

HABIB BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2007

	Note	(Unaudited) March 31, 2007	(Audited) December 31, 2006
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		45,053,895	46,244,803
Balances with other banks		26,944,711	23,532,165
Lendings to financial institutions		2,373,533	6,550,128
Investments	5	128,653,208	119,128,687
Advances	6	329,166,834	335,985,458
Other assets		17,992,579	17,447,808
Operating fixed assets		12,104,117	11,802,870
Deferred tax asset		2,256,377	2,223,845
		564,545,254	562,915,764
LIABILITIES			
Bills payable		3,423,335	5,577,429
Borrowings from financial institutions	7	39,363,170	49,980,794
Deposits and other accounts	8	451,296,580	439,724,335
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		14,977,665	14,521,645
Deferred tax liability		-	-
		509,060,750	509,804,203
NET ASSETS		55,484,504	53,111,561
REPRESENTED BY:			
Shareholders' equity			
Share capital		6,900,000	6,900,000
Reserves		17,453,015	16,817,472
Unappropriated profit		23,698,548	22,047,700
		48,051,563	45,765,172
Surplus on revaluation of assets - net of tax	9	7,432,941	7,346,389
		55,484,504	53,111,561
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 15 form an integral part of these financial statements.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2007

	Note	Quarter ended	
		March 31, 2007	March 31, 2006
		(Rupees in '000)	
Mark-up / return / interest earned		11,440,902	9,719,048
Mark-up / return / interest expensed		3,944,942	3,124,611
Net mark-up / interest income		7,495,960	6,594,437
Provision against non-performing loans and advances - net (Reversal) / provision against off-balance sheet obligations		309,372	561,036
Reversal of provision against diminution in value of investments		-	-
Bad debts written off directly		(4,166)	(29,302)
		-	-
		305,206	531,734
Net mark-up / interest income after provisions		7,190,754	6,062,703
Non mark-up / interest income			
Fee, commission and brokerage income		622,798	703,771
Income / gain on investments		487,647	117,966
Income from dealing in foreign currencies		445,540	241,357
Other income		684,380	438,080
Total non-mark-up / interest income		2,240,365	1,501,174
		9,431,119	7,563,877
Non mark-up / interest expense			
Administrative expenses		3,710,780	3,341,392
Other provisions / write offs - net		37,136	16,225
Other charges		5,313	15,349
Total non mark-up / interest expenses		3,753,229	3,372,966
		5,677,890	4,190,911
Staff retrenchment cost	12	559,100	2,097,000
Profit before taxation		5,118,790	2,093,911
Taxation - current		1,845,015	920,388
Taxation - prior years		-	-
Taxation - deferred		(80,331)	(67,964)
		1,764,684	852,424
Profit after taxation		3,354,106	1,241,487
Basic and Diluted earnings per share		19.44	7.20
		(----- annualised -----)	

The annexed notes 1 to 15 form an integral part of these financial statements.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2007

	March 31, 2007	March 31, 2006
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,118,790	2,093,911
Less: Dividend income and fair value adjustment of associated and joint venture companies	(479,955)	(41,053)
Gain on sale of investments - net	(7,692)	(76,913)
	(487,647)	(117,966)
	4,631,143	1,975,945
Adjustment for:		
Depreciation / amortisation / adjustments	238,035	255,706
Reversal against diminution in the value of investments	(4,166)	(29,302)
Provision against non-performing loans and advances - net of reversals	309,372	561,036
Amortisation of premium on investments	83,961	92,209
Gain on sale of property and equipment - net	(16,975)	(2,764)
Miscellaneous provisions	37,136	278,266
	647,363	1,155,151
	5,278,506	3,131,096
(Increase) / decrease in operating assets		
Government securities	(9,097,343)	1,870,933
Lendings to financial institutions	4,176,595	(13,420,914)
Loans and advances	6,509,252	4,258,998
Other assets - net	(1,988,313)	209,461
	(399,809)	(7,081,522)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	11,572,245	10,173,631
Borrowings from financial institutions	(10,617,624)	(10,430,790)
Bills payable	(2,154,094)	(4,414,898)
Other liabilities - net	418,884	3,529,270
	(780,589)	(1,142,787)
	4,098,108	(5,093,213)
Income tax paid - net	(349,352)	(1,876,916)
Net cash flows from / (used in) operating activities	3,748,756	(6,970,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(279,702)	68,684
Dividend income received	354,760	20,938
Fixed capital expenditure	(551,113)	277,623
Proceeds from sale of fixed assets	28,805	(661,139)
Exchange adjustment on translation of balances in foreign branches	300,132	57,152
Net cash flows from / (used in) investing activities	(147,118)	(236,742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,380,000)	-
Net cash flows used in financing activities	(1,380,000)	-
(Decrease) / Increase in cash and cash equivalents during the period	2,221,638	(7,206,871)
Cash and cash equivalents at beginning of the period	69,797,504	56,319,009
Effects of exchange rate changes on cash and cash equivalents	(20,536)	-
	69,776,968	56,319,009
Cash and cash equivalents at end of the period	71,998,606	49,112,138

The annexed notes 1 to 15 form an integral part of these financial statements.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2007

Share Capital	RESERVES				Total	
	Exchange Translation Reserve	Statutory	General	Unappropriated profit		
----- (Rupees in '000) -----						
Balance as at December 31, 2005	6,900,000	1,539,181	7,787,094	6,073,812	9,822,330	32,122,417
Profit for the period	-	-	-	-	1,241,487	1,241,487
Transferred from surplus on revaluation of fixed assets	-	-	-	-	11,538	11,538
Effect of translation of net investment in foreign branches	-	57,152	-	-	-	57,152
Total recognized income and expense for the period	-	57,152	-	-	1,253,025	1,310,177
Transferred to statutory reserves	-	-	124,149	-	(124,149)	-
Balance as at March 31, 2006	6,900,000	1,596,333	7,911,243	6,073,812	10,951,206	33,432,594
Profit for the period	-	-	-	-	13,034,638	13,034,638
Exchange translation released on disposal of investments	-	(55,709)	-	-	-	(55,709)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	55,320	55,320
Effect of translation of net investment in foreign branches	-	(11,671)	-	-	-	(11,671)
Total recognized income and expense for the period	-	(67,380)	-	-	13,089,958	13,022,578
Transferred to statutory reserves	-	-	1,303,464	-	(1,303,464)	-
Cash dividend paid at Re 1 per share	-	-	-	-	(690,000)	(690,000)
Balance as at December 31, 2006	6,900,000	1,528,953	9,214,707	6,073,812	22,047,700	45,765,172
Profit for the period	-	-	-	-	3,354,106	3,354,106
Transferred from surplus on revaluation of fixed assets	-	-	-	-	12,153	12,153
Effect of translation of net investment in foreign branches	-	300,132	-	-	-	300,132
Total recognized income and expense for the period	-	300,132	-	-	3,366,259	3,666,391
Transferred to statutory reserves	-	-	335,411	-	(335,411)	-
Cash dividend paid at Re 2 per share	-	-	-	-	(1,380,000)	(1,380,000)
Balance as at March 31, 2007	6,900,000	1,829,085	9,550,118	6,073,812	23,698,548	48,051,563

The annexed notes 1 to 15 form an integral part of these financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended March 31, 2007

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual accounts of the bank for the year ended December 31, 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 bank for the year ended December 31, 2006.

5 INVESTMENTS	Note	March 31, 2007			December 31, 2006		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
							----- (Rupees in '000) -----
Held to Maturity securities (HTM)							
<i>Federal Government Securities</i>							
		13,974,827	-	13,974,827	14,782,250	-	14,782,250
		223,882	-	223,882	224,382	-	224,382
		121,488	-	121,488	121,825	-	121,825
		<u>14,320,197</u>	<u>-</u>	<u>14,320,197</u>	<u>15,128,457</u>	<u>-</u>	<u>15,128,457</u>
<i>Debt Instruments</i>							
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
		54,115,529	11,524,004	65,639,533	35,891,929	21,337,072	57,229,001
		1,529,072	-	1,529,072	987,349	-	987,349
		19,955,546	-	19,955,546	20,196,055	-	20,196,055
		860,973	-	860,973	864,805	-	864,805
		7,276,583	-	7,276,583	6,163,192	-	6,163,192
<i>Overseas Government securities</i>							
Fully paid-up ordinary shares:							
		1,969,790	-	1,969,790	1,662,002	-	1,662,002
		455,654	-	455,654	455,613	-	455,613
<i>Debt Instruments</i>							
		506,578	-	506,578	510,926	-	510,926
		6,697,450	-	6,697,450	6,826,795	-	6,826,795
		32,903	-	32,903	30,208	-	30,208
		171,500	-	171,500	171,667	-	171,667
		446,398	-	446,398	183,414	-	183,414
		<u>94,017,976</u>	<u>11,524,004</u>	<u>105,541,980</u>	<u>73,943,955</u>	<u>21,337,072</u>	<u>95,281,027</u>
		2,752,080	-	2,752,080	2,752,080	-	2,752,080
		6,038,951	-	6,038,951	5,967,123	-	5,967,123
		<u>117,129,204</u>	<u>11,524,004</u>	<u>128,653,208</u>	<u>97,791,615</u>	<u>21,337,072</u>	<u>119,128,687</u>

5.1 The market value of Pakistan Investment Bonds classified as "held-to-maturity" amounted to Rs. 12.193 million (December 31, 2006: Rs. 12.538 million).

