

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements for the six months period ended June 30, 2007

FINANCIAL PERFORMANCE

The financial results of the Bank are summarized below: -

	(Rs. in '000)
Profit after tax	12,793,752
Appropriations relating to Statutory Reserves of the Bank	1,279,375
Earning per share (Basic & Diluted)	18.54

Bank's performance has substantially improved in first half of the year 2007 driven by balance sheet growth of 13 per cent over December 31, 2006 up from 5 per cent growth rate achieved by the Bank in corresponding period. Bank's earnings also correspond to the balance sheet growth as its current period profit before tax increased by Rs. 14 billion from the corresponding period of the last year. The main factors of increase are an increase in net interest income by Rs. 577 million, an increase in dividend income by Rs. 267 million and increase in fair value of associates and joint venture company by Rs. 10.4 billion which as per Bank's accounting policy, accounted for through profit and loss account.

OUTLOOK

Banking sector in Pakistan is going through a phase of increasing liquidity. Deposit growth has been strong since the beginning of current year 2007, driven by Net Foreign Inflows. Loan growth has been lagging the deposit growth due to the tight Monetary Policy of the State Bank of Pakistan. Banks have used this opportunity to replace their high cost deposits. The Bank is confident that with its branch network and customer base, it will be able to meet the future growth challenges. The Investment made in our IT structure and restructuring of Retail/Consumer Banking gives us considerably advantage.

President & Chief Executive Officer

Independent Report on Review of Interim Financial Information

Members of Habib Bank Limited

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Habib Bank Limited (“the Bank”) as at June 30, 2007 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim changes in equity for the six months period then ended (the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. “Review of Interim Financial Information Performed by the Independent Auditor of the entity. “ A review of interim financial information consists of making inquiries, primarily of person responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information as at June 30, 2007 is not prepared, in all material respect, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended June 30, 2007 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

Date:

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants**

Habib Bank Limited
Unconsolidated Condensed Interim Balance Sheet
As at June 30, 2007

	(Unaudited) June 30, 2007	(Audited) December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	53,768,328	46,244,803
Balances with other banks	27,600,753	23,532,165
Lendings to financial institutions	20,419,975	6,550,128
Investments	6 158,526,578	119,128,687
Advances	7 338,327,702	335,985,458
Other assets	23,066,876	17,447,808
Operating fixed assets	12,708,147	11,802,870
Deferred tax asset	-	2,223,845
	634,418,359	562,915,764
LIABILITIES		
Bills payable	8,414,242	5,577,429
Borrowings from financial institutions	9 47,474,800	49,980,794
Deposits and other accounts	10 496,676,658	439,724,335
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	14,731,960	14,521,645
Deferred tax liability	1,851,598	-
	569,149,258	509,804,203
NET ASSETS	65,269,101	53,111,561
REPRESENTED BY:		
Shareholders' equity		
Share capital	6,900,000	6,900,000
Reserves	18,463,532	16,817,472
Unappropriated profit	32,220,531	22,047,700
	57,584,063	45,765,172
Surplus on revaluation of assets - net of deferred tax	11 7,685,038	7,346,389
	65,269,101	53,111,561
CONTINGENCIES AND COMMITMENTS	12	

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

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Unconsolidated Condensed Interim Profit And Loss Account (Unaudited)
For the six months period ended June 30, 2007

