

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months period ended June 30, 2008.

Financial Performance

The financial results of the bank are summarized below:

	(Rs. in '000)
Profit after tax	7,498,278
Share of profit attributable to minority interest	<u>94,475</u>
Profit attributable to shareholders	7,403,803
Appropriations relating to Statutory Reserves of the Bank, Joint Ventures and Subsidiary	<u>652,032</u>
Earnings per share rupees (Basic & Diluted)	<u>9.75</u>

During the six months period ended June 30, 2008, the Bank's performance improved driven by a balance sheet growth of 6% over December 31, 2007. Advances increased by 8% & Deposits increased by 10% over December 31, 2007. Bank's earnings also correspond with the balance sheet growth as its current period profit before tax increased by 14% from the corresponding period of the last year.

Future Outlook

The increase in oil and food prices, rising imports and the consequent higher borrowings have resulted in a significant widening of the trade and fiscal deficits leading to a sharp increase in the inflation and also a strong pressure on the Rupee. To restore macroeconomic stability the Government and the State Bank of Pakistan (SBP) have taken a number of initiatives, which include a further tightening of Monetary Policy by the SBP with a rise in the discount rate and an increase in reserve requirements. Going forward, we expect a slowdown in the economic growth, which is synonymous with the downward trend in the global economic markets. This phenomena may result in credit stress across the industry and we may see some of the sectors under perform in comparison to their previous expectations.

The expected slower credit off take and the reduction in spreads caused as a result of the SBP's directive to fix minimum deposit rates for the entire banking industry, will have an effect on the bank's earnings; the full impact of this change is expected to be seen in the second half earnings for the bank. The management will take all possible measures to address the expected impact whilst ensuring strict monitoring of the credit portfolio.

Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage and Government of Pakistan, SBP and Ministry of Finance for their constant support. I also thank our shareholders for their confidence and the staff for their dedication & continued support.

On behalf of the Board

R. Zakir Mahmood
President & Chief Executive Officer
Karachi: July 25, 2008

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2008

	Note	(Unaudited) June 30, 2008	(Audited) December 31, 2007
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		70,728,829	55,487,664
Balances with other banks		25,991,305	27,020,704
Lendings to financial institutions		1,178,257	1,628,130
Investments	6	171,673,689	177,942,251
Advances	7	411,356,924	382,172,734
Other assets		31,974,370	27,346,111
Operating fixed assets		14,493,442	13,780,555
Deferred tax asset		8,315,595	6,613,372
		735,712,411	691,991,521
LIABILITIES			
Bills payable		9,077,699	15,418,230
Borrowings from financial institutions	9	47,702,386	58,994,609
Deposits and other accounts	10	584,845,060	531,298,127
Sub-ordinated loans	11	3,419,850	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		20,771,023	19,943,126
Deferred tax liabilities		-	-
		665,816,018	628,754,092
NET ASSETS		69,896,393	63,237,429
REPRESENTED BY:			
Shareholders' equity			
Share capital		7,590,000	6,900,000
Reserves		23,598,098	19,821,455
Unappropriated profit		31,667,680	28,341,670
Total equity attributable to the equity holders of the Bank		62,855,778	55,063,125
Minority interest		1,102,017	965,642
Surplus on revaluation of assets - net of tax	12	5,938,598	7,208,662
		69,896,393	63,237,429
CONTINGENCIES AND COMMITMENTS	13		

