oversubscribed. No shares have yet been issued as PHB has requested permission from the authorities to issue further shares against the oversubscribed portion. Consequently, the shareholding of HBL currently 15.29% is expected to be diluted to below 7%.

## 7 ADVANCES

	Note	March 31, 2008	December 31, 2007
------(Rupees in '000)-----			
Loans, cash credits, running finances, etc.			
In Pakistan		312,343,510	310,370,832
Outside Pakistan		61,690,052	55,501,503
		<u>374,033,562</u>	<u>365,872,335</u>
Net investment in finance lease - in Pakistan		7,877,552	8,719,113
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		7,517,807	6,387,872
Payable outside Pakistan		19,227,782	22,499,580
		26,745,589	28,887,452
Provision against non-performing advances	7.2	(21,748,912)	(21,306,166)
		<u>386,907,791</u>	<u>382,172,734</u>
<b>Fully provided non-performing advances classified as loss for more than five years</b>			
In Pakistan		11,682,570	11,909,930
Outside Pakistan		-	-
		11,682,570	11,909,930
Provision	7.3	(11,682,570)	(11,909,930)
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 28,145.805 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 separate category:

Category of classification	March 31, 2008								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
<b>Specific Provision</b>									
Other assets especially mentioned	784,045	-	784,045	-	-	-	784,045	-	784,045
Substandard	6,202,562	794,833	6,997,395	1,527,846	201,924	1,729,770	4,674,716	592,909	5,267,625
Doubtful	2,603,065	75,428	2,678,493	1,301,532	74,338	1,375,870	1,301,533	1,090	1,302,623
Loss	9,390,506	8,295,366	17,685,872	9,390,506	8,285,366	17,675,872	-	10,000	10,000
	<u>18,980,178</u>	<u>9,165,627</u>	<u>28,145,805</u>	<u>12,219,884</u>	<u>8,561,628</u>	<u>20,781,512</u>	<u>6,760,294</u>	<u>603,999</u>	<u>7,364,293</u>
<b>General provision</b>	-	-	-	688,101	279,299	967,400	-	-	-
	<u>18,980,178</u>	<u>9,165,627</u>	<u>28,145,805</u>	<u>12,907,985</u>	<u>8,840,927</u>	<u>21,748,912</u>	<u>6,760,294</u>	<u>603,999</u>	<u>7,364,293</u>

## 7.2 Particulars of provision against non-performing advances

Note	March 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	20,255,532	1,050,634	21,306,166	20,518,688	1,413,165	21,931,853
Exchange adjustment	62,567	(18,351)	44,216	308,226	(6,899)	301,327
Charge for the period / year	665,900	26,162	692,062	9,205,663	81,096	9,286,759
Reversals	(4,801)	(91,045)	(95,846)	(185,137)	(436,728)	(621,865)
	661,099	(64,883)	596,216	9,020,526	(355,632)	8,664,894
Amounts written off	(166,013)	-	(166,013)	(3,614,928)	-	(3,614,928)
Transferred to / from over 5 years category	(31,673)	-	(31,673)	(5,976,980)	-	(5,976,980)
Closing balance	<u>20,781,512</u>	<u>967,400</u>	<u>21,748,912</u>	<u>20,255,532</u>	<u>1,050,634</u>	<u>21,306,166</u>



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

	Note	March 31, 2008	December 31, 2007
		----- (Rupees in '000) -----	
Opening balance		11,909,930	7,116,335
Reversal		(107,033)	(426,667)
Transferred from / to during the period / year	7.2	31,673	5,976,980
Write off		(152,000)	(756,718)
		<u>11,682,570</u>	<u>11,909,930</u>

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

	March 31, 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) -----							
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 *	734,579	740,476	42,664	5,897	697,812	731,164	477,300	33,352
- in respect of key management personnel	319,134	321,104	10,000	1,970	311,104	326,962	142,535	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								
- Joint venture companies	-	-	-	-	-	-	-	-
- 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)

**8 OPERATING FIXED ASSETS**

**8.1 Addition to fixed assets**

	For the quarter ended	
	March 31, 2008	March 31, 2007
	(Rupees in '000)	

The following additions have been made to tangible fixed assets during the period ended March 31, 2008:

Land	467,311	-
Building including related machinery	5,625	148,526
Furniture, fixtures and office equipments	102,297	86,158
Vehicles	68,464	6,830
Intangible assets	259,377	244,803
Capital work-in-progress	11,537	79,626
	<u>914,611</u>	<u>565,943</u>