- 5.2 Fair value adjustment of PlatinumHabib Bank Plc, Nigeria has not been made as the market price of the share as at March 31, 2007 is not available. The trading of the share in the Nigerian Stock Exchange had been suspended due to restructuring of the share capital. The latest available market price of the share was 5.20 Naira per share on February 16, 2007, the last trading day. Had this adjustment been made and based on the aforementioned price, the book value of investment and consequently the profit before tax would have been higher by Rs. 3,084.377 million.

5.3 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:

	Quarter ended March 31, 2007	Year ended December 31, 2006
	----- (Rupees in '000) -----	
Opening balance	518,932	562,065
Reversed during the period / year	(4,166)	(13,697)
Amount written off	(4,179)	(29,436)
Closing balance	<u>510,587</u>	<u>518,932</u>
6 ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	286,566,029	291,263,669
Outside Pakistan	<u>28,209,484</u>	<u>24,889,593</u>
	314,775,513	316,153,262
Net investment in finance lease - in Pakistan	9,954,984	10,722,288
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	8,134,342	9,843,364
Payable outside Pakistan	<u>15,528,480</u>	<u>18,079,105</u>
	23,662,822	27,922,469
Provision against non-performing advances	<u>(19,226,485)</u>	<u>(18,812,561)</u>
	<u>329,166,834</u>	<u>335,985,458</u>
Fully provided non-performing advances classified as loss for more than five years		
In Pakistan	6,395,968	6,622,757
Outside Pakistan	<u>491,922</u>	<u>493,578</u>
	6,887,890	7,116,335
Provision	<u>(6,887,890)</u>	<u>(7,116,335)</u>
	<u>-</u>	<u>-</u>

- 6.1 Advances include Rs. 27,291.711 million (2006: 26,921.974 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, 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	411,844	-	411,844	-	-	-	411,844	-	411,844
Substandard	4,167,433	555,609	4,723,042	884,643	-	884,643	3,282,790	555,609	3,838,399
Doubtful	2,142,088	189,189	2,331,277	944,369	94,594	1,038,963	1,197,719	94,595	1,292,314
Loss	<u>14,359,356</u>	<u>5,466,192</u>	<u>19,825,548</u>	<u>10,794,240</u>	<u>5,314,588</u>	<u>16,108,828</u>	<u>3,565,116</u>	<u>151,604</u>	<u>3,716,720</u>
	21,080,721	6,210,990	27,291,711	12,623,252	5,409,182	18,032,434	8,457,469	801,808	9,259,277
General Provision	-	-	-	1,055,868	138,183	1,194,051	-	-	-
	<u>21,080,721</u>	<u>6,210,990</u>	<u>27,291,711</u>	<u>13,679,120</u>	<u>5,547,365</u>	<u>19,226,485</u>	<u>8,457,469</u>	<u>801,808</u>	<u>9,259,277</u>

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

	March 31, 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)

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

- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	360,615	360,615	116,151	9,400	253,864	333,004	196,000	148,877
- in respect of key management personnel	250,230	250,230	72,493	6,690	184,427	184,427	106,400	47,337

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

	-	-	-	-	-	292,000	-	-
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Debts due by

- Retirement benefit funds	1,389,612	1,389,612	-	-	1,389,612	2,520,733	-	-
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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 Bank to its executives as per their terms of employment)

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

March 31, 2007	December 31, 2006
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 (Rupees in '000)

7 BORROWINGS FROM FINANCIAL INSTITUTIONS
Secured

Borrowings from State Bank of Pakistan under

Export refinance scheme	15,809,139	15,678,110
Locally manufactured machinery refinance scheme	7,945	9,145
Long term finance - export oriented projects	7,945,305	8,213,632

Repurchase agreement borrowings

11,475,280	21,285,463
<u>35,237,669</u>	<u>45,186,350</u>

Unsecured

In Pakistan

Interbank call money borrowing	1,000,000	1,446,821
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Outside Pakistan

Overdrawn nostro accounts	326,866	937,139
Borrowings of overseas branches	2,798,635	2,410,484
	3,125,501	3,347,623
	4,125,501	4,794,444
	<u>39,363,170</u>	<u>49,980,794</u>

8 DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits	117,879,398	120,890,875
Savings chequing account	169,036,000	168,057,000
Other savings account	61,345,397	51,054,296
Current accounts - non-remunerative	90,579,870	87,555,494
	<u>438,840,665</u>	<u>427,557,665</u>