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

	Note	Six months ended		Quarter ended	
		January 01 to June 30, 2008	January 01 to June 30, 2007	April 01 to June 30, 2008	April 01 to June 30, 2007
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	28,604,163	23,471,105	14,563,256	11,567,342
Mark-up / return / interest expensed	15	11,535,309	8,710,991	6,130,902	4,533,791
Net mark-up / interest income		17,068,854	14,760,114	8,432,354	7,033,551
Provision against non-performing loans and advances - net (Reversal) against off-balance sheet obligations	7.2 / 7.3	1,130,980	813,166 (73,534)	641,797	493,320 (73,534)
Charge / (Reversal) of provision against diminution in value of investments	6.2	11,779	(41,862)	16,983	(37,696)
Bad debts written off directly			-	-	-
		1,142,759	697,770	658,780	382,090
Net mark-up / interest income after provisions		15,926,095	14,062,344	7,773,574	6,651,461
Non mark-up / interest income					
Fee, commission and brokerage income		1,951,199	1,486,975	1,042,218	817,542
Income / gain on investments	16	1,588,095	760,513	590,080	416,944
Income from dealing in foreign currencies		1,018,375	959,879	644,188	507,439
Other income		1,281,348	1,472,717	598,550	777,029
Total non-mark-up / interest income		5,839,017	4,680,084	2,875,036	2,518,954
		21,765,112	18,742,428	10,648,610	9,170,415
Non mark-up / interest expense					
Administrative expenses	17	10,034,114	8,614,053	5,320,968	4,146,759
Other provisions / write offs - net		112,955	(78,726)	161,190	(115,862)
Other charges		1,037	7,786	445	2,473
Total non mark-up / interest expenses		10,148,106	8,543,113	5,482,603	4,033,370
Profit before taxation		11,617,006	10,199,315	5,166,007	5,137,045
Taxation - current		4,271,719	3,714,169	2,101,050	1,840,034
- prior years		888,732	-	888,732	-
- deferred		(1,041,723)	(134,507)	(1,054,111)	(29,174)
		4,118,728	3,579,662	1,935,671	1,810,860
Profit after taxation		7,498,278	6,619,653	3,230,336	3,326,185
Attributable to:					
Equity holders of the Bank		7,403,803	6,579,644	3,149,736	3,311,765
Minority Interest		94,475	40,009	80,600	14,420
		7,498,278	6,619,653	3,230,336	3,326,185
----- (Rupees) -----					
Basic and diluted earnings per share		9.75	8.67	4.15	4.36

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

	Attributable to shareholders of the Group						Minority Interest	Total	
	Share Capital	Exchange translation reserve	Statutory requirement of Joint Venture and Subsidiaries	Bank	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 period ended June 30, 2007	-	-	-	-	-	6,579,644	6,579,644	40,009	6,619,653
Exchange translation released on disposal of investments	-	(188,265)	-	-	-	-	(188,265)	-	(188,265)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	38,454	38,454	-	38,454
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	435,549	-	-	-	-	435,549	6,001	441,550
Total recognised income and expense for the period	-	247,284	-	-	-	6,618,098	6,865,382	46,010	6,911,392
Transferred to statutory reserves	-	-	15,609	657,612	-	(673,221)	-	-	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	-	(1,380,000)	(1,380,000)	-	(1,380,000)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	5,688	5,688
Balance as at June 30, 2007	6,900,000	2,628,844	148,114	9,872,319	6,073,812	25,039,957	50,663,046	965,015	51,628,061
Profit for the six months period to December 31, 2007	-	-	-	-	-	3,420,587	3,420,587	43,797	3,464,384
Exchange translation released on disposal of investments	-	(41,355)	-	-	-	-	(41,355)	-	(41,355)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	35,312	35,312	-	35,312
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	985,535	-	-	-	-	985,535	8,165	993,700
Total recognised income and expense for the period	-	944,180	-	-	-	3,455,899	4,400,079	51,962	4,452,041
Transferred to statutory reserves	-	-	7,656	146,530	-	(154,186)	-	-	-
Cash dividend paid at Rs. 1.3 per certificate by Modaraba	-	-	-	-	-	-	-	(46,457)	(46,457)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(4,878)	(4,878)
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 period ended June 30, 2008	-	-	-	-	-	7,403,803	7,403,803	94,475	7,498,278
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	24,239	24,239	-	24,239
Effect of translation of net investment in foreign branches, subsidiaries, joint ventures and associates	-	3,124,611	-	-	-	-	3,124,611	46,616	3,171,227
Total recognised income and expense for the period	-	3,124,611	-	-	-	7,428,042	10,552,653	141,091	10,693,744
Transferred to statutory reserves	-	-	16,373	635,659	-	(652,032)	-	-	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Issue of bonus shares	690,000	-	-	-	-	(690,000)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(4,716)	(4,716)
Balance as at June 30, 2008	7,590,000	6,697,635	172,143	10,654,508	6,073,812	31,667,680	62,855,778	1,102,017	63,957,795