	Note	Six months ended		Quarter ended	
		January 01 to June 30, 2007 (Rupees in '000)	January 01 to June 30, 2006 (Rupees in '000)	April 01 to June 30, 2007 (Rupees in '000)	April 01 to June 30, 2006 (Rupees in '000)
Mark-up / return / interest earned	13	22,554,037	19,663,676	11,113,135	9,944,628
Mark-up / return / interest expensed	14	8,248,263	5,934,512	4,303,321	2,809,901
Net mark-up / interest income		14,305,774	13,729,164	6,809,814	7,134,727
Provision against non-performing loans and advances - net (Reversal) / provision against off-balance sheet obligations		773,809 (73,534)	1,872,042 -	464,437 (73,534)	1,311,006 -
Reversal of provision against diminution in value of investments	6.3	(41,862)	(33,120)	(37,696)	(3,818)
Bad debts written off directly		-	-	-	-
		658,413	1,838,922	353,207	1,307,188
Net mark-up / interest income after provisions		13,647,361	11,890,242	6,456,607	5,827,539
Non mark-up / interest income					
Fee, commission and brokerage income		1,390,990	1,456,303	768,192	752,532
Income / gain on investments	15				
-Fair Value adjustment of Associates and Joint Venture		10,518,264	123,232	10,446,436	46,319
-Others		534,790	118,854	118,971	77,801
Income from dealing in foreign currencies		927,212	484,219	481,672	242,862
Other income		1,428,904	904,290	744,524	466,210
Total non-mark-up / interest income		14,800,160	3,086,898	12,559,795	1,585,724
		28,447,521	14,977,140	19,016,402	7,413,263
Non mark-up / interest expense					
Administrative expenses		7,650,734	7,111,205	3,939,954	3,391,487
Other provisions / write offs - net		(78,726)	147,512	(115,862)	131,287
Other charges		7,786	17,342	2,473	1,993
Total non mark-up / interest expenses		7,579,794	7,276,059	3,826,565	3,524,767
		20,867,727	7,701,081	15,189,837	3,888,496
Staff Separation cost	16	561,400	1,718,674	2,300	-
Profit before taxation		20,306,327	5,982,407	15,187,537	3,888,496
Taxation - current		3,637,294	2,665,615	1,792,279	1,745,227
Taxation - prior years		-	-	-	-
Taxation - deferred		3,875,281	(641,028)	3,955,612	(573,064)
		7,512,575	2,024,587	5,747,891	1,172,163
Profit after taxation		12,793,752	3,957,820	9,439,646	2,716,333
		(----- Rupees -----)		(----- Rupees -----)	
Basic and Diluted earnings per share		18.54	5.74	13.68	3.94

The annexed notes 1 to 20 form an integral part of this unconsolidated condensed interim financial information

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Unconsolidated Condensed Interim Cash Flow Statement (Unaudited)
For the six months period ended June 30, 2007

	June 30, 2007	June 30, 2006
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,306,327	5,982,407
Less: Dividend income and fair value adjustment of associated and joint venture companies	(10,969,698)	(209,299)
Gain on sale of investments - net	(181,572)	(32,787)
	<u>(11,151,270)</u>	<u>(242,086)</u>
	9,155,057	5,740,321
Adjustment for:		
Depreciation / amortisation / adjustments	504,863	402,003
Reversal against diminution in the value of investments	(41,862)	(33,120)
Provision against non-performing loans and advances - net of reversals	773,809	1,872,042
Amortisation of premium on investments	165,497	183,566
Gain on sale of property and equipment - net	(26,905)	(42,566)
Miscellaneous provisions	(337,368)	(110,403)
	<u>1,038,034</u>	<u>2,271,522</u>
	10,193,091	8,011,843
(Increase) / decrease in operating assets		
Government securities	(27,665,089)	318,767
Lendings to financial institutions	(13,869,847)	(19,964,283)
Loans and advances	(3,116,053)	1,517,899
Other assets - net	(3,678,729)	(237,295)
	<u>(48,329,718)</u>	<u>(18,364,912)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	56,952,323	9,384,688
Borrowings from financial institutions	(2,505,994)	5,600,873
Bills payable	2,836,813	(2,419,086)
Other liabilities - net	547,682	7,000,977
	<u>57,830,824</u>	<u>19,567,452</u>
	19,694,197	9,214,383
Income tax paid - net	(5,168,386)	(3,494,235)
Net cash flows from operating activities	14,525,811	5,720,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(1,198,463)	(188,163)
Repatriation from / (Investment in) subsidiary companies	242,747	(100,000)
Dividend income received	418,568	183,865
Fixed capital expenditure	(1,580,346)	(410,192)
Proceeds from sale of fixed assets	197,111	(70,360)
Exchange adjustment on translation of balances in foreign branches	366,685	121,178
Net cash flows used in/(from) investing activities	(1,553,698)	(463,672)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,380,000)	
Net cash flows used in financing activities	(1,380,000)	-
Increase in cash and cash equivalents during the period	11,592,113	5,256,476
Cash and cash equivalents at beginning of the period	69,776,968	56,319,009
Effects of exchange rate changes on cash and cash equivalents	69,776,968	-
	<u>69,776,968</u>	<u>56,319,009</u>
Cash and cash equivalents at end of the period	<u>81,369,081</u>	<u>61,575,485</u>

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

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)
For the six months period ended June 30, 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 six months period to June 30, 2006	-	-	-	-	3,957,820	3,957,820
Transferred from surplus on revaluation of fixed assets	-	-	-	-	24,940	24,940
Effect of translation of net investment in foreign branches	-	121,178	-	-	-	121,178
Total recognized income and expense for the period	-	121,178	-	-	3,982,760	4,103,938
Transferred to statutory reserves	-	-	395,782	-	(395,782)	-
Balance as at June 30, 2006	6,900,000	1,660,359	8,182,876	6,073,812	13,409,308	36,226,355
Profit for the six months period to December 31, 2006	-	-	-	-	10,318,305	10,318,305
Exchange translation released on disposal of investments	-	(55,709)	-	-	-	(55,709)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	41,918	41,918
Effect of translation of net investment in foreign branches	-	(75,697)	-	-	-	(75,697)
Total recognized income and expense for the period	-	(131,406)	-	-	10,360,223	10,228,817
Transferred to statutory reserves	-	-	1,031,831	-	(1,031,831)	-
Cash dividend paid at Rs. 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 six months period to June 30, 2007	-	-	-	-	12,793,752	12,793,752
Transferred from surplus on revaluation of fixed assets	-	-	-	-	38,454	38,454
Effect of translation of net investment in foreign branches	-	366,685	-	-	-	366,685
Total recognized income and expense for the period	-	366,685	-	-	12,832,206	13,198,891
Transferred to statutory reserves	-	-	1,279,375	-	(1,279,375)	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	(1,380,000)	(1,380,000)
Balance as at June 30, 2007	6,900,000	1,895,638	10,494,082	6,073,812	32,220,531	57,584,063

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

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)
For the six months period ended June 30, 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 condensed interim 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, directives issued by the Securities Exchange Commission of Pakistan and the State Bank of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. 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 requirements 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'.

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.

During 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transactions undertaken by a bank, effective from financial periods beginning on or after January 01, 2006. The standard has 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 has taken up the matter with the State Bank 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 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 condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2006.

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, 2006.

6 INVESTMENTS	Note	June 30, 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>							
	6.1	13,537,612	-	13,537,612	14,782,250	-	14,782,250
		222,527	-	222,527	224,382	-	224,382
		-	-	-	121,825	-	121,825
		<u>13,760,139</u>	<u>-</u>	<u>13,760,139</u>	<u>15,128,457</u>	<u>-</u>	<u>15,128,457</u>
<i>Overseas Government securities</i>							
<i>Debentures and Corporate Debt Instruments</i>							
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
		61,686,895	20,716,672	82,403,567	35,891,929	21,337,072	57,229,001
		4,290,502	-	4,290,502	987,349	-	987,349
		19,923,991	-	19,923,991	20,196,055	-	20,196,055
		854,741	-	854,741	864,805	-	864,805
		6,713,686	-	6,713,686	6,163,192	-	6,163,192
<i>Overseas Government securities</i>							
<i>Fully paid-up ordinary shares:</i>							
		2,724,108	-	2,724,108	1,662,002	-	1,662,002
	6.2	452,642	-	452,642	455,613	-	455,613
<i>Debentures and Corporate Debt Instruments</i>							
		525,826	-	525,826	510,926	-	510,926
		6,979,679	-	6,979,679	6,826,795	-	6,826,795
<i>NIT units</i>							
		40,750	-	40,750	30,208	-	30,208
<i>Preference shares</i>							
		171,500	-	171,500	171,667	-	171,667
<i>Other investments</i>							
		478,919	-	478,919	183,414	-	183,414
		<u>104,843,239</u>	<u>20,716,672</u>	<u>125,559,911</u>	<u>73,943,955</u>	<u>21,337,072</u>	<u>95,281,027</u>
		2,712,452	-	2,712,452	2,752,080	-	2,752,080
		16,494,076	-	16,494,076	5,967,123	-	5,967,123
		<u>137,809,906</u>	<u>20,716,672</u>	<u>158,526,578</u>	<u>97,791,615</u>	<u>21,337,072</u>	<u>119,128,687</u>

6.1 The market value of securities classified as held-to-maturity amounted to Rs. 11,829 million, (2006: Rs. 12,538.391 million) as at June 30, 2007.

6.2 The break-up value of the securities of unlisted companies amounted to Rs.1,077.230 million (2006: Rs.948.286 million) as at June 30, 2007

6.3 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 are as follows:

	Note	January 1 to	January 1 to
		June 30, 2007	December 31, 2006
----- (Rupees in '000) -----			
Opening balance		518,932	562,065
Reversed during the period / year		(41,862)	(13,697)
Amount written off		(26,594)	(29,436)
Closing balance		<u>450,476</u>	<u>518,932</u>
		June 30, 2007	December 31, 2006
----- (Rupees in '000) -----			
7 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		293,378,940	291,263,669
Outside Pakistan		<u>29,359,987</u>	<u>24,889,593</u>
		322,738,927	316,153,262
Net investment in finance lease - in Pakistan		9,188,021	10,722,288
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		8,123,807	9,843,364
Payable outside Pakistan		<u>17,832,342</u>	<u>18,079,105</u>
		25,956,149	27,922,469
Provision against non-performing advances	7.2	<u>(19,555,395)</u>	<u>(18,812,561)</u>
		<u>338,327,702</u>	<u>335,985,458</u>

Fully provided non-performing advances classified as loss for more than five years

In Pakistan		5,685,529	6,622,757
Outside Pakistan		<u>488,944</u>	<u>493,578</u>
		6,174,473	7,116,335
Provision	7.3	<u>(6,174,473)</u>	<u>(7,116,335)</u>
		-	-

7.1 Advances include Rs. 31,580.055 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	June 30, 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	609,754	-	609,754	-	-	-	609,754	-	609,754
Substandard	6,908,316	495,305	7,403,621	674,368	-	674,368	6,233,948	495,305	6,729,253
Doubtful	2,959,255	195,330	3,154,585	1,154,476	97,665	1,252,141	1,804,779	97,665	1,902,444
Loss	14,985,289	5,426,806	20,412,095	11,245,898	5,289,209	16,535,107	3,739,391	137,597	3,876,988
	<u>25,462,614</u>	<u>6,117,441</u>	<u>31,580,055</u>	<u>13,074,742</u>	<u>5,386,874</u>	<u>18,461,616</u>	<u>12,387,872</u>	<u>730,567</u>	<u>13,118,439</u>
General Provision	-	-	-	947,901	145,878	1,093,779	-	-	-
	<u>25,462,614</u>	<u>6,117,441</u>	<u>31,580,055</u>	<u>14,022,643</u>	<u>5,532,752</u>	<u>19,555,395</u>	<u>12,387,872</u>	<u>730,567</u>	<u>13,118,439</u>

7.2 Particulars of provision for non-performing financing

	January 1 to June 30, 2007			January 1 to December 31, 2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	17,508,675	1,303,886	18,812,561	26,395,473	1,446,712	27,842,185
Exchange adjustment	(20,425)	(15,204)	(35,629)	58,897	(22,376)	36,521
Charge for the period	1,225,819	31,086	1,256,905	3,089,097	34,465	3,123,562
Reversals	(47,124)	(225,989)	(273,113)	(107,554)	(154,915)	(262,469)
	1,178,695	(194,903)	983,792	2,981,543	(120,450)	2,861,093
Amounts written off	(478,335)	-	(478,335)	(4,810,903)	-	(4,810,903)
Other movements (to be specified)	273,006	-	273,006	(7,116,335)	-	(7,116,335)
Closing balance	<u>18,461,616</u>	<u>1,093,779</u>	<u>19,555,395</u>	<u>17,508,675</u>	<u>1,303,886</u>	<u>18,812,561</u>

