

Director's Review

On behalf of the Board of Directors, I am pleased to present the unconsolidated 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	3,880,697
Appropriations relating to Statutory Reserve of the bank	388,070
Earnings per share rupees (Basic & Diluted)	<u>5.62</u>

During the three months period ended March 31, 2008, Bank's performance has improved driven by balance sheet growth of 1.8 per cent over December 31, 2007. Bank's earnings also correspond to the balance sheet growth as its current period profit before tax increased by 15 percent 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
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2008

	Note	(Unaudited) March 31, 2008 (Rupees in '000)	(Audited) December 31, 2007
ASSETS			
Cash and balances with treasury banks		53,774,164	55,361,813
Balances with other banks		17,981,507	19,558,051
Lendings to financial institutions		6,901,595	1,628,130
Investments	6	177,408,613	171,932,281
Advances	7	367,062,751	362,260,528
Other assets		23,979,357	25,396,781
Operating fixed assets		14,125,514	13,582,240
Deferred tax asset		6,304,598	6,119,032
		667,538,099	655,838,856
LIABILITIES			
Bills payable		9,435,210	15,379,440
Borrowings from financial institutions	9	58,077,434	52,218,228
Deposits and other accounts	10	516,498,190	508,986,541
Sub-ordinated loans	11	3,136,300	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		21,430,166	18,210,692
Deferred tax liabilities		-	-
		608,577,300	597,894,901
NET ASSETS		58,960,799	57,943,955
REPRESENTED BY:			
Shareholders' equity			
Share capital		6,900,000	6,900,000
Reserves		19,977,809	18,628,584
Unappropriated profit		25,267,726	25,212,980
		52,145,535	50,741,564
Surplus on revaluation of assets - net of tax	12	6,815,264	7,202,391
		58,960,799	57,943,955
CONTINGENCIES AND COMMITMENTS	13		

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

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

	Note	March 31, 2008 (Rupees in '000)	March 31, 2007 (Restated)
Mark-up / return / interest earned	14	13,509,415	11,440,902
Mark-up / return / interest expensed	15	5,146,245	3,944,942
Net mark-up / interest income		8,363,170	7,495,960
Provision against non-performing loans and advances - net (Reversal) / provision against off-balance sheet obligations	7.2 / 7.3	464,186	309,372
Reversal of provision against diminution in value of investments	6.2	-	-
Bad debts written off directly		(5,204)	(4,166)
		-	-
		458,982	305,206
Net mark-up / interest income after provisions		7,904,188	7,190,754
Non mark-up / interest income			
Fee, commission and brokerage income		851,692	622,798
Income / gain on investments	16	571,369	415,819
Income from dealing in foreign currencies		357,577	445,540
Other income		541,165	684,380
Total non-mark-up / interest income		2,321,803	2,168,537
		10,225,991	9,359,291
Non mark-up / interest expense			
Administrative expenses		4,468,960	4,269,880
Other provisions / write offs - net		(48,235)	37,136
Other charges		592	5,313
Total non mark-up / interest expenses		4,421,317	4,312,329
Profit before taxation		5,804,674	5,046,962
Taxation - current		1,898,603	1,845,015
- prior periods		-	-
- deferred		25,374	(55,191)
		1,923,977	1,789,824
Profit after taxation		3,880,697	3,257,138
		------(Rupees)-----	
Basic and diluted earnings per share		5.62	4.72

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

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President and Chief Executive Officer

Director

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

	March 31, 2008	March 31, 2007 (Rupees in '000) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,804,674	5,046,962
Dividend income	(425,708)	(408,127)
Gain on sale of investments - net	(145,661)	(7,692)
	(571,369)	(415,819)
	5,233,305	4,631,143
Adjustment for non-cash charges		
Depreciation / amortisation / adjustments	366,991	238,035
Reversal of provision against diminution in the value of investments	(5,204)	(4,166)
Provision against non-performing loans and advances - net of reversals	464,186	309,372
Amortisation of premium on investments	72,377	83,961
Gain on sale of property and equipment - net	(3,378)	(16,975)
Miscellaneous provisions	(29,135)	37,136
	865,837	647,363
	6,099,142	5,278,506
(Increase) / decrease in operating assets		
Government securities	(1,268,354)	(9,097,343)
Lendings to financial institutions	(5,273,465)	4,176,595
Loans and advances	(4,338,037)	6,509,252
Other assets - net	(635,123)	(1,988,313)
	(11,514,979)	(399,809)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	7,511,649	11,572,245
Borrowings from financial institutions	5,859,206	(10,617,624)
Bills payable	(5,944,230)	(2,154,094)
Other liabilities - net	2,418,367	418,884
	9,844,992	(780,589)
	4,429,155	4,098,108
Income tax paid - net	(2,626,107)	(349,352)
Net cash flows from operating activities	1,803,048	3,748,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(4,757,226)	(279,702)
Dividend income received	425,708	354,760
Fixed capital expenditure	(911,445)	(551,113)
Proceeds from sale of fixed assets	4,567	28,805
Exchange adjustment on translation of balances in foreign branches	271,155	300,132
Net cash flows in (from) investing activities	(4,967,241)	(147,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(1,380,000)
Net cash flows from financing activities	-	(1,380,000)
Increase in cash and cash equivalents during the period	(3,164,193)	2,221,638
Cash and cash equivalents at beginning of the period	74,919,864	69,797,504
Effects of exchange rate changes on cash and cash equivalents	-	(20,536)
	74,919,864	69,776,968
Cash and cash equivalents at end of the period	71,755,671	71,998,606

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

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

Share Capital	RESERVES					Total	
	Exchange Translation Reserve	Reserve for issue of bonus shares	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 period ended March 31, 2007 - Restated	-	-	-	-	-	3,257,138	3,257,138
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 recognised income and expense for the period		300,132	-	-	-	3,269,291	3,569,423
Transferred to statutory reserves	-	-	-	325,714	-	(325,714)	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	-	(1,380,000)	(1,380,000)
Balance as at March 31, 2007 - Restated	6,900,000	1,829,085	-	9,540,421	6,073,812	20,845,517	45,188,835
Profit for the period ended	-	-	-	-	-	4,784,278	4,784,278
Exchange translation released on disposal of investments	-	-	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	61,613	61,613
Effect of translation of net investment in foreign branches	-	706,838	-	-	-	-	706,838
Total recognised income and expense for the period		706,838	-	-	-	4,845,891	5,552,729
Transferred to statutory reserves	-	-	-	478,428	-	(478,428)	-
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 quarter ended March 31, 2008	-	-	-	-	-	3,880,697	3,880,697
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	12,119	12,119
Effect of translation of net investment in foreign branches	-	271,155	-	-	-	-	271,155
Total recognised income and expense for the period		271,155	-	-	-	3,892,816	4,163,971
Transferred to statutory reserves	-	-	-	388,070	-	(388,070)	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)
Transfer to reserve for issue of bonus shares	-	-	690,000	-	-	(690,000)	-
Balance as at March 31, 2008	6,900,000	2,807,078	690,000	10,406,919	6,073,812	25,267,726	52,145,535