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

	June 30, 2008	June 30 2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,617,006	10,199,315
Less: Dividend income and share of profit of associated and joint venture companies	(1,406,790)	(698,929)
Gain on sale of investments - net	(181,305)	(61,584)
	<u>(1,588,095)</u>	<u>(760,513)</u>
	10,028,911	9,438,802
Adjustment for non-cash charges		
Depreciation / amortisation / adjustments	784,668	525,936
Charge / (Reversal) against diminution in the value of investments	(11,779)	(41,862)
Provision against non-performing loans and advances - net of reversals	1,130,980	813,166
Amortisation of premium on investments	145,823	165,497
Gain on sale of property and equipment - net	(29,508)	(27,220)
Miscellaneous provisions	(650,475)	337,368
	<u>1,369,709</u>	<u>1,772,885</u>
	11,398,620	11,211,687
(Increase) / decrease in operating assets		
Government securities	14,894,915	(27,677,026)
Lendings to financial institutions	449,873	(13,869,846)
Loans and advances	(30,445,731)	(6,360,930)
Other assets - net	(3,277,775)	(4,977,878)
	<u>(18,378,718)</u>	<u>(52,885,680)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	53,546,933	58,341,754
Borrowings from financial institutions	(11,292,223)	(3,152,937)
Bills payable	(6,340,531)	3,149,968
Other liabilities - net	1,619,463	490,985
	<u>37,533,642</u>	<u>58,829,770</u>
	30,553,544	17,155,777
Income tax paid - net	(7,617,783)	(4,940,176)
Net cash flows from / (used in) operating activities	<u>22,935,761</u>	<u>12,215,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(7,727,264)	(5,697,568)
Dividend income received	106,705	285,707
Fixed capital expenditure	(1,500,207)	(1,601,207)
Proceeds from sale of fixed assets	32,160	198,820
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures	3,124,611	247,284
Net cash flows used in / (from) investing activities	<u>(5,963,995)</u>	<u>(6,566,964)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,760,000)	(1,381,000)
Net cash flows used in financing activities	<u>(2,760,000)</u>	<u>(1,381,000)</u>
Increase / (decrease) in cash and cash equivalents during the period	14,211,766	4,267,637
Cash and cash equivalents at beginning of the period	82,508,368	82,388,365
Effects of exchange rate changes on cash and cash equivalents	-	(112,839)
	82,508,368	82,275,526
Cash and cash equivalents at end of the period	<u>96,720,134</u>	<u>86,543,163</u>

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 BASIS OF PREPARATION

These financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These condensed Interim Financial Statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2007.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the annual 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 condensed interim consolidated 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 Group are consistent with that disclosed in the financial statements of the Group for the year ended December 31, 2007.

6	INVESTMENTS	Note	June 30, 2008			December 31, 2007		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	10,817,721	-	10,817,721	12,164,051	-	12,164,051
	<i>Overseas Government Securities</i>		64,879	-	64,879	58,951	-	58,951
	<i>Debentures and Corporate Debt Instruments</i>		-	-	-	-	-	-
			10,882,600	-	10,882,600	12,223,002	-	12,223,002
Available-for-sale Securities (AFS)								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		75,656,548	11,161,068	86,817,616	72,497,871	28,556,867	101,054,738
	- Pakistan Investment Bonds		8,500,631	1,357,620	9,858,251	9,823,565	-	9,823,565
	- Government of Pakistan Guaranteed Bonds		12,371,632	-	12,371,632	12,011,364	-	12,011,364
	- Government of Pakistan Bonds (US Dollar / Euro)		3,089,402	-	3,089,402	2,789,968	-	2,789,968
	<i>Overseas Government Securities</i>		10,940,958	-	10,940,958	9,496,982	-	9,496,982
<i>Fully paid-up ordinary shares:</i>								
	- Listed companies		1,488,686	-	1,488,686	854,140	-	854,140
	- Unlisted companies		415,476	-	415,476	416,456	-	416,456
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		1,846,588	-	1,846,588	1,044,923	-	1,044,923
	- Unlisted securities		23,673,101	-	23,673,101	18,749,125	-	18,749,125
	<i>NIT Units</i>		38,230	-	38,230	44,338	-	44,338
	<i>Preference Shares</i>		181,700	-	181,700	200,000	-	200,000
	<i>Other Investments</i>		1,522,501	-	1,522,501	1,815,538	-	1,815,538
			139,725,453	12,518,688	152,244,141	129,744,270	28,556,867	158,301,137
	Investment in associates and joint venture companies	6.3	8,546,948	-	8,546,948	7,418,112	-	7,418,112
			159,155,001	12,518,688	171,673,689	149,385,384	28,556,867	177,942,251

