

Director's Review

On behalf of the Board of Directors, I am pleased to present the consolidated condensed interim financial statements for the nine months period ended September 30, 2007.

FINANCIAL PERFORMANCE

The financial results of the bank are summarized below:

	(Rs. in '000)
Profit after tax	10,166,197
Share of profit attributable to minority interest	<u>65,906</u>
Profit attributable to shareholders	10,100,291
Appropriations relating to Statutory Reserves of the Bank, Joint Ventures and Subsidiary	<u>21,625</u>
Earnings per share rupees (Basic & Diluted)	<u>14.64</u>

During the nine months period ended September 30, 2007, Group's performance has substantially improved driven by a balance sheet growth of 11 per cent over December 31, 2006. Group's earnings also correspond to the balance sheet growth as its current period profit before tax has registered an increase of Rs. 3.5 billion (29 per cent) from the corresponding period of the last year.

OUTLOOK

Banking sector in Pakistan has seen significant tightening in operating environment during the period. Loan growth has been slow since December 2006 while Deposit costs have continued to rise. The Gross Loan to Deposit ratio has declined from over 75% to below 70% as a result of Monetary Tightening and cautious approach by the banks towards Consumer Loans.

The 3-year medium term strategy envisages domestic market to be the primary driver of the HBL. In international operations, focus will be on key selected market with the objective of improving Returns on Assets and Equity. Consistent growth in retail deposits remains the primary strategy to expand balance sheet. The target is to increase its market share through new products, improving physical and technological infrastructure and centralized processing. The Consumer Bank is being revamped and is expected to ensure that the bank is able to grow both loans while improving spreads. Other areas of growth in the economy are expected to be infrastructure projects, currently in the planning stage. HBL is well placed to serve these customers due to its active Corporate Banking, treasury and Investment Banking.

R. Zakir Mahmood
President & Chief Executive Officer
Karachi

Habib Bank Limited
Condensed Interim Consolidated Balance Sheet
As at September 30, 2007

	(Unaudited) September 30, 2007	(Audited) December 31, 2006
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	53,435,636	46,310,478
Balances with other banks	28,363,698	35,965,048
Lendings to financial institutions	2,079,672	6,550,128
Investments	6 186,701,063	119,587,476
Advances	7 345,646,191	349,432,685
Other assets	20,655,436	17,765,291
Operating fixed assets	13,296,924	11,954,876
Deferred tax asset	2,848,316	2,725,486
	653,026,936	590,291,468
LIABILITIES		
Bills payable	7,014,167	5,737,457
Borrowings from financial institutions	9 35,718,720	56,392,270
Deposits and other accounts	10 528,066,759	459,140,198
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	19,411,406	15,578,177
Deferred tax liabilities	-	-
	590,211,052	536,848,102
NET ASSETS	62,815,884	53,443,366
REPRESENTED BY:		
Shareholders' equity		
Share capital	6,900,000	6,900,000
Reserves	19,152,513	17,802,584
Unappropriated profit	28,312,482	20,475,080
Total equity attributable to the equity holders of the Bank	54,364,995	45,177,664
Minority Interest	997,987	913,317
Surplus on revaluation of assets - net of deferred tax	11 7,452,902	7,352,385
	62,815,884	53,443,366
CONTINGENCIES AND COMMITMENTS	12	

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Condensed Interim Consolidated Profit and Loss Account (Unaudited)
For the nine months period ended September 30, 2007

	Note	Nine months ended		Quarter ended	
		January 01 to September 30, 2007	January 01 to September 30, 2006	July 01 to September 30, 2007	July 01 to September 30, 2006
------(Rupees in '000)-----					
Mark-up / return / interest earned	13	36,974,475	32,128,159	13,503,370	11,809,433
Mark-up / return / interest expensed	14	13,992,388	9,543,263	5,279,467	3,305,574
Net mark-up / interest income		22,982,087	22,584,896	8,223,903	8,503,859
Provision against non-performing loans and advances - net		1,277,035	1,916,716	463,869	57,108
Provision against off-balance sheet obligations		(54,626)	-	18,908	-
Reversal of provision against diminution in value of investments	6.2	(56,495)	(36,677)	(14,633)	(3,557)
Bad debts written off directly		-	-	-	-
		1,165,914	1,880,039	468,144	53,551
Net mark-up / interest income after provisions		21,816,173	20,704,857	7,755,759	8,450,308
Non mark-up / interest income					
Fee, commission and brokerage income		2,216,111	2,333,648	729,136	780,154
Income / gain on sale of investments	15	1,702,574	300,141	942,061	183,816
Income from dealing in foreign currencies		1,098,877	977,390	138,998	455,446
Other income		2,129,894	1,507,508	657,177	571,081
Total non-mark-up / interest income		7,147,456	5,118,687	2,467,372	1,990,497
		28,963,629	25,823,544	10,223,131	10,440,805
Non mark-up / interest expense					
Administrative expenses	16	12,903,384	13,140,585	4,291,261	3,958,287
Other provisions / write offs - net		(51,454)	156,160	27,272	8,648
Other charges		8,491	17,438	705	96
Total non mark-up / interest expenses		12,860,421	13,314,183	4,319,238	3,967,031
Profit before taxation		16,103,208	12,509,361	5,903,893	6,473,774
Taxation - current		6,460,894	5,121,850	2,746,725	2,445,611
Taxation - prior periods		(331,478)	22,671	(331,478)	14,613
Taxation - deferred		(192,405)	(830,782)	(57,898)	(214,253)
		5,937,011	4,313,739	2,357,349	2,245,971
Profit after taxation		10,166,197	8,195,622	3,546,544	4,227,803
Attributable to:					
Equity holders of the Bank		10,100,291	8,144,347	3,520,646	4,200,949
Minority interest		65,906	51,275	25,897	26,854
		10,166,197	8,195,622	3,546,544	4,227,803
				(Rupees)	(Rupees)
Basic and Diluted earnings per share		14.64	11.80	5.10	6.09

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

R. Zakir Mahmood
President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Condensed Interim Consolidated Cash Flow Statement (Unaudited)
For the nine months period ended September 30, 2007

	September 30, 2007	September 30, 2006
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,103,208	12,509,361
Less: Dividend income and fair value adjustment of associated and joint venture companies	(778,215)	(267,757)
Gain on sale of investments - net	(230,610)	(32,384)
	(1,008,825)	(300,141)
	15,094,383	12,209,220
Adjustment for non-cash charges:		
Depreciation / amortization / adjustments	823,021	719,939
Reversal against diminution in the value of investments	(56,495)	(36,677)
Provision against non-performing loans and advances - net of reversals	1,277,035	1,916,716
Amortisation of premium on investments	245,664	274,103
Gain on sale of property and equipment - net	(39,156)	(65,360)
Miscellaneous provisions	(106,080)	(30,545)
	2,143,989	2,778,176
	17,238,372	14,987,396
(Increase) / decrease in operating assets		
Government securities	(59,584,910)	11,867,705
Lendings to financial institutions	4,470,456	(7,571,968)
Loans and advances	2,361,539	(4,838,560)
Other assets - net	(1,880,340)	892,969
	(54,633,255)	350,146
Increase / (decrease) in operating liabilities		
Deposits and other accounts	68,926,561	(5,388,749)
Borrowings from financial institutions	(20,673,550)	(565,808)
Bills payable	1,276,710	(2,652,791)
Other liabilities - net	3,884,683	6,168,012
	53,414,404	(2,439,336)
	16,019,521	12,898,206
Income tax paid - net	(5,228,680)	(7,888,450)
Net cash flows from / (used in) operating activities	10,790,841	5,009,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture companies	(8,572,529)	1,075,880
Dividend income received	405,361	6,944
Fixed capital expenditure	(2,217,350)	(930,361)
Proceeds from sale of fixed assets	91,437	89,260
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint ventures	407,048	494,146
Net cash flows used in / (from) investing activities	(9,886,033)	735,869
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,381,000)	(86)
Net cash flows used in financing activities	(1,381,000)	(86)
Increase / (decrease) in cash and cash equivalents during the period	(476,192)	5,745,539
Cash and cash equivalents at beginning of the period	82,275,526	63,731,695
Effects of exchange rate changes on cash and cash equivalents	-	1,132,867
	82,275,526	64,864,562
Cash and cash equivalents at end of the period	81,799,334	70,610,101

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

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 nine months period ended September 30, 2007

Share Capital	Attributable to shareholders of the Group						Minority Interest	Total	
	Reserves								
	Exchange Translation Reserve	Statutory		Other Reserves		Subtotal			
Statutory requirement of Joint Venture and Subsidiaries		Bank	General	Unappropriated profit					
------(Rupees in '000)-----									
Balance as at December 31, 2005	6,900,000	1,932,210	119,161	7,787,094	6,073,812	9,908,920	32,721,197	846,801	33,567,998
Profit for the period ended September 30, 2006	-	-	-	-	-	8,144,347	8,144,347	51,275	8,195,622
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	36,195	36,195	-	36,195
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	494,146	-	-	-	-	494,146	27,435	521,581
Total recognized income and expense for the period	-	494,146	-	-	-	8,180,542	8,674,688	78,710	8,753,398
Transferred to statutory reserves	-	-	9,792	-	-	(9,792)	-	-	-
Transferred to statutory reserves	-	-	-	799,451	-	(799,451)	-	-	-
Profit distributed to minority shareholders	-	-	-	-	-	-	-	(42,884)	(42,884)
Minority share of surplus on revaluation of securities of Modaraba	-	-	-	-	-	-	-	(4,874)	(4,874)
Balance as at September 30, 2006	6,900,000	2,426,356	128,953	8,586,545	6,073,812	17,280,219	41,395,885	877,753	42,273,638
Profit for the period from October to December 31, 2006	-	-	-	-	-	4,485,912	4,485,912	18,781	4,504,693
Exchange translation released on disposal of investments	-	(55,709)	-	-	-	-	(55,709)	-	(55,709)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	30,663	30,663	-	30,663
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	10,913	-	-	-	-	10,913	16,230	27,143
Total recognized income and expense for the period	-	(44,796)	-	-	-	4,516,575	4,471,779	35,011	4,506,790
Transferred to statutory reserves	-	-	3,552	628,162	-	(631,714)	-	-	-
Cash dividend paid at Rs. 1 per share	-	-	-	-	-	(690,000)	(690,000)	-	(690,000)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	553	553
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 September 30, 2007	-	-	-	-	-	10,100,291	10,100,291	65,906	10,166,197
Exchange translation released on disposal of investments	-	(188,265)	-	-	-	-	(188,265)	-	(188,265)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	59,992	59,992	-	59,992
Effect of translation of net investment in foreign branches, subsidiaries and joint ventures	-	595,313	-	-	-	-	595,313	15,029	610,342
Total recognized income and expense for the period	-	407,048	-	-	-	10,160,283	10,567,331	80,935	10,648,266
Transferred to statutory reserves	-	-	21,625	921,256	-	(942,881)	-	-	-
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	-	-	-	-	-	-	-	3,735	3,735
Balance as at September 30, 2007	6,900,000	2,788,608	154,130	10,135,963	6,073,812	28,312,482	54,364,995	997,987	55,362,982

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months period ended September 30, 2007

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.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962, 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 group for the year ended December 31, 2006.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

The Financial risk management objectives 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	September 30, 2007			December 31, 2006		
		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>							
		39,531	-	39,531	86,392	-	86,392
	6.1	12,363,786	-	12,363,786	14,782,250	-	14,782,250
		224,014	-	224,014	224,382	-	224,382
<i>Overseas Government securities</i>							
		40,370	-	40,370	166,996	-	166,996
		12,667,701	-	12,667,701	15,260,020	-	15,260,020
Debtures and Corporate Debt Instruments							
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
		113,811,839	7,452,575	121,264,414	35,891,929	21,337,072	57,229,001
		5,114,306	-	5,114,306	987,349	-	987,349
		11,507,781	-	11,507,781	20,653,643	-	20,653,643
		1,654,858	-	1,654,858	864,805	-	864,805
		8,161,570	-	8,161,570	6,163,192	-	6,163,192
<i>Overseas Government securities</i>							
<i>Fully paid-up ordinary shares:</i>							
		3,131,859	-	3,131,859	1,679,827	-	1,679,827
		452,642	-	452,642	455,613	-	455,613
<i>Debtures and Corporate Debt Instruments</i>							
		513,311	-	513,311	510,926	-	510,926
		17,123,186	-	17,123,186	12,117,227	-	12,117,227
		39,656	-	39,656	32,134	-	32,134
		200,000	-	200,000	171,667	-	171,667
		825,958	-	825,958	183,414	-	183,414
		162,536,966	7,452,575	169,989,541	79,711,726	21,337,072	101,048,798
Investment in associates and joint venture companies							
		4,043,821	-	4,043,821	3,278,658	-	3,278,658
		179,248,488	7,452,575	186,701,063	98,250,404	21,337,072	119,587,476

6.1 The market value of securities classified as held-to-maturity amounted to Rs. Rs. 10,754 million (2006: Rs. 12,625 million) as at September 30, 2007.

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:

	September 30, 2007	December 31, 2006
----- (Rupees in '000) -----		
Opening balance	518,932	562,065
Reversed during the period / year	(56,495)	(13,697)
Amount written off	(26,593)	(29,436)
Closing balance	435,844	518,932

7 ADVANCES	Note	September 30, 2007	December 31, 2006
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc.			
In Pakistan		282,574,670	291,209,502
Outside Pakistan		49,895,126	38,068,479
		<u>332,469,796</u>	<u>329,277,981</u>
Net investment in finance lease - in Pakistan		9,311,164	11,827,390
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		6,715,836	9,843,365
Payable outside Pakistan		20,144,830	20,415,802
		26,860,666	30,259,167
Provision against non-performing advances	7.2	(22,995,435)	(21,931,853)
		<u>345,646,191</u>	<u>349,432,685</u>

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

In Pakistan	7.3	5,621,825	6,622,757
Outside Pakistan		492,000	493,578
		6,113,825	7,116,335
Provision		(6,113,825)	(7,116,335)
		<u>-</u>	<u>-</u>

- 7.1 Advances include Rs. 34,729 million (2006: Rs. 30,032.988 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	September 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	707,643	-	707,643	-	-	-	707,643	-	707,643
Substandard	6,429,981	810,730	7,240,711	686,406	-	686,406	5,743,575	810,730	6,554,305
Doubtful	3,277,926	216,244	3,494,170	1,193,482	136,314	1,329,796	2,084,444	79,930	2,164,374
Loss	15,031,180	8,255,467	23,286,647	11,431,649	8,255,467	19,687,116	3,599,531	-	3,599,531
	<u>25,446,730</u>	<u>9,282,441</u>	<u>34,729,171</u>	<u>13,311,537</u>	<u>8,391,781</u>	<u>21,703,318</u>	<u>12,135,193</u>	<u>890,660</u>	<u>13,025,853</u>
General Provision									
	-	-	-	993,928	298,189	1,292,117	-	-	-
	<u>25,446,730</u>	<u>9,282,441</u>	<u>34,729,171</u>	<u>14,305,465</u>	<u>8,689,970</u>	<u>22,995,435</u>	<u>12,135,193</u>	<u>890,660</u>	<u>13,025,853</u>

7.2 Particulars of provision for non-performing financing

	September 30, 2007			December 31, 2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	20,518,688	1,413,165	21,931,853	32,011,517	1,531,749	33,543,266
Exchange adjustment	39,698	(10,241)	29,457	1,160,608	(10,388)	1,150,220
Charge for the period / year	1,706,803	85,798	1,792,601	3,089,217	50,219	3,139,436
Reversals	(37,234)	(188,790)	(226,024)	(117,814)	(158,415)	(276,229)
	1,669,569	(102,992)	1,566,577	2,971,403	(108,196)	2,863,207
Amounts written off	(698,665)	-	(698,665)	(8,508,505)	-	(8,508,505)
Other movements	166,215	-	166,215	(7,116,335)	-	(7,116,335)
Closing balance	<u>21,695,505</u>	<u>1,299,932</u>	<u>22,995,435</u>	<u>20,518,688</u>	<u>1,413,165</u>	<u>21,931,853</u>

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

	September 30, 2007	December 31, 2006
	----- (Rupees in '000) -----	
Opening balance	7,116,335	-
Exchange adjustment	(1,578)	-
Reversal	(289,542)	-
Transferred during period / year	(166,214)	7,116,335
Write off	(545,176)	-
	<u>6,113,825</u>	<u>7,116,335</u>

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

	September 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 Group or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	538,152	572,510	342,765	58,477	253,864	333,004	196,000	148,877
- in respect of key management personnel	288,892	288,892	118,538	14,073	184,427	184,427	106,400	47,337
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	-	-	-	-	-	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, highest amount outstanding during the period / year, and loan repaid during the period is considered the most meaningful information to represent the transactions 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
8.1 Addition to fixed assets

For the nine months period ended
September 30, 2007 **September 30,**
2006
(Rupees in '000)

The following additions have been made to tangible fixed assets during the period ended September 30, 2007:

Land	202,657	69,441
Building including related machinery	457,431	15,441
Furniture, fixtures and office equipments	1,044,765	488,603
Vehicles	13,718	43,892
Intangible assets	53,974	38,125
Capital work-in-progress	444,805	206,550
	<u>2,217,350</u>	<u>862,052</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible fixed assets during the period ended September 30, 2007:

Land	16,017	14,490
Building including related machinery	24,969	1,390
Furniture, fixtures and office equipments	186,028	114,685
Vehicles	62,873	105,930
	<u>289,887</u>	<u>236,495</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	September 30, 2007	December 31, 2006
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	11,561,327	15,678,110
Locally manufactured machinery refinance scheme	6,747	9,145
Long term finance - export oriented projects	7,303,350	8,213,632
Repurchase agreement borrowings	<u>7,427,686</u>	<u>21,285,463</u>
	<u>26,299,110</u>	<u>45,186,350</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	1,258,333	1,881,744
Outside Pakistan:		
Overdrawn nostro accounts	75,110	692,708
Borrowings of overseas branches	8,086,167	8,631,468
	<u>8,161,277</u>	<u>9,324,176</u>
	<u>9,419,610</u>	<u>11,205,920</u>
	<u><u>35,718,720</u></u>	<u><u>56,392,270</u></u>
 10 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	172,032,424	135,098,044
Savings chequing account	171,417,000	168,057,000
Other savings account	62,192,153	52,325,375
Current accounts - non-remunerative	<u>107,176,920</u>	<u>90,350,296</u>
	512,818,497	445,830,715
Financial institutions		
Remunerative deposits	11,405,778	8,612,135
Non-remunerative deposits	3,842,484	4,697,348
	<u>15,248,262</u>	<u>13,309,483</u>
	<u><u>528,066,759</u></u>	<u><u>459,140,198</u></u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	September 30, 2007	December 31, 2006
Note	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	11.1 7,283,008	7,334,729
- investments	11.2 169,894	17,656
Surplus on revaluation of assets - net of deferred tax	<u>7,452,902</u>	<u>7,352,385</u>

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 during the period / year	-	131,519
Surplus realised on disposal of revalued properties during the period / year	(23,631)	(18,517)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(36,361)	(48,341)
Related deferred tax liability of incremental depreciation charged during the period / year	(19,579)	(26,030)
Surplus on revaluation of fixed assets as at period / year end	<u>7,910,042</u>	<u>7,989,613</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	654,884	675,067
- revaluation of Group's properties recognised / (adjusted) during the period / year	(8,271)	5,847
- incremental depreciation charged during the period / year transferred to profit and loss account	(19,579)	(26,030)
	<u>627,034</u>	<u>654,884</u>
	<u>7,283,008</u>	<u>7,334,729</u>

11.2 Surplus / (deficit) on revaluation of available-for-sale investments

Market treasury bills	(219,486)	(92,722)
Pakistan investment bonds	(123,871)	(142,457)
Listed securities	429,539	155,506
NIT units	28,127	20,605
Other investments	145,163	88,456
	259,472	29,388
Less: related deferred tax liability	(89,578)	(11,732)
	<u>169,894</u>	<u>17,656</u>

	September 30, 2007	December 31, 2006
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees	<u>9,496,768</u>	<u>10,934,318</u>
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	828,559	721,858
Financial institutions	1,256,856	844,157
Others	<u>35,491,967</u>	<u>30,129,415</u>
	<u>37,577,382</u>	<u>31,695,430</u>
12.3 Trade-related commitments		
Credit cash	142,419,095	102,510,323
Credit documentary acceptances	13,809,114	12,375,995
Credit acceptances	<u>10,836,193</u>	<u>9,278,055</u>
	<u>167,064,402</u>	<u>124,164,373</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>45,263,384</u>	<u>44,311,700</u>
12.5 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.		
	September 30, 2007	December 31, 2006
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>36,965,662</u>	<u>52,898,091</u>
Sale	<u>42,189,360</u>	<u>44,985,569</u>
Commitments in respect of foreign currency options		
Purchase	<u>1,182,615</u>	<u>1,470,566</u>
Sale	<u>1,182,615</u>	<u>1,470,566</u>
The above commitments have maturities falling within one year.		
12.7 Commitments for acquisition of operating fixed assets / intangibles	<u>863,422</u>	<u>587,277</u>

13	MARK-UP / RETURN / INTEREST EARNED	Note	For the nine months period ended	
			September 30, 2007	September 30, 2006
			(Rupees in '000)	
	<i>On loans and advances to:</i>			
	- Customers		26,880,076	23,535,456
	- Financial institutions		1,289,505	1,000,103
	<i>On investments:</i>			
	- Available-for-sale	13.1	7,291,699	5,350,771
	- Held-to-maturity		824,222	888,104
	On deposits with financial institutions		178,771	1,000,102
	On lendings to financial institutions		510,202	353,623
			36,974,475	32,128,159

- 13.1 During the period State Bank of Pakistan (SBP) 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 and is pursuing the claim with Government of Pakistan.

14	MARK-UP / RETURN / INTEREST EXPENSED	For the nine months period ended	
		September 30, 2007	September 30, 2006
		(Rupees in '000)	
	Deposits	12,166,956	7,882,008
	Securities sold under repurchase agreement borrowings	454,899	284,784
	Other short term borrowings	1,088,935	1,299,546
	Long term borrowings	127,310	76,658
	Others	154,288	267
		13,992,388	9,543,263

15 INCOME / GAIN ON INVESTMENTS

Dividend income	412,514	179,080
Share of profit of associates and joint venture	1,059,450	88,677
Gain on sale of securities	230,610	32,384
	1,702,574	300,141

- 16 During the period 777 (2006: Rs. 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: Rs. 1,719 million) was paid under the separation scheme which is included in administrative expenses.

17.1 Key management personnel

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

	For the nine months period ended	
	September 30, 2007	September 30, 2006
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,091,149	951,534
Contribution to provident and benevolent fund	13,847	11,836
Number of persons	144	175

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 period. The amount for the period amounted to Rs. 317 million (2006: Rs. 286 million).

17.3 In the period 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. 24 million.

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months period ended September 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	18,062	4,813	411	4,986	1,857	30,129
Total expenses including provision	5,989	1,408	58	2,431	4,140	14,026
Net income (loss)	12,073	3,405	353	2,555	(2,283)	16,103
Segment assets (gross)	117,915	245,000	182,940	117,784	18,933	682,572
Segment non-performing loans	6,763	9,734	-	9,774	14,571	40,842
Segment provision required including general provision	4,354	3,023	-	9,206	12,962	29,545
Segment liabilities including equity	381,090	104,990	11,885	82,665	72,397	653,027
Segment return on asset (%)	8.49%	9.20%	6.42%	4.70%	1.04%	-
Segment cost of funds (%)	2.48%	7.38%	6.42%	1.83%	-	-

	For the nine months period ended September 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	18,871	4,424	441	3,651	316	27,703
Total expenses including provision	6,650	1,949	71	2,413	4,111	15,194
Net income (loss)	12,221	2,475	370	1,238	(3,795)	12,509
Segment assets (gross)	145,282	214,046	71,608	98,631	40,769	570,336
Segment non-performing loans	4,641	5,080	-	13,842	18,808	42,371
Segment provision required including general provision	3,207	3,882	-	13,277	15,067	35,433
Segment liabilities including equity	329,962	69,815	23,619	61,017	50,490	534,903
Segment return on asset (%)	9.74%	9.76%	6.47%	5.43%	3.96%	-
Segment cost of funds (%)	2.81%	7.70%	6.47%	2.57%	0.34%	-

19 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

	September 30, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	21,374	34,741
Investments	74,271	64,919
Murabaha	8,581	26,071
Ijara	947,944	1,139,902
Other assets	147,218	7,266
Operating fixed assets	1,701	772
	<u>1,201,089</u>	<u>1,273,671</u>
LIABILITIES		
Borrowings from financial institutions	429,293	489,090
Deposit and other accounts	20,341	9,259
Other liabilities	32,828	105,773
	<u>482,462</u>	<u>604,122</u>
NET ASSETS	<u>718,627</u>	<u>669,549</u>
REPRESENTED BY:		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	259,966	176,845
Unappropriated / Unremitted profit	(1,786)	36,408
	<u>705,252</u>	<u>660,325</u>
Surplus on revaluation of assets	13,375	9,224
	<u>718,627</u>	<u>669,549</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 0.053 million (2006: Rs. 0.057 million).

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on October 17, 2007.

President and Chief Executive Officer

Director

Director

Director