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

	January 1 to June 30, 2007	January 1 to December 31, 2006
----- (Rupees in '000) -----		
Opening balance	7,116,335	-
Exchange adjustment	(4,634)	-
Reversals due to recoveries	(209,983)	-
Transferred during period / year	(273,006)	7,116,335
Write off	<u>(454,239)</u>	<u>-</u>
	<u>6,174,473</u>	<u>7,116,335</u>

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

	June 30, 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 *	572,510	572,510	342,765	24,119	253,864	333,004	196,000	148,877
- in respect of key management personnel	274,605	274,605	102,538	12,360	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	-	-
Debts due by								
- Retirement benefit funds	1,033,720	1,389,612	-	355,892	1,389,612	2,520,733	-	-

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)

8 OPERATING FIXED ASSETS
8.1 Addition to fixed assets

The following additions have been made to tangible and intangible fixed assets during the six months period ended June 30, 2007:

	For the six months ended	
	June 30, 2007	June 30, 2006
Land	192,657	-
Building including related machinery	205,668	3,836
Furniture, fixtures and office equipments	769,119	333,161
Vehicles	10,138	40,065
Intangible assets	40,666	177,259
Capital work-in-progress	362,098	141,806
	<u>1,580,346</u>	<u>696,127</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible and intangible fixed assets during the six months period ended June 30, 2007:

Land	(10,800)	(14,490)
Building including related machinery	(20,072)	(1,390)
Furniture, fixtures and office equipments	(146,378)	(60,239)
Vehicles	(59,167)	(62,392)
Intangible assets	(736)	-
	<u>(237,153)</u>	<u>(138,511)</u>

June 30, **December 31,**
2007 **2006**
(Rupees in '000)

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under:

Export refinance scheme	15,250,907	15,678,110
Locally manufactured machinery refinance scheme	7,945	9,145
Long term finance - export oriented projects	7,791,556	8,213,632
Repurchase agreement borrowings	20,688,547	21,285,463
	<u>43,738,955</u>	<u>45,186,350</u>

Unsecured

In Pakistan

Interbank call money borrowing

Outside Pakistan

Overdrawn nostro accounts

Borrowings of overseas branches

200,000	1,446,821
356,792	937,139
3,179,053	2,410,484
<u>3,535,845</u>	<u>3,347,623</u>
3,735,845	4,794,444
<u>47,474,800</u>	<u>49,980,794</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	149,000,080	120,890,875
Savings chequing account	181,282,000	168,057,000
Other savings account	56,545,546	51,054,296
Current accounts - non-remunerative	100,587,841	87,555,494
	<u>487,415,467</u>	<u>427,557,665</u>

Financial institutions

Remunerative deposits	6,994,080	8,732,019
Non-remunerative deposits	2,267,111	3,434,651
	<u>9,261,191</u>	<u>12,166,670</u>
	<u>496,676,658</u>	<u>439,724,335</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	June 30, 2007 (Rupees in '000)	December 31, 2006 (Rupees in '000)
Surplus arising on revaluation of:			
- fixed assets	11.1	7,296,275	7,334,729
- investments	11.2	388,763	11,660
Surplus on revaluation of assets - net of deferred tax		<u>7,685,038</u>	<u>7,346,389</u>
		Six months to June 30, 2007	Year to December 31, 2006
11.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		7,989,613	7,950,982
Surplus on revaluation		-	131,519
Surplus realised on disposal of revalued properties during the period / year		(14,210)	(18,517)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(24,244)	(48,341)
Related deferred tax liability of incremental depreciation charged during the period / year		(13,055)	(26,030)
Surplus on revaluation of fixed assets as at period / year end		<u>7,938,104</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 recognised/ (adjusted) during the period / year		-	5,847
- incremental depreciation charged during the period / year transferred to profit and loss account		(13,055)	(26,030)
		<u>641,829</u>	<u>654,884</u>
		<u>7,296,275</u>	<u>7,334,729</u>
		June 30, 2007	December 31, 2006
11.2 Surplus / (deficit) on revaluation of available-for-sale investments			
Market treasury bills		(85,281)	(92,722)
Pakistan Investment Bonds		(122,638)	(142,457)
Listed securities		633,617	147,791
NIT units		29,637	19,096
Other investments		142,124	88,455
		597,459	20,163
Less: related deferred tax liability		(208,696)	(8,503)
		<u>388,763</u>	<u>11,660</u>

	June 30, 2007	December 31, 2006
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees	12,052,766	10,934,318
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	860,556	721,858
Financial institutions	940,177	844,157
Others	29,174,451	29,631,964
	<u>30,975,184</u>	<u>31,197,979</u>
12.3 Trade-related commitments		
Credit cash	107,478,966	101,933,596
Credit documentary acceptances	14,021,637	12,342,582
Credit acceptances	6,751,996	6,164,470
	<u>128,252,599</u>	<u>120,440,648</u>
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	49,093,528	44,310,527
12.5 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.		
	June 30, 2007	December 31, 2006
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	38,006,899	52,873,507
Sale	45,355,435	44,960,985
Commitments in respect of foreign currency options		
Purchase	1,688,187	1,470,566
Sale	1,688,187	1,470,566
The above commitments have maturities falling within one year.		
12.7 Commitments for acquisition of operating fixed assets / intangibles	708,375	587,277

13	MARK-UP / RETURN / INTEREST EARNED	Note	Six months period ended	
			June 30, 2007	June 30, 2006
			(Rupees in '000)	
	<i>On loans and advances to</i>			
	- Customers		17,083,600	14,640,418
	- Financial institutions		700,531	-
	<i>On investments</i>			
	- Available for sale	13.1	3,891,252	3,621,072
	- Held to maturity		547,459	193,818
	On deposits with financial institutions		114,717	433,845
	On lendings to financial institutions		216,478	774,523
			22,554,037	19,663,676

13.1 During the period State Bank of Pakistan (SBP) had made short payment of Rs 450 million on account of interest payment relating to Tax Bond for the period June 2005 to June 2007. Consequently, bank has reversed the above amount from the interest income for the period January 01, to June 30, 2007 and is pursuing the claim with Government of Pakistan.

14	MARK-UP / RETURN / INTEREST EXPENSED	Note	Six months period ended	
			June 30, 2007	June 30, 2006
	Deposits		7,069,453	4,953,387
	Securities sold under repurchase agreement borrowings		350,659	174,099
	Other short term borrowings		740,169	772,529
	Long term borrowings		86,051	34,292
	Others		1,931	205
			8,248,263	5,934,512

15 INCOME/GAIN ON INVESTMENTS

	Fair Value Adjustment of Associates and Joint Venture Company	15.1	10,518,264	123,232
	Others			
	Dividend income		353,219	86,067
	Gain on sale of securities		181,571	32,787
			534,790	118,854
			11,053,054	242,086

15.1 As stated in the Banks accounting policy, investment in Associates and Joint venture is accounted for as “held at fair value through profit and loss account”. The share value of Platinum Habib Bank as on June 30, 2007 was Naira 30 per share which corresponds to a fair value of Rs13,999.7 million (December 31, 2006: Rs. 4,195.5 million). This has resulted in a gain in fair value of Rs. 9,804.2 million, which has been recorded in the current period’s financial statements.

16 During the period 777 (2006: 2,343) employees were separated with effect from January 13, 2007. In addition to payments under the staff retirement funds, an amount of Rs. 561 million (2006: 1,719 million) was paid under the separation scheme.

17 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development holds 51% share of the Bank. The Bank has related party relationship 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 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.