6.1 The market value of investments classified as "held-to-maturity" as at June 30, 2008 amounted to Rs. 8,566.580 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

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
Opening balance	421,729	518,932
Charge / (Reversed) during the period / year	11,779	(84,310)
Amount written off	(82,472)	(12,893)
Closing balance	351,036	421,729

6.3 Platinum Habib Bank Plc., undertook an Initial Public Offer (IPO) last year which was over subscribed by 2.69 times. Subsequent to the offer, the shareholding of HBL has been reduced to 8.11% (2007: 15.29%).

6.4 Share of profit of associates has been accounted for on an estimated basis where financial statements as of June 30, 2008 are not available. Summary of financial statements are as follows:

	June 30, 2008			
	Based on the financial statements as on	Currency	Profit / Loss	
			Local currency	(Rupees in '000)
PlatinumHabib Bank Plc., Nigeria	For the nine months period ended March 31, 2008	Naira	19,033,000	10,376,792
Diamond Trust Bank Limited, Kenya	For the three months period ended March 31, 2008	Shs	295,339	292,208
Himalayan Bank Limited, Nepal	For the nine months period ended April 15, 2008	NRs	626,640	615,799
New Jubilee Life Insurance Co. Ltd.	For the three months period ended March 31, 2008	PKR	36,394	36,394
New Jubilee Insurance Co. Ltd.	For the three months period ended March 31, 2008	PKR	6,881	6,881
Kyrgyz Investment and Credit Bank	For the six months period ended June 30, 2008	US \$	1,679	107,740
HBL Income Fund	For the six months period ended June 30, 2008	PKR	332,662	332,662
HBL Multi Asset Fund	For the six months period ended June 30, 2008	PKR	19,593	19,593

7 ADVANCES	Note	June 30, 2008	December 31, 2007
------(Rupees in '000)-----			
Loans, cash credits, running finances, etc.			
In Pakistan		322,743,097	310,370,832
Outside Pakistan		<u>72,994,769</u>	<u>55,501,503</u>
		395,737,866	365,872,335
Net investment in finance lease - in Pakistan		6,669,232	8,719,113
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		7,572,285	6,387,872
Payable outside Pakistan		<u>23,945,248</u>	<u>22,499,580</u>
		31,517,533	28,887,452
Provision against non-performing advances	7.2	<u>(22,567,707)</u>	<u>(21,306,166)</u>
		<u>411,356,924</u>	<u>382,172,734</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		12,020,346	11,909,930
Outside Pakistan		-	-
		12,020,346	11,909,930
Provision	7.3	<u>(12,020,346)</u>	<u>(11,909,930)</u>
		-	-