**8.2 Disposal of fixed assets**

The following disposals have been made from tangible fixed assets during the period ended March 31, 2008:

Building including related machinery	-	1,312
Furniture, fixtures and office equipments	46,232	93,192
Vehicles	91	35,563
	<u>46,323</u>	<u>130,067</u>

## 9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	March 31, 2008	December 31, 2007
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	9,764,154	10,783,073
Locally manufactured machinery refinance scheme	-	6,747
Long term finance - export oriented projects	6,920,072	7,376,449
Repurchase agreement borrowings	<u>36,200,428</u>	<u>28,370,002</u>
	52,884,654	46,536,271
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	791,667	408,363
Outside Pakistan:		
Overdrawn nostro accounts	106,797	462,495
Borrowings of overseas branches	10,020,083	11,587,480
	<u>10,126,880</u>	<u>12,049,975</u>
	10,918,547	12,458,338
	<u>63,803,201</u>	<u>58,994,609</u>

## 10 DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	154,738,253	142,718,688
Savings chequing account	192,869,000	194,299,616
Other savings account	66,963,152	70,074,713
Current accounts - remunerative	2,424,817	1,672,810
Current accounts - non-remunerative	<u>109,699,348</u>	<u>108,881,122</u>
	526,694,570	517,646,949

### Financial institutions

Remunerative deposits	6,341,885	9,066,729
Non-remunerative deposits	4,687,859	4,584,449
	<u>11,029,744</u>	<u>13,651,178</u>
	<u>537,724,314</u>	<u>531,298,127</u>

## 11 SUB-ORDINATED LOANS

It represents 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 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.

**12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax**

	Note	March 31, 2008	December 31, 2007
(Rupees in '000)			
Surplus arising on revaluation of:			
- fixed assets	12.1	7,257,695	7,269,814
- investments	12.2	(439,481)	(61,152)
Surplus on revaluation of assets - net of deferred tax		<u>6,818,214</u>	<u>7,208,662</u>
<b>12.1 Surplus on revaluation of fixed assets</b>			
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		-	(25,288)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(12,119)	(48,478)
Related deferred tax liability of incremental depreciation charged during the period / year		(6,526)	(26,103)
Surplus on revaluation of fixed assets as at period / year end		<u>7,871,099</u>	<u>7,889,744</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		619,930	654,884
- revaluation of bank's properties recognised / adjusted during the period / year		-	-
- 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		(6,526)	(26,103)
		<u>613,404</u>	<u>619,930</u>
		<u>7,257,695</u>	<u>7,269,814</u>
<b>12.2 Surplus / (deficit) on revaluation of investments</b>			
Market treasury bills		(282,265)	(242,682)
Pakistan investment bonds		(571,424)	(179,220)
Listed securities		157,134	205,991
NIT units		33,705	32,809
Other investments		(27,970)	83,338
		(690,820)	(99,764)
Add / (Less) / add: related deferred tax asset / (liability)		251,339	38,612
		<u>(439,481)</u>	<u>(61,152)</u>

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes - financial guarantees</b>	<u>7,843,465</u>	<u>6,868,760</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
Government	2,852,849	2,447,628
Financial institutions	1,274,617	1,378,781
Others	38,813,849	38,921,215
	<u>42,941,315</u>	<u>42,747,624</u>
<b>13.3 Trade-related commitments</b>		
Credit cash	126,322,549	150,029,971
Credit documentary acceptances	19,815,991	12,919,344
Credit acceptances	29,417,650	13,801,560
	<u>175,556,190</u>	<u>176,750,875</u>
<b>13.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>45,756,477</u>	<u>45,864,219</u>
<b>13.5 Commitments in respect of forward lending</b>		
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.		
	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	31,436,573	39,324,335
Sale	33,694,928	42,960,952
The above commitments have maturities falling within one year.		
<b>Commitments in respect of foreign currency derivatives</b>		
Purchase	2,095,270	2,171,290
Sale	2,095,270	2,171,290
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	624,059	682,435

**14 MARK-UP / RETURN / INTEREST EARNED**

	<b>For the quarter ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>(Rupees in '000)</b>	
<i>On loans and advances to:</i>		
- Customers	9,925,296	8,938,667
- Financial institutions	59,471	72,279
<i>On investments:</i>		
- Available-for-sale	3,495,930	2,203,038
- Held-to-maturity	169,922	207,377
On deposits with financial institutions	342,985	434,510
On lendings to financial institutions	47,303	47,892
	<u>14,040,907</u>	<u>11,903,763</u>