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

	June 30, 2007	December 31, 2006
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint Venture and Associates	2,215,478	2,497,800
- Subsidiary companies	105,215	729,904
- Retirement benefit funds	197,610	235,383
- Companies in which Directors are interested	144,511	148,199
- Key Management Personnel	22,740	13,816
- Receivable from defined benefit plan	5,282,264	4,835,017
- Payable to defined benefit plan	-	15,769
- Acceptances during the year	7,622	5,766
- Other contingencies and commitments	-	2,354
Placements with		
- Subsidiary companies	4,340,650	2,949,279
	For the six months ended	
	June 30, 2007	June 30, 2006
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint Venture and Associates	52,037	43,200
- Subsidiary companies	-	489
- Retirement benefit funds	4,530	3,637
- Companies in which Directors are interested	637	238
- Key Management Personnel	227	138
- Interest income		
- Subsidiary companies	30,927	16,643
- Retirement benefit funds	73,068	20,359
- Companies in which Directors are interested	-	14,281
- Modaraba management fees	2,289	1,500
- Other expense - Subsidiaries and joint ventures	5,940	6,850
- Insurance premium paid to related parties	113,353	100,768

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

	For the six months ended	
	June 30, 2007	June 30, 2006
	(Rupees in '000)	
Managerial remuneration (including allowances)	315,015	273,762
Contribution to provident and benevolent fund	8,002	7,146
Number of persons	159	170

17.2 The Bank operates a short-term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The amount for the period amounted to Rs.220 million (2006: Rs. 191 million)

17.3 In June 2007, the bank introduced a Staff Retention Incentive Scheme for selected employees. Under the scheme, the employees are committed to continue employment with the bank for a minimum period of three years and the bank advances money by way of bonus to executives to purchase shares of Habib Bank Limited (HBL) to be held for a period of three years. The cost is being accrued over the vesting period, which amounted to Rs. 8 million.

18. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Six months period ended June 30, 2007					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest and non-markup income	12,156	3,044	289	1,890	11,726	29,105
Total expenses including provision	4,135	1,084	50	1,120	2,410	8,799
Net income (loss)	8,021	1,960	239	770	9,316	20,306
Segment assets (gross)	85,794	241,965	121,957	82,334	128,097	660,147
Segment non-performing loans	7,508	11,876	-	6,117	12,253	37,754
Segment provision required including general provision	5,204	4,498	-	5,533	10,494	25,729
Segment liabilities including equity	382,169	113,577	19,599	51,702	67,371	634,418
Segment return on net asset (%)	10.31%	11.50%	6.74%	5.23%	1.00%	-
Segment cost of funds (%)	3.67%	9.91%	6.74%	1.94%	0.91%	-

	Six months period ended June 30, 2006					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- Rupees in million -----					
Net interest and non-markup income	12,342	2,652	274	1,804	(256)	16,816
Total expenses including provision	4,872	1,507	46	1,149	3,260	10,834
Net income (loss)	7,470	1,145	228	655	(3,516)	5,982
Segment assets (gross)	91,729	196,034	86,922	75,368	108,638	558,691
Segment non-performing loans	6,448	6,725	-	7,968	16,489	37,630
Segment provision required including general provision	4,875	3,686	-	7,097	13,711	29,369
Segment liabilities including equity	332,782	58,279	24,811	70,112	43,338	529,322
Segment return on net asset (%)	9.38%	9.95%	8.08%	5.06%	1.03%	-
Segment cost of funds (%)	2.71%	8.02%	8.08%	2.10%	0.85%	-

19. ISLAMIC BANKING BRANCH

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

	June 30, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	10,708	10,052
Investments - net:		
- Murabaha	7,582	34,800
- Ijara	24,680	26,070
Other assets	<u>14,222</u>	<u>4,358</u>
	57,192	75,280
LIABILITIES		
Borrowings from financial institutions	-	-
Bills payable	-	-
Deposit and other accounts	9,609	9,259
Other liabilities	<u>25</u>	<u>24,011</u>
	9,634	33,270
	<u>47,558</u>	<u>42,010</u>
NET ASSETS REPRESENTED BY		
Islamic Banking Fund / Certificate Capital	50,000	50,000
Unappropriated / Unremitted profit	<u>(2,442)</u>	<u>(7,990)</u>
	47,558	42,010
Surplus on revaluation of assets	-	-
	<u>47,558</u>	<u>42,010</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 4.953 million (2006: Rs. 0.053 million).

20. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised for issue in the Board of Directors meeting held on _____ 2007

President and Chief Executive Officer

Director

Director

Director