Financial institutions

Remunerative deposits	9,900,463	8,732,019
Non-remunerative deposits	2,555,452	3,434,651
	<u>12,455,915</u>	<u>12,166,670</u>
	<u>451,296,580</u>	<u>439,724,335</u>

9 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax	Note	March 31, 2007	December 31, 2006
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	9.1	7,322,576	7,334,729
- investments	9.2	110,365	11,660
Surplus on revaluation of assets - net of deferred tax		<u>7,432,941</u>	<u>7,346,389</u>
9.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		7,989,613	7,950,982
Surplus/ (Adjustment) on revaluation		-	131,519
Surplus realised on disposal of revalued properties during the period / year		-	(18,517)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(12,153)	(48,341)
Related deferred tax liability of incremental depreciation charged during the period / year		(6,544)	(26,030)
Surplus on revaluation of fixed assets as at period / year end		<u>7,970,916</u>	<u>7,989,613</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		654,884	675,067
- revaluation of bank's properties recongnised/ (adjusted) during the period / year		-	5,847
- incremental depreciation charged during the period / year transferred to profit and loss account		(6,544)	(26,030)
		<u>648,340</u>	<u>654,884</u>
		<u>7,322,576</u>	<u>7,334,729</u>
9.2 Surplus / (deficit) on revaluation of investments			
Market treasury bills		(62,617)	(92,722)
Pakistan Investment Bonds		(123,062)	(142,457)
Listed securities		220,954	147,791
NIT units		21,790	19,096
Other investments		110,848	88,455
		167,913	20,163
Less: related deferred tax liability		(57,548)	(8,503)
		<u>110,365</u>	<u>11,660</u>

11 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development holds 51% of the shares of the Bank. The Bank has related party relationships with its subsidiaries, associated undertakings, joint venture company, employee benefit plans of the Bank / related party, and members of the Key Management Personnel of the Bank / 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 6.2 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.

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

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
Balances outstanding as at the period/ year end		
- Borrowings / Deposits from		
- Joint Venture and Associates	1,890,855	2,497,800
- Subsidiary companies	269,046	729,904
- Retirement benefit funds	172,730	235,383
- Companies in which Directors are interested	155,223	148,199
- Key Management Personnel	17,811	13,816
- Receivable from defined benefit plan	4,836,363	4,835,017
- Payable to defined benefit plan	15,769	15,769
- Acceptances during the year	10,041	5,766
- Other contingencies and commitments	-	2,354
- Placements with		
- Subsidiary companies	-	2,949,279
	March 31, 2007	March 31, 2006
	(Rupees in '000)	
Profit / Expense for the period		
- Interest expense	29,321	1,943
- Interest income	14,587	92,323
- Modarba management fees	1,835	2,000
- Other expense - Subsidiaries and Joint ventures	6,662	7,599

- 12 During the period 777 employees were retrenched with effect from January 13, 2007. The group has committed to pay, in addition to payments under the staff retirement funds, an amount of Rs.559 million under the retrenchment scheme. The impact, if any, on staff retirement benefit schemes will be finalised in due course through actuarial valuations.

13. **Segment Details with respect to business activities**

March 31, 2007						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total	
-----Rupees in million-----						
Net interest and non-markup income	5,807	1,313	208	1,371	1,341	10,040
Total expenses including provision	1,578	877	21	826	1,619	4,921
Net income (loss)	4,229	436	187	545	(278)	5,119
Segment assets (gross)	111,703	225,529	62,575	88,088	104,365	592,260
Segment non-performing loans	6,529	8,262	-	6,211	6,290	27,292
Segment provision required including general provision	4,653	4,721	-	6,039	10,701	26,114
Segment liabilities including equity	298,664	125,704	21,128	54,556	64,494	564,546
Segment return on net liability / asset	1.42%	0.20%	0.30%	0.66%	-0.30%	-
Segment cost of funds (%)	10.07%	10.07%	8.71%	10.07%	10.07%	-

14. **ISLAMIC BANKING BRANCH**

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

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	10,742	10,052
Murabaha	29,391	34,800
Ijara	27,338	26,070
Other assets	2,840	4,358
	<u>70,311</u>	<u>75,280</u>
LIABILITIES		
Bills payable	-	-
Deposit and other accounts	10,308	9,259
Other liabilities	11,102	24,011
	<u>21,410</u>	<u>33,270</u>
NET ASSETS	<u>48,901</u>	<u>42,010</u>
REPRESENTED BY		
Islamic Banking Fund	50,000	50,000
Accumulated loss	(1,099)	(7,990)
	<u>48,901</u>	<u>42,010</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 10.624 million (2005: Rs. 0.053 million).

15. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue in the Board of Directors meeting held on April 27, 2007.

President and Chief Executive Officer

Director

Director

Director