**15 MARK-UP / RETURN / INTEREST EXPENSED**

	<b>For the quarter ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>(Rupees in '000)</b>	
Deposits	4,302,871	3,569,994
Securities sold under repurchase agreement borrowings	664,670	199,846
Other short term borrowings	306,965	364,582
Long term borrowings	129,901	42,777
Others	-	66
	<u>5,404,407</u>	<u>4,177,265</u>

**16 INCOME / GAIN ON INVESTMENTS**

Dividend income	63,182	272,876
Share of profit of associates and joint venture	789,172	63,001
Gain on sale of securities	145,661	7,692
	<u>998,015</u>	<u>343,569</u>

**17 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 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. 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:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>Balances outstanding as at the period / year end</b>		
<b>- Borrowings / Deposits from</b>		
- Joint venture and associates	3,289,931	4,790,355
- Retirement benefit funds	56,720	107,135
- Companies in which directors are interested	462,634	515,020
- Receivable from defined benefit plan	5,214,422	5,193,448
- Acceptances during the period / year	45,126	2,767
- Placements with joint venture and associates	264,209	335,764
	<b>For the quarter ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>(Rupees in '000)</b>	
		<b>(Restated)</b>
<b>Profit / Expense for the period</b>		
<b>- Interest paid</b>		
- Joint venture and associates	45,822	26,480
- Retirement benefit funds	1,158	2,055
- Companies in which Directors are interested	1,968	911
- Premium paid to companies in which directors are interested	59,672	42,208
<b>- Interest income</b>		
- Retirement benefit funds	36,112	-
- Companies in which Directors are interested	10,920	21,838
- Share of profit of joint venture companies and associates - net of tax	622,908	42,841

**17.1 Key management personnel**

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

	<b>For the quarter ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>(Rupees in '000)</b>	
Managerial remuneration (including allowances)	191,773	165,234
Contribution to provident and benevolent fund	6,298	6,156
Medical	3,282	3,596
	<u>201,353</u>	<u>174,986</u>
Number of persons	<u>157</u>	<u>165</u>

**18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	<b>For the quarter ended March 31, 2008</b>					<b>Total</b>
	<b>Retail banking</b>	<b>Corporate / commercial banking</b>	<b>Treasury</b>	<b>International banking group</b>	<b>Head Office / support services</b>	
	----- <b>(Rupees in million)</b> -----					
Net interest and non-markup income	6,367	1,853	397	2,317	666	11,600
Total expenses including provision	3,647	1,205	126	960	(789)	5,149
Net income (loss)	2,720	648	271	1,357	1,455	6,451
Segment assets (gross)	108,878	298,565	146,117	117,375	54,010	724,945
Segment non-performing loans	5,180	11,525	-	9,166	2,275	28,146
Segment provision required including general provision	2,632	7,463	-	8,841	3,229	22,165
Segment liabilities including equity	402,127	83,894	39,817	86,132	90,810	702,780
Segment return on asset (%)	8.82%	10.88%	9.02%	8.09%	3.34%	-
Segment cost of funds (%)	3.16%	8.15%	7.21%	3.05%	0.11%	-

**19 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA**

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

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
		<b>(Rupees in '000)</b>
	<b>(Restated)</b>	
<b>ASSETS</b>		
Cash and balances with treasury banks	45,740	31,838
Investments - net	20,164	30,191
Murabaha	27,398	31,540
Ijara	1,121,245	1,025,149
Other assets	184,461	171,779
Operating fixed assets	1,170	1,279
	<u>1,400,178</u>	<u>1,291,776</u>
<b>LIABILITIES</b>		
Borrowings from financial institutions	442,686	452,352
Deposit and other accounts	38,037	12,396
Other liabilities	244,991	168,017
	<u>725,714</u>	<u>632,765</u>
<b>NET ASSETS</b>	<u>674,464</u>	<u>659,011</u>
<b>REPRESENTED BY:</b>		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	219,757	202,600
Unappropriated / Unremitted profit	2,753	(951)
	<u>669,582</u>	<u>648,721</u>
Surplus on revaluation of assets	4,882	10,290
	<u>674,464</u>	<u>659,011</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 0.024 million (2007: Rs. 0.023 million).

**20. DATE OF AUTHORISATION FOR ISSUE**

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

President and Chief Executive Officer

Director

Director

Director