7.1 Advances include Rs. 28,840.601 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 a separate category:

Category of classification	June 30, 2008								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
Specific Provision									
Other assets especially mentioned	770,963	-	770,963	-	-	-	770,963	-	770,963
Substandard	5,568,540	1,009,300	6,577,840	1,372,596	47,349	1,419,945	4,195,944	961,951	5,157,895
Doubtful	2,607,719	81,531	2,689,250	1,303,858	42,664	1,346,522	1,303,861	38,867	1,342,728
Loss	9,469,472	9,333,076	18,802,548	9,469,472	9,308,338	18,777,810	-	24,738	24,738
	<u>18,416,694</u>	<u>10,423,907</u>	<u>28,840,601</u>	<u>12,145,926</u>	<u>9,398,351</u>	<u>21,544,277</u>	<u>6,270,768</u>	<u>1,025,556</u>	<u>7,296,324</u>
General provision	-	-	-	700,493	322,937	1,023,430	-	-	-
	<u>18,416,694</u>	<u>10,423,907</u>	<u>28,840,601</u>	<u>12,846,419</u>	<u>9,721,288</u>	<u>22,567,707</u>	<u>6,270,768</u>	<u>1,025,556</u>	<u>7,296,324</u>

7.2 Particulars of provision against non-performing advances

Note	June 30, 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	815,058	29,018	844,076	308,226	(6,899)	301,327			
Charge for the period / year	1,486,135	42,463	1,528,598	9,205,663	81,096	9,286,759			
Reversals	<u>(54,568)</u>	<u>(98,685)</u>	<u>(153,253)</u>	<u>(185,137)</u>	<u>(436,728)</u>	<u>(621,865)</u>			
	1,431,567	(56,222)	1,375,345	9,020,526	(355,632)	8,664,894			
Amounts written off	(290,097)	-	(290,097)	(3,614,928)	-	(3,614,928)			
Transferred to / from over 5 years category	(667,783)	-	(667,783)	(5,976,980)	-	(5,976,980)			
Closing balance	<u>21,544,277</u>	<u>1,023,430</u>	<u>22,567,707</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	June 30, 2008	December 31, 2007
----- (Rupees in '000) -----			
Opening balance		11,909,930	7,116,335
Reversal		(244,365)	(426,667)
Transferred from / to during the period / year	7.2	667,783	5,976,980
Write off		(313,002)	(756,718)
		<u>12,020,346</u>	<u>11,909,930</u>

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

	June 30, 2008				December 31, 2007			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
----- (Rupees in '000) -----								
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 *	787,132	801,370	103,558	14,238	697,812	731,164	477,300	33,352
- in respect of key management personnel	335,024	338,973	27,869	3,949	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								
- 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

For the six months period ended

8.1 Addition to fixed assets

**June 30,
2008** **June 30,
2007**
(Rupees in '000)

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

Land	502,881	192,657
Building including related machinery	22,718	205,668
Furniture, fixtures and office equipments	560,149	554,094
Vehicles	90,929	10,192
Intangible assets	121,139	276,498
Capital work-in-progress	202,391	362,098
	<u>1,500,207</u>	<u>1,601,207</u>

8.2 Disposal of fixed assets

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

Land	-	10,800
Building including related machinery	-	20,072
Furniture, fixtures and office equipments	84,312	146,546
Vehicles	36,288	61,608
Intangible assets	262	736
	<u>120,862</u>	<u>239,762</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	10,471,801	10,783,073
Locally manufactured machinery refinance scheme	-	6,747
Long term finance - export oriented projects	6,633,354	7,376,449
Repurchase agreement borrowings	<u>12,678,852</u>	<u>28,370,002</u>
	<u>29,784,007</u>	<u>46,536,271</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	1,129,000	408,363
Outside Pakistan:		
Overdrawn nostro accounts	173,365	462,495
Borrowings of overseas branches	16,616,014	11,587,480
	<u>16,789,379</u>	<u>12,049,975</u>
	<u>17,918,379</u>	<u>12,458,338</u>
	<u>47,702,386</u>	<u>58,994,609</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	157,477,469	142,718,688
Savings chequing account	199,858,000	194,299,616
Other savings account	87,002,821	70,074,713
Current accounts - remunerative	3,015,292	1,672,810
Current accounts - non-remunerative	<u>129,100,577</u>	<u>108,881,122</u>
	576,454,159	517,646,949