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 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 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 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 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 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	March 31, 2007			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)							
<i>Federal Government Securities</i>							
- 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>
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
- Market Treasury Bills		65,033,311	35,559,679	100,592,990	72,418,745	28,556,867	100,975,612
- Pakistan Investment Bonds		10,756,963	-	10,756,963	9,823,565	-	9,823,565
- Government of Pakistan Guaranteed Bonds		11,495,557	-	11,495,557	11,537,844	-	11,537,844
- Government of Pakistan Bonds (US Dollar / Euro)		2,827,923	-	2,827,923	2,789,967	-	2,789,967
<i>Overseas Government Securities</i>							
		10,518,346	-	10,518,346	9,496,980	-	9,496,980
<i>Fully paid-up ordinary shares:</i>							
- Listed companies		1,427,486	-	1,427,486	1,525,031	-	1,525,031
- Unlisted companies		416,464	-	416,464	416,458	-	416,458
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		1,485,668	-	1,485,668	1,044,923	-	1,044,923
- Unlisted securities		15,510,533	-	15,510,533	11,327,344	-	11,327,344
<i>NIT Units</i>							
		42,433	-	42,433	41,827	-	41,827
<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>120,599,750</u>	<u>35,559,679</u>	<u>156,159,429</u>	<u>121,749,192</u>	<u>28,556,867</u>	<u>150,306,059</u>
Investment in subsidiary companies		4,047,978	-	4,047,978	4,047,978	-	4,047,978
Investment in associates and joint venture companies	6.3	5,355,242	-	5,355,242	5,355,242	-	5,355,242
		<u>141,848,934</u>	<u>35,559,679</u>	<u>177,408,613</u>	<u>143,375,414</u>	<u>28,556,867</u>	<u>171,932,281</u>

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

	March 31, 2008		December 31, 2007	
	Cost	Market Value	Cost	Market Value
----- (Rupees in '000) -----				
- Investment classified as held-to-maturity	11,788,116	10,062,745	12,164,051	10,573,096
- Investment in listed associates and joint venture	5,355,242	24,479,159	5,355,242	18,203,223

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:

	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		312,544,528	310,514,853
Outside Pakistan		43,678,225	38,796,664
		<u>356,222,753</u>	<u>349,311,517</u>
Net investment in finance lease - in Pakistan		6,722,384	7,567,196
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		7,517,807	6,387,870
Payable outside Pakistan		15,489,953	17,484,643
		<u>23,007,760</u>	<u>23,872,513</u>
Provision against non-performing advances	7.2	<u>(18,890,146)</u>	<u>(18,490,698)</u>
		<u>367,062,751</u>	<u>362,260,528</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		11,682,570	11,909,930
Outside Pakistan		-	-
		<u>11,682,570</u>	<u>11,909,930</u>
Provision	7.3	<u>(11,682,570)</u>	<u>(11,909,930)</u>
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 24,842,940 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 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) -----								
Specific Provision									
Other assets especially mentioned	784,045	-	784,045	-	-	-	784,045	-	784,045
Substandard	6,202,562	118,029	6,320,591	1,527,846	117,900	1,645,746	4,674,716	129	4,674,845
Doubtful	2,603,065	75,428	2,678,493	1,301,531	75,100	1,376,631	1,301,534	328	1,301,862
Loss	9,390,506	5,669,305	15,059,811	9,390,506	5,667,643	15,058,149	-	1,662	1,662
	<u>18,980,178</u>	<u>5,862,762</u>	<u>24,842,940</u>	<u>12,219,883</u>	<u>5,860,643</u>	<u>18,080,526</u>	<u>6,760,295</u>	<u>2,119</u>	<u>6,762,414</u>
General Provision									
	-	-	-	668,945	140,675	809,620	-	-	-
	<u>18,980,178</u>	<u>5,862,762</u>	<u>24,842,940</u>	<u>12,888,828</u>	<u>6,001,318</u>	<u>18,890,146</u>	<u>6,760,295</u>	<u>2,119</u>	<u>6,762,414</u>

7.2 Particulars of provision for non-performing financing

	Note	March 31, 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		16,958	896	17,854	204,470	(11,144)	193,326
Charge for the year period / year		665,900	1,165	667,065	9,165,446	42,590	9,208,036
Reversals		(4,801)	(91,045)	(95,846)	(184,939)	(436,728)	(621,667)
		<u>661,099</u>	<u>(89,880)</u>	<u>571,219</u>	<u>8,980,507</u>	<u>(394,138)</u>	<u>8,586,369</u>
Amounts written off		(157,952)	-	(157,952)	(3,124,578)	-	(3,124,578)
Transferred to over 5 years category	7.3	(31,673)	-	(31,673)	(5,976,980)	-	(5,976,980)
Closing balance		<u>18,080,526</u>	<u>809,620</u>	<u>18,890,146</u>	<u>17,592,094</u>	<u>898,604</u>	<u>18,490,698</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 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 Bank 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 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
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 / 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 March 31, 2008:

	For the quarter ended	
	March 31, 2008	March 31, 2007
----- (Rupees in '000) -----		
Land	467,075	10,944
Building including related machinery	4,009	137,469
Furniture, fixtures and office equipments	101,449	74,094
Vehicles	68,464	6,776
Intangible assets	258,911	241,590
Capital work-in-progress	11,537	80,240
	<u>911,445</u>	<u>551,113</u>

8.2 Disposal of fixed assets

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

Building including related machinery	-	1,312
Furniture, fixtures and office equipments	46,232	93,105
Vehicles	91	35,509
	<u>46,323</u>	<u>129,926</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	March 31, 2008	December 31, 2007
	(Rupees in '000)	
Secured		
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
Borrowings from subsidiary companies	-	155,000
Repurchase agreement borrowings	36,200,428	28,370,002
	52,884,654	46,691,271

Unsecured

In Pakistan:

 Interbank call money borrowing

Outside Pakistan:

 Overdrawn nostro accounts

 Borrowings of overseas branches

550,000	100,030
345,709	705,430
4,297,071	4,721,497
4,642,780	5,426,927
5,192,780	5,526,957
58,077,434	52,218,228

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	139,128,460	126,001,346
Savings chequing account	192,869,000	194,696,000
Other savings account	65,522,401	68,644,550
Current accounts - remunerative	2,424,817	1,672,810
Current accounts - non-remunerative	107,388,078	106,227,854
	507,332,756	497,242,560

Financial institutions

Remunerative deposits	6,438,766	9,085,258
Non-remunerative deposits	2,726,668	2,658,723
	9,165,434	11,743,981
	516,498,190	508,986,541

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 sub-ordinated 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	(442,431)	(67,423)
Surplus on revaluation of assets - net of deferred tax		<u>6,815,264</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		-	(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		<u>(6,526)</u>	<u>(26,103)</u>
Surplus on revaluation of fixed assets during the period / year		7,871,099	7,889,744

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	<u>(6,526)</u>	<u>(26,103)</u>
	<u>613,404</u>	<u>619,930</u>
	<u>7,257,695</u>	<u>7,269,814</u>

12.2 Surplus / (deficit) on revaluation of investments

Market treasury bills	(281,922)	(242,208)
Pakistan investment bonds	(571,424)	(179,220)
Listed securities	154,637	197,963
NIT units	31,320	30,714
Other investments	<u>(27,971)</u>	<u>83,338</u>
	(695,360)	(109,413)
Add / (Less) / add: related deferred tax asset / (liability)	<u>252,929</u>	<u>41,990</u>
	<u>(442,431)</u>	<u>(67,423)</u>

		March 31, 2008	December 31, 2007
		(Rupees in '000)	
13	CONTINGENCIES AND COMMITMENTS		
13.1	Direct credit substitutes - financial guarantees	<u>7,843,465</u>	<u>6,868,760</u>
13.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	Government	1,461,391	1,085,386
	Financial institutions	1,274,617	1,378,781
	Others	38,674,230	38,781,861
		<u>41,410,238</u>	<u>41,246,028</u>
13.3	Trade-related commitments		
	Credit cash	126,201,949	149,620,633
	Credit documentary acceptances	19,801,733	12,919,344
	Credit acceptances	22,189,786	8,449,004
		<u>168,193,468</u>	<u>170,988,981</u>
13.4	Other contingencies		
	Claims against the Bank not acknowledged as debts	<u>45,755,268</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.		
		March 31, 2008	December 31, 2007
		(Rupees in '000)	
13.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	31,436,573	39,324,335
	Sale	33,694,928	42,960,952
	The above commitments have maturities falling within one year.		
	Commitments in respect of foreign currency derivative		
	Purchase	2,095,270	2,171,290
	Sale	2,095,270	2,171,290
13.7	Commitments for acquisition of operating fixed assets / intangibles	624,059	682,435

14 MARK-UP / RETURN / INTEREST EARNED

	Note	For the quarter ended	
		March 31, 2008	March 31, 2007
		(Rupees in '000)	
<i>On loans and advances to:</i>			
- Customers		9,595,689	8,700,617
- Financial institutions		32,505	43,035
<i>On investments:</i>			
- Available-for-sale		3,369,126	2,086,965
- Held-to-maturity		169,922	207,377
On deposits with financial institutions		294,870	355,016
On lendings to financial institutions		47,303	47,892
		13,509,415	11,440,902

15 MARK-UP / RETURN / INTEREST EXPENSED

	For the quarter ended	
	March 31, 2008	March 31, 2007
Deposits	4,104,973	3,337,671
Securities sold under repurchase agreement borrowings	664,670	199,846
Other short term borrowings	246,701	364,582
Long term borrowings	129,901	42,777
Others	-	66
	5,146,245	3,944,942

16 INCOME / GAIN ON INVESTMENTS

Dividend income	425,708	408,127
Gain on sale of securities	145,661	7,692
	571,369	415,819

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 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:

	March 31, 2008	December 31, 2007
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	3,289,931	4,790,355
- Subsidiary companies	283,476	322,811
- 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	51,483	902,767
- Receivable from subsidiary companies	23,610	10,446
- Payable to subsidiary companies	1,358	12,276
Placements with		
- Subsidiary companies and associates	1,410,996	4,379,573
- Nostro balances with subsidiaries	130,422	199,881
	For the quarter ended	
	March 31, 2008	March 31, 2007
	(Rupees in '000)	
		(Restated)
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	45,822	26,480
- Subsidiary companies	4,209	1,647
- 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
- Interest income		
- Subsidiary companies	4,552	5,011
- Retirement benefit funds	36,112	-
- Companies in which Directors are interested	10,920	21,838
- Modarba management fees	1,906	1,835
- Other income - Subsidiaries and joint ventures	275	-
- Other expense - Subsidiaries and joint ventures	8,698	6,662
- Dividend income		
- Joint venture and associate	357,428	131,146
- Subsidiary companies	4,875	4,875

17.1 Key management personnel

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

	For the quarter ended	
	March 31, 2008	March 31, 2007
	(Rupees in '000)	
Managerial remuneration (including allowances)	153,509	136,147
Contribution to provident and benevolent fund	4,272	4,423
Medical	3,272	3,549
	<u>161,053</u>	<u>144,119</u>
Number of persons	<u>143</u>	<u>152</u>

18. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the quarter ended March 31, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest and non-markup income	6,367	1,853	397	1,073	995	10,685
Total expenses including provision	3,647	1,205	126	691	(789)	4,880
Net income (loss)	2,720	648	271	382	1,784	5,805
Segment assets (gross)	108,878	298,565	146,117	78,947	54,338	686,845
Segment non-performing loans	5,180	11,525	-	5,863	2,275	24,843
Segment provision required including general provision	2,632	7,463	-	6,001	3,211	19,307
Segment liabilities including equity	402,127	83,894	39,817	50,561	91,138	667,537
Segment return on net asset (%)	8.82%	10.88%	9.02%	8.28%	3.34%	-
Segment cost of funds (%)	3.16%	8.15%	7.21%	3.10%	0.11%	-

19. ISLAMIC BANKING BRANCH

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

	March 31, 2008	December 31, 2007
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	32,243	15,879
Murabaha	27,398	31,540
Ijara	86,522	24,495
Other assets	81,479	50,387
	<u>227,642</u>	<u>122,301</u>
LIABILITIES		
Deposit and other accounts	38,037	12,396
Other liabilities	136,852	60,856
	<u>174,889</u>	<u>73,252</u>
NET ASSETS		
	<u>52,753</u>	<u>49,049</u>
REPRESENTED BY:		
Islamic Banking Fund	50,000	50,000
Accumulated (loss) / profit	2,753	(951)
	<u>52,753</u>	<u>49,049</u>

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

20. DATE OF AUTHORISATION FOR ISSUE

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