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Corporate Information

Board of Directors	Ali Raza D. Habib Abbas D. Habib Anwar Haji Karim Hasnain A. Habib Imtiaz Alam Hanfi Murtaza H. Habib Qumail R. Habib Shameem Ahmed Syed Mazhar Abbas Tariq Iqbal Khan	<i>Chairman</i> <i>Chief Executive & Managing Director</i> <i>Executive Director</i>
Audit Committee	Syed Mazhar Abbas Ali Raza D. Habib Anwar Haji Karim Shameem Ahmed Murtaza H. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	A. Saeed Siddiqui	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	M/s. Gangjees Registrar Services (Pvt) Ltd. 516, Clifton Centre, Khayaban-e-Roomi, Block - 5, Clifton, Karachi-75600.	
Website	www.bankalhabib.com	



Directors' Report

The Directors are pleased to present the Seventeenth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2007.

The operating results and appropriations, as recommended by the Board, are placed below:

	(Rupees in '000)
Profit for the year before tax	3,052,227
Taxation	(840,894)
Profit for the year after tax	2,211,333
Unappropriated profit brought forward	1,474,441
Transfer from surplus on revaluation of fixed assets – net of tax	7,367
	1,481,808
Profit available for appropriations	3,693,141
Appropriations:	
Transfer to Statutory Reserve	(442,267)
Cash Dividend – 2006	(394,400)
Issue of Bonus Shares – 2006	(1,051,734)
	(1,888,401)
Unappropriated profit carried forward	1,804,740
	Rs. 6.01

For the year ended December 31, 2007, the Directors propose a cash dividend of 15%, i.e., Rs. 1.50 per share and also 30 bonus shares for every 100 shares held, i.e., 30%.

Performance Review

Allhamdolillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 114,819 million against Rs. 91,420 million a year earlier, while advances increased to Rs. 79,224 million from Rs. 70,796 million. Foreign Trade Business handled by the Bank during the year was Rs. 219,100 million. Profit before tax for the year increased to Rs. 3,052 million as compared to Rs. 2,689 million a year earlier, while profit after tax increased to Rs. 2,211 million against Rs. 1,761 million last year.

During the year, the Bank opened 23 branches, bringing the network of branches to 175, including four Islamic Banking Branches and one overseas branch in the Kingdom of Bahrain. Now, your Bank has presence in 44 cities and towns of Pakistan. As before, we endeavour to locate our branches in residential-cum-commercial areas, thus providing the facility of *"Banking at Your Doorstep"*.



In February 2007, the Bank successfully completed its second issue of rated, listed, unsecured, and subordinated Term Finance Certificates (TFCs) amounting to Rs. 1,500 million. These TFCs qualify as eligible Tier II capital of the Bank, which will support future growth in our operations. The total TFC issue included private placement of Rs. 1,125 million and public offer of Rs. 375 million.

During the year, four Board meetings were held and the attendance of each Director was as follows:

<u>Name of Director</u>	<u>Total Number of Board Meetings</u>	<u>Number of meetings attended</u>
Mr. Ali Raza D. Habib	4	4
Mr. Abbas D. Habib	4	4
Mr. Imtiaz Alam Hanfi	4	4
Mr. Anwar Haji Karim	4	4
Mr. Qumail R. Habib	4	4
Mr. Tariq Iqbal Khan	4	2
Mr. Murtaza H. Habib	4	3
Syed Mazhar Abbas	4	3
Mr. Hasnain A. Habib	4	1
Mr. Shameem Ahmed	4	2

We are grieved to inform the sad passing away of Mr. Mahmood S. Allarakhia, our General Manager, Chief Financial Officer, and Company Secretary, in January 2008. The Board wishes to place on record its deep sorrow and grief on his demise. The Board also wishes to place on record its highest appreciation of his services to the Bank, which he carried out with full devotion and commitment. He was one of the founding members of the Bank and his contribution towards the establishment and growth of the Bank was invaluable. He was held in high esteem for his strong professional and ethical values by his colleagues and others who came in contact with him. He will also be remembered for his human qualities of kindness and affection. May Allah rest his soul in peace and grant courage to the bereaved family to bear this loss with fortitude.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's credit ratings of **AA** (Double A) for long term and **A1+** (A One plus) for short term. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments.

Future Outlook

Consistency of economic policies and market-friendly reforms over the last several years resulted in five-year average GDP growth rate of about 7 percent in Pakistan. Recent uncertainties in the global and domestic economic environments indicate the need for continued prudence in the years ahead. Key challenges include rising international energy prices and high food commodity prices, and their impact on trade balance, fiscal balance, and inflation. However, given the past track-record and resilience of our economy, we believe that these challenges will be successfully overcome. Accordingly, we are optimistic that the Bank will continue to progress in all areas of its operations, including branch expansion.



Audit Committee

During the year, the Audit Committee was reconstituted by the Board and Mr. Murtaza H. Habib was co-opted as a new member of the Audit Committee.

The Audit Committee of the Bank comprises of the following members:

Syed Mazhar Abbas	Chairman
Mr. Ali Raza D. Habib	
Mr. Anwar Haji Karim	
Mr. Shameem Ahmed	
Mr. Murtaza H. Habib	

Auditors

The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Bank for the year ending December 31, 2008, at a fee to be mutually agreed.

Risk Management Framework

The Bank always had a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has been developed over the years and continues to be refined and improved. Its salient features are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; prescribed documentation requirements; and post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; specific senior management approval for each investment; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Risk Management Committee of the Board provides supervision and guidance in managing the Bank's market and liquidity risks.
- Operational risk is managed through the audit policy and the operational risk policy approved by the Board, along with the policy on prevention of frauds and forgeries; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Division, including a Middle Office that independently monitors and analyses the risks inherent in our Treasury operations. The steps taken by the Division include: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of forward foreign exchange gap positions; more detailed reporting of TFCs and equities portfolios; development of improved procedures for equities trading and settlements; and monitoring of off-market foreign exchange rates and foreign exchange earnings. During the year, the Division has further reviewed and updated existing policies covering management of liquidity risk, market risk, and operational risk. In addition, the country risk management policