

## Director's Review

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

### Financial Performance

The financial results of the bank are summarized below:

	<b>(Rs. in '000)</b>
Profit after tax	6,356,593
Appropriations relating to Statutory Reserve of the bank	635,659
Earnings per share rupees (Basic & Diluted)	<u>8.37</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 7% & Deposits increased by 11% over December 31, 2007. Bank's earnings also correspond with the balance sheet growth as its current period profit before tax increased by 5% 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

**Independent Report on Review of Interim Financial Information  
Members of Habib Bank Limited**

*Introduction*

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Habib Bank Limited (“the Bank”) as at June 30, 2008 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of 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 for Interim Financial Reporting. 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 persons 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 condensed interim unconsolidated financial information as at June 30, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarter ended June 30, 2008 in the condensed interim unconsolidated profit and loss account have not been reviewed and we do not express a conclusion on them.

**Date**  
**Karachi**

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

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

	Note	(Unaudited) June 30, 2008 (Rupees in '000)	(Audited) December 31, 2007
<b>ASSETS</b>			
Cash and balances with treasury banks		70,593,631	55,361,813
Balances with other banks		21,049,560	19,558,051
Lendings to financial institutions		1,178,257	1,628,130
Investments	6	164,396,550	171,932,281
Advances	7	388,685,875	362,260,528
Other assets		28,528,036	25,396,781
Operating fixed assets		14,309,256	13,582,240
Deferred tax asset		7,843,350	6,119,032
		<u>696,584,515</u>	<u>655,838,856</u>
<b>LIABILITIES</b>			
Bills payable		9,022,758	15,379,440
Borrowings from financial institutions	9	39,836,763	52,218,228
Deposits and other accounts	10	563,556,903	508,986,541
Sub-ordinated loans	11	3,419,850	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		18,244,252	18,210,692
Deferred tax liabilities		-	-
		<u>634,080,526</u>	<u>597,894,901</u>
<b>NET ASSETS</b>		<u><u>62,503,989</u></u>	<u><u>57,943,955</u></u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		7,590,000	6,900,000
Reserves		21,469,889	18,628,584
Unappropriated profit		27,508,153	25,212,980
		56,568,042	50,741,564
Surplus on revaluation of assets - net of tax	12	5,935,947	7,202,391
		<u><u>62,503,989</u></u>	<u><u>57,943,955</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

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

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED 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 (Restated)	April 01 to June 30, 2008	April 01 to June 30, 2007 (Restated)
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	27,566,484	22,554,037	14,057,069	11,113,135
Mark-up / return / interest expensed	15	11,044,007	8,246,332	5,897,762	4,301,456
Net mark-up / interest income		16,522,477	14,307,705	8,159,307	6,811,679
Provision against non-performing loans and advances - net	7.2 / 7.3	1,108,001	773,809	643,815	464,437
(Reversal) against off-balance sheet obligations		-	(73,534)	-	(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		-	-	-	-
		1,119,780	658,413	660,798	353,207
Net mark-up / interest income after provisions		15,402,697	13,649,292	7,498,509	6,458,472
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		1,832,184	1,390,990	980,492	768,192
Income / gain on investments	16	651,315	534,790	79,946	118,971
Income from dealing in foreign currencies		977,998	927,212	620,421	481,672
Other income		1,063,218	1,428,904	522,053	744,524
Total non-mark-up / interest income		4,524,715	4,281,896	2,202,912	2,113,359
		19,927,412	17,931,188	9,701,421	8,571,831
<b>Non mark-up / interest expense</b>					
Administrative expenses	17	9,507,141	8,214,065	5,038,181	3,944,119
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		9,621,133	8,143,125	5,199,816	3,830,730
<b>Profit before taxation</b>		10,306,279	9,788,063	4,501,605	4,741,101
Taxation - current		3,953,121	3,637,294	2,054,518	1,792,279
- prior periods		1,062,330	-	1,062,330	-
- deferred		(1,065,765)	(425,347)	(1,091,139)	(370,156)
		3,949,686	3,211,947	2,025,709	1,422,123
<b>Profit after taxation</b>		6,356,593	6,576,116	2,475,896	3,318,978
----- (Rupees) -----					
Basic and diluted earnings per share		8.37	8.66	3.26	4.37

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

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

**Director**

**Director**

**Director**

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

	RESERVES				Total	
	Share capital	Exchange translation reserve	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 June 30, 2007 - Restated	-	-	-	-	6,576,116	6,576,116
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 recognised income and expense for the period	-	366,685	-	-	6,614,570	6,981,255
Transferred to statutory reserves	-	-	657,612	-	(657,612)	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	(1,380,000)	(1,380,000)
Balance as at June 30, 2007 - Restated	6,900,000	1,895,638	9,872,319	6,073,812	23,858,898	48,600,667
Profit for the six months period to December 31, 2007	-	-	-	-	1,465,300	1,465,300
Transferred from surplus on revaluation of fixed assets	-	-	-	-	35,312	35,312
Effect of translation of net investment in foreign branches	-	640,285	-	-	-	640,285
Total recognised income and expense for the period	-	640,285	-	-	1,500,612	2,140,897
Transferred to statutory reserves	-	-	146,530	-	(146,530)	-
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 period ended June 30, 2008	-	-	-	-	6,356,593	6,356,593
Transferred from surplus on revaluation of fixed assets	-	-	-	-	24,239	24,239
Effect of translation of net investment in foreign branches	-	2,205,646	-	-	-	2,205,646
Total recognised income and expense for the period	-	2,205,646	-	-	6,380,832	8,586,478
Transferred to statutory reserves	-	-	635,659	-	(635,659)	-
Cash dividend at Rs. 4 per share	-	-	-	-	(2,760,000)	(2,760,000)
Issue of bonus shares	690,000	-	-	-	(690,000)	-
Balance as at June 30, 2008	7,590,000	4,741,569	10,654,508	6,073,812	27,508,153	56,568,042

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

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

**Director**

**Director**

**Director**

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

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<b>(Rupees in '000)</b>	
	<b>(Restated)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,306,279	9,788,063
Dividend income	(470,010)	(353,219)
Gain on sale of investments - net	(181,305)	(181,571)
	<u>(651,315)</u>	<u>(534,790)</u>
	9,654,964	9,253,273
<b>Adjustment for non-cash charges</b>		
Depreciation / amortisation / adjustments	751,582	504,863
Charge / (Reversal) of provision against diminution in the value of investments	11,779	(41,862)
Provision against non-performing loans and advances - net of reversals	1,108,001	773,809
Amortisation of premium on investments	145,823	165,497
Gain on sale of property and equipment - net	(29,599)	(26,905)
Miscellaneous provisions	230,644	(337,368)
	<u>2,218,230</u>	<u>1,038,034</u>
	11,873,194	10,291,307
<b>(Increase) / decrease in operating assets</b>		
Government securities	15,109,199	(27,665,089)
Lendings to financial institutions	449,873	(13,869,847)
Loans and advances	(27,533,348)	(3,116,053)
Other assets - net	(3,259,758)	(3,678,729)
	<u>(15,234,034)</u>	<u>(48,329,718)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	54,570,362	56,952,323
Borrowings from financial institutions	(12,381,465)	(2,505,994)
Bills payable	(6,356,682)	2,836,813
Other liabilities - net	(924,588)	547,682
	<u>34,907,627</u>	<u>57,830,824</u>
	31,546,787	19,792,413
Income tax paid - net	(7,316,847)	(5,168,386)
<b>Net cash flows from operating activities</b>	<u>24,229,940</u>	<u>14,624,027</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture companies	(5,973,270)	(1,198,464)
Repatriation from / (Investment in) subsidiary companies	-	242,747
Dividend income received	470,010	320,353
Fixed capital expenditure	(1,481,161)	(1,580,346)
Proceeds from sale of fixed assets	32,162	197,111
Exchange adjustment on translation of balances in foreign branches	2,205,646	366,685
<b>Net cash flows in (from) investing activities</b>	<u>(4,746,613)</u>	<u>(1,651,914)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,760,000)	(1,380,000)
<b>Net cash flows from financing activities</b>	<u>(2,760,000)</u>	<u>(1,380,000)</u>
Increase in cash and cash equivalents during the period	16,723,327	11,592,113
Cash and cash equivalents at beginning of the period	74,919,864	69,776,968
Effects of exchange rate changes on cash and cash equivalents	-	-
	<u>74,919,864</u>	<u>69,776,968</u>
Cash and cash equivalents at end of the period	<u>91,643,191</u>	<u>81,369,081</u>

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

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

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 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 Bank 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 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 condensed interim unconsolidated 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	June 30, 2008			December 31, 2007			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
----- <b>(Rupees in '000)</b> -----							
<b>Held-to-maturity securities (HTM)</b>							
<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>		-	-	-	-	-	-
		<u>10,882,600</u>	<u>-</u>	<u>10,882,600</u>	<u>12,223,002</u>	<u>-</u>	<u>12,223,002</u>
<b>Available-for-sale securities (AFS)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		75,603,693	11,161,068	86,764,761	72,418,745	28,556,867	100,975,612
- Pakistan Investment Bonds		8,500,631	1,357,620	9,858,251	9,823,565	-	9,823,565
- Government of Pakistan Guaranteed Bonds		11,849,307	-	11,849,307	11,537,844	-	11,537,844
- Government of Pakistan Bonds (US Dollar / Euro)		3,089,402	-	3,089,402	2,789,967	-	2,789,967
<i>Overseas Government Securities</i>		10,940,959	-	10,940,959	9,496,980	-	9,496,980
<i>Fully paid-up ordinary shares:</i>							
- Listed companies		1,480,698	-	1,480,698	836,001	-	836,001
- Unlisted companies		415,476	-	415,476	416,458	-	416,458
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		1,846,588	-	1,846,588	1,044,923	-	1,044,923
- Unlisted securities		16,125,660	-	16,125,660	11,327,344	-	11,327,344
<i>NIT Units</i>		35,427	-	35,427	41,827	-	41,827
<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
		<u>131,592,042</u>	<u>12,518,688</u>	<u>144,110,730</u>	<u>121,749,192</u>	<u>28,556,867</u>	<u>150,306,059</u>
<b>Investment in subsidiary companies</b>		4,047,978	-	4,047,978	4,047,978	-	4,047,978
<b>Investment in associates and joint venture companies</b>	6.3	5,355,242	-	5,355,242	5,355,242	-	5,355,242
		<u>151,877,862</u>	<u>12,518,688</u>	<u>164,396,550</u>	<u>143,375,414</u>	<u>28,556,867</u>	<u>171,932,281</u>

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

	June 30, 2008		December 31, 2007	
	Cost	Market value	Cost	Market value
----- <b>(Rupees in '000)</b> -----				
----- <b>(Restated)</b> -----				
- Investments classified as held-to-maturity	10,817,721	8,566,580	12,164,051	10,573,096
- Investments in listed associates and joint venture	5,215,246	28,953,603	5,215,246	20,029,558

## 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:

	June 30, 2008	December 31, 2007
----- <b>(Rupees in '000)</b> -----		
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	<u>351,036</u>	<u>421,729</u>

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%).



7 ADVANCES	Note	June 30,	December 31,
		2008	2007
----- (Rupees in '000) -----			
Loans, cash credits, running finances, etc:			
In Pakistan		322,977,117	310,514,853
Outside Pakistan		52,861,363	38,796,664
		<u>375,838,480</u>	<u>349,311,517</u>
Net investment in finance lease - in Pakistan		5,505,188	7,567,196
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		7,572,285	6,387,870
Payable outside Pakistan		19,217,525	17,484,643
		26,789,810	23,872,513
Provision against non-performing advances	7.2	(19,447,603)	(18,490,698)
		<u>388,685,875</u>	<u>362,260,528</u>
<b>Fully provided non-performing advances classified as loss for more than five years</b>			
In Pakistan		12,020,346	11,909,930
Outside Pakistan		-	-
		12,020,346	11,909,930
Provision	7.3	(12,020,346)	(11,909,930)
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 25,107.931 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 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) -----									
<b>Specific provision</b>									
Other assets especially mentioned	770,963	-	770,963	-	-	-	770,963	-	770,963
Substandard	5,568,540	120,031	5,688,571	1,372,596	34,930	1,407,526	4,195,944	85,101	4,281,045
Doubtful	2,607,719	81,531	2,689,250	1,303,859	42,662	1,346,521	1,303,860	38,869	1,342,729
Loss	9,469,472	6,489,675	15,959,147	9,469,472	6,375,882	15,845,354	-	113,793	113,793
	<u>18,416,694</u>	<u>6,691,237</u>	<u>25,107,931</u>	<u>12,145,927</u>	<u>6,453,474</u>	<u>18,599,401</u>	<u>6,270,767</u>	<u>237,763</u>	<u>6,508,530</u>
<b>General provision</b>	-	-	-	675,637	172,565	848,202	-	-	-
	<u>18,416,694</u>	<u>6,691,237</u>	<u>25,107,931</u>	<u>12,821,564</u>	<u>6,626,039</u>	<u>19,447,603</u>	<u>6,270,767</u>	<u>237,763</u>	<u>6,508,530</u>

## 7.2 Particulars of provision for non-performing financing

Note	June 30, 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	527,549	29,691	557,240	204,470	(11,144)	193,326
Charge for the year period / year	1,486,135	18,592	1,504,727	9,165,446	42,590	9,208,036
Reversals	(53,676)	(98,685)	(152,361)	(184,939)	(436,728)	(621,667)
	1,432,459	(80,093)	1,352,366	8,980,507	(394,138)	8,586,369
Amounts written off	(284,918)	-	(284,918)	(3,124,578)	-	(3,124,578)
Transferred to over 5 years category	(667,783)	-	(667,783)	(5,976,980)	-	(5,976,980)
Closing balance	<u>18,599,401</u>	<u>848,202</u>	<u>19,447,603</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	June 30, 2008	December 31, 2007
----- (Rupees in '000) -----			
Opening balance		11,909,930	7,116,335
Reversal		(244,365)	(426,667)
Transferred 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 and 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 Bank 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 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								
- 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**
**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 and intangible fixed assets during the period ended June 30, 2008:

Land	494,646	192,657
Building including related machinery	18,891	205,668
Furniture, fixtures and office equipments	553,225	536,500
Vehicles	90,929	10,138
Intangible assets	121,079	273,285
Capital work-in-progress	202,391	362,098
	<u>1,481,161</u>	<u>1,580,346</u>

**8.2 Disposal of fixed assets**

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

Land	-	10,800
Building including related machinery	-	20,072
Furniture, fixtures and office equipments	84,223	146,378
Vehicles	36,288	59,167
Intangible asset	262	736
	<u>120,773</u>	<u>237,153</u>

## 9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
<b>Secured</b>		
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
Borrowings from subsidiary companies	-	155,000
Repurchase agreement borrowings	12,678,852	28,370,002
	<u>29,784,007</u>	<u>46,691,271</u>
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowing	954,000	100,030
Outside Pakistan:		
Overdrawn nostro accounts	208,092	705,430
Borrowings of overseas branches	8,890,664	4,721,497
	9,098,756	5,426,927
	10,052,756	5,526,957
	<u>39,836,763</u>	<u>52,218,228</u>

## 10 DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	141,089,426	126,001,346
Savings chequing account	199,858,000	194,696,000
Other savings account	85,545,148	68,644,550
Current accounts - remunerative	3,018,268	1,672,810
Current accounts - non-remunerative	126,566,595	106,227,854
	<u>556,077,437</u>	<u>497,242,560</u>

### Financial institutions

Remunerative deposits	4,324,374	9,085,258
Non-remunerative deposits	3,155,092	2,658,723
	7,479,466	11,743,981
	<u>563,556,903</u>	<u>508,986,541</u>

## 11 SUB-ORDINATED LOANS

The bank 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 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	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	(1,309,628)	(67,423)
Surplus on revaluation of assets - net of deferred tax		<u>5,935,947</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		(24,239)	(48,478)
Related deferred tax liability of incremental depreciation charged during the period / year		<u>(13,052)</u>	<u>(26,103)</u>
Surplus on revaluation of fixed assets as at period / year end		7,852,453	7,889,744

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		<u>(13,052)</u>	<u>(26,103)</u>
		606,878	619,930
		<u>7,245,575</u>	<u>7,269,814</u>

### 12.2 Surplus / (deficit) on revaluation of investments

Market treasury bills		(346,753)	(242,208)
Pakistan investment bonds		(1,434,800)	(179,220)
Listed securities		(191,575)	197,963
NIT units		24,316	30,714
Other investments		<u>(61,357)</u>	<u>83,338</u>
		(2,010,169)	(109,413)
Add / (Less) / add: related deferred tax asset / (liability)		700,541	41,990
		<u>(1,309,628)</u>	<u>(67,423)</u>

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes - financial guarantees</b>	<u>31,432,451</u>	<u>40,162,575</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
Government	2,274,094	1,138,177
Financial institutions	720,232	352,392
Others	<u>15,166,294</u>	<u>11,836,713</u>
	<u>18,160,620</u>	<u>13,327,282</u>
<b>13.3 Trade-related commitments</b>		
Credit cash	113,957,482	115,901,075
Credit documentary acceptances	29,079,438	12,439,668
Credit acceptances	<u>26,718,145</u>	<u>18,716,733</u>
	<u>169,755,065</u>	<u>147,057,476</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>45,792,974</u>	<u>45,863,026</u>
<b>13.5 Commitments in respect of forward lending</b>		
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.		
	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	35,660,518	39,324,335
Sale	44,342,526	42,960,952
The above commitments have maturities falling within one year.		
<b>Commitments in respect of foreign currency swaps / options</b>		
Purchase	2,030,839	2,171,290
Sale	2,030,839	2,171,290
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	1,736,062	682,435
<b>13.8 Taxation</b>		
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

	<b>For the six months period ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<b>(Rupees in '000)</b>	
<i>On loans and advances to:</i>		
- Customers	19,934,926	17,083,600
- Financial institutions	101,532	700,531
<i>On investments:</i>		
- Available-for-sale	6,511,679	4,049,745
- Held-to-maturity	316,911	388,966
On deposits with financial institutions	586,150	114,717
On lendings to financial institutions	115,286	216,478
	<u>27,566,484</u>	<u>22,554,037</u>

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

Deposits	8,896,221	7,069,453
Securities sold under repurchase agreement borrowings	1,377,177	350,659
Other short term borrowings	519,618	740,169
Long term borrowings	250,991	86,051
	<u>11,044,007</u>	<u>8,246,332</u>

#### 16 INCOME / GAIN ON INVESTMENTS

Dividend income	470,010	353,219
Gain on sale of securities	181,305	181,571
	<u>651,315</u>	<u>534,790</u>

#### 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 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:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>Balances outstanding as at the period / year end</b>		
<b>- Borrowings / Deposits from</b>		
- Joint venture and associates	4,014,356	4,790,355
- Subsidiary companies	355,159	322,811
- 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	199,468	902,767
- Receivable from subsidiary companies	29,421	10,446
- Payable to subsidiary companies	1,028	12,276
<b>Placements with</b>		
- Subsidiary companies and associates	4,021,016	4,379,573
- Nostro balances with subsidiaries	-	199,881
	<b>For the six months period ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<b>(Rupees in '000)</b>	
	<b>(Restated)</b>	
<b>Profit / Expense for the period</b>		
<b>- Interest paid</b>		
- Joint venture and associates	50,326	52,037
- Subsidiary companies	7,338	-
- 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
<b>- Interest income</b>		
- Subsidiary companies	2,585	30,927
- Retirement benefit funds	36,112	73,068
- Companies in which Directors are interested	15,135	-
- Modaraba management fees	3,801	2,289
- Other income - Subsidiaries and joint ventures	442	-
- Other expense - Subsidiaries and joint ventures	8,861	5,940
<b>- Dividend income</b>		
- Joint venture and associate	358,494	135,800
- Subsidiary companies	4,875	10,044

### 18.1 Key management personnel

Key Management Personnel comprises Member 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)	321,803	276,664
Contribution to provident and benevolent fund	8,657	8,819
Medical	9,344	7,212
	339,804	292,695
Number of persons	144	152

### 19. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months period 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	2,861	571	21,047
Total expenses including provision	7,013	1,482	203	1,703	340	10,741
Net income (loss)	5,730	2,313	874	1,158	231	10,306
Segment assets (gross)	110,331	309,914	153,770	97,397	46,156	717,568
Segment non-performing loans	5,137	11,662	-	6,691	1,618	25,108
Segment provision required including general provision	3,280	7,760	-	2,673	7,270	20,983
Segment liabilities including equity	431,738	99,338	18,660	70,800	76,049	696,585
Segment return on net asset (%)	9.41%	11.42%	9.16%	6.65%	3.40%	-
Segment cost of funds (%)	3.63%	9.23%	8.76%	2.67%	0.18%	-
	----- (Rupees in million) -----					
	----- (Restated) -----					
	For the six months period ended June 30, 2007					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest and non-markup income	12,156	3,044	289	1,890	1,210	18,589
Total expenses including provision	4,135	1,084	50	1,120	2,412	8,801
Net income (loss)	8,021	1,960	239	770	(1,202)	9,788
Segment assets (gross)	85,794	241,965	121,957	82,334	122,983	655,033
Segment non-performing loans	7,508	11,876	-	6,117	6,079	31,580
Segment provision required including general provision	5,204	4,498	-	5,533	5,380	20,615
Segment liabilities including equity	382,169	113,577	19,599	51,702	67,371	634,418
Segment return on net liability / asset	8.84%	10.92%	7.44%	6.51%	5.88%	-
Segment cost of funds (%)	3.04%	8.96%	7.44%	3.42%	4.46%	-



**20. ISLAMIC BANKING BRANCH**

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

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in '000)</b>	
<b>ASSETS</b>		
Cash and balances with treasury banks	32,683	15,879
Investments - net	45,455	-
Murabaha	3,982	31,540
Ijara	238,874	24,495
Musharaka	50,000	-
Other assets	10,713	50,387
	<u>381,707</u>	<u>122,301</u>
<b>LIABILITIES</b>		
Deposit and other accounts	39,433	12,396
Other liabilities	282,242	60,856
	<u>321,675</u>	<u>73,252</u>
<b>NET ASSETS</b>		
	<u>60,032</u>	<u>49,049</u>
<b>REPRESENTED BY:</b>		
Islamic Banking Fund	50,000	50,000
Accumulated profit / (loss)	10,032	(951)
	<u>60,032</u>	<u>49,049</u>

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

**21. DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim 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.

**President and Chief Executive Officer**

**Director**

**Director**

**Director**