Financial institutions

Remunerative deposits	4,211,435	9,066,729
Non-remunerative deposits	4,179,466	4,584,449
	<u>8,390,901</u>	<u>13,651,178</u>
	<u>584,845,060</u>	<u>531,298,127</u>

11 SUB-ORDINATED LOANS

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2007: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at 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	June 30, 2008	December 31, 2007
(Rupees in '000)			
Surplus arising on revaluation of:			
- fixed assets	12.1	7,245,575	7,269,814
- investments	12.2	(1,306,977)	(61,152)
Surplus on revaluation of assets - net of deferred tax		<u>5,938,598</u>	<u>7,208,662</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		(24,239)	(48,478)
Related deferred tax liability of incremental depreciation charged during the period / year		(13,052)	(26,103)
Surplus on revaluation of fixed assets as at period / year end		<u>7,852,453</u>	<u>7,889,744</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		619,930	654,884
- surplus realised on disposal of revalued properties during the period / year		-	(8,851)
- incremental depreciation charged during the period / year transferred to profit and loss account		(13,052)	(26,103)
		<u>606,878</u>	<u>619,930</u>
		<u>7,245,575</u>	<u>7,269,814</u>

12.2 Surplus / (deficit) on revaluation of investments

Market treasury bills		(347,555)	(242,682)
Pakistan investment bonds		(1,434,800)	(179,220)
Listed securities		(189,078)	205,991
NIT units		26,701	32,809
Other investments		(61,358)	83,338
		(2,006,090)	(99,764)
Add / (Less) / add: related deferred tax asset / (liability)		699,113	38,612
		<u>(1,306,977)</u>	<u>(61,152)</u>

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes - financial guarantees	<u>31,432,451</u>	<u>40,162,575</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	3,763,623	2,500,419
Financial institutions	720,232	352,392
Others	<u>15,288,172</u>	<u>11,976,067</u>
	<u>19,772,027</u>	<u>14,828,878</u>
13.3 Trade-related commitments		
Credit cash	114,153,720	116,310,413
Credit documentary acceptances	29,089,502	12,439,668
Credit acceptances	<u>33,138,898</u>	<u>24,069,290</u>
	<u>176,382,120</u>	<u>152,819,371</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>45,794,289</u>	<u>45,864,219</u>

13.5 Commitments in respect of forward lending

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

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	35,660,518	39,324,335
Sale	44,342,526	42,960,952
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency swaps / options		
Purchase	2,030,839	2,171,290
Sale	2,030,839	2,171,290
13.7 Commitments for acquisition of operating fixed assets / intangibles	1,736,062	682,435
13.8 Taxation		

The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2006. The tax authorities have concluded the audit of years 2002 through 2005 and audit of year 2006 is in process.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs 1,622 million.

Management's view is that the settlement reached, after deliberations by the technical committee formed by the Prime Minister and Chairman AJ&K Council, relates to the long outstanding issue of basis of computation of income in AJK. The foreign tax credit claimed by the bank is in accordance with accounting practice and the law.

The tax authorities allocated the total operating expenses on the basis of turnover/ income. Management's view is that the law requires that expenses should be based on specific expenditure allocated in a reasonable manner, which is based on assets deployed.

Appeals against these assessments are in process. Although the bank has made partial payment of tax assessed, under protest, no provision has been made in the financial statements for these issues, as the management is confident that the eventual outcome of these issues will be in the favour of the bank.

14 MARK-UP / RETURN / INTEREST EARNED

	For the six months period ended	
	June 30, 2008	June 30, 2007
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	20,593,293	17,578,680
- Financial institutions	159,894	881,111
<i>On investments:</i>		
- Available-for-sale	6,748,195	4,287,463
- Held-to-maturity	316,911	392,656
On deposits with financial institutions	670,585	114,717
On lendings to financial institutions	115,285	216,478
	28,604,163	23,471,105

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	9,272,959	7,534,112
Securities sold under repurchase agreement borrowings	1,377,177	350,659
Other short term borrowings	634,181	740,169
Long term borrowings	250,992	86,051
	11,535,309	8,710,991

16 INCOME / GAIN ON INVESTMENTS

Dividend income	106,705	213,242
Share of profit of associates and joint venture	1,300,085	365,700
Gain on sale of securities	181,305	181,571
	1,588,095	760,513

17 WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher. Accordingly the liability of Rs 210 million on the basis of profit before tax for the period ended June 30, 2008 has been accounted for in this period and is included in administrative expenses.

18 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The other related parties are the 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:

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	4,014,356	4,790,355
- Retirement benefit funds	65,044	107,135
- Companies in which directors are interested	543,126	515,020
- Receivable from defined benefit plan	5,403,785	5,193,448
- Acceptances during the period / year	197,100	2,767
- Placements with joint venture and associates	335,008	335,764
	For the six months period ended	
	June 30, 2008	June 30, 2007
	(Rupees in '000)	
	(Restated)	
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	50,326	52,037
- Retirement benefit funds	1,589	4,530
- Companies in which Directors are interested	2,121	637
- Premium paid to companies in which directors are interested	200,030	113,353
- Interest income		
- Retirement benefit funds	36,112	73,068
- Companies in which Directors are interested	15,135	-
- Share of profit of joint venture companies and associates - net of tax	725,686	307,008

18.1 Key management personnel

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

	For the six months period ended	
	June 30, 2008	June 30, 2007
	(Rupees in '000)	
	(Restated)	
Managerial remuneration (including allowances)	401,566	334,296
Contribution to provident and benevolent fund	12,821	12,327
Medical	9,344	7,359
	<u>423,731</u>	<u>353,982</u>
Number of persons	<u>156</u>	<u>165</u>

19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest and non-markup income	12,743	3,795	1,077	4,557	736	22,908
Total expenses including provision	6,894	1,482	204	2,187	524	11,291
Net income (loss)	5,849	2,313	873	2,370	212	11,617
Segment assets (gross)	110,331	309,914	153,770	139,217	46,583	759,815
Segment non-performing loans	5,137	11,662	-	10,424	1,618	28,841
Segment provision required including general provision	3,280	7,760	-	5,793	7,270	24,103
Segment liabilities including equity	431,738	99,338	18,660	100,009	85,967	735,712
Segment return on asset (%)	9.41%	11.42%	9.16%	6.42%	3.68%	-
Segment cost of funds (%)	3.63%	9.23%	8.76%	2.71%	0.33%	-

	For the six months ended June 30, 2007					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
	------(Restated)-----					
Net interest and non-markup income	12,156	3,044	289	2,452	1,497	19,438
Total expenses including provision	4,135	1,084	50	1,513	2,457	9,239
Net income (loss)	8,021	1,960	239	939	(960)	10,199
Segment assets (gross)	85,794	241,965	121,957	114,453	114,243	678,412
Segment non-performing loans	7,508	11,876	-	9,367	6,079	34,830
Segment provision required including general provision	5,204	4,498	-	8,670	5,388	23,760
Segment liabilities including equity	382,169	113,577	19,599	71,626	67,681	654,652
Segment return on asset (%)	8.84%	10.92%	7.44%	6.93%	6.08%	-
Segment cost of funds (%)	3.04%	8.96%	7.44%	3.39%	4.60%	-

20 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
	(Restated)	
ASSETS		
Cash and balances with treasury banks	34,768	31,838
Investments - net	66,244	30,191
Murabaha	3,982	31,540
Ijara	1,317,870	1,025,149
Musharaka	50,000	-
Other assets	71,992	171,779
Operating fixed assets	1,060	1,279
	1,545,916	1,291,776
LIABILITIES		
Borrowings from financial institutions	409,020	452,352
Deposit and other accounts	39,432	12,396
Other liabilities	398,669	168,017
	847,121	632,765
NET ASSETS	698,795	659,011
REPRESENTED BY:		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	183,440	202,600
Unappropriated / Unremitted profit	63,401	(951)
	693,913	648,721
Surplus on revaluation of assets	4,882	10,290
	698,795	659,011

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 32.356 million (2007: Rs. 0.023 million).

21. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on July 25, 2008.

22. GENERAL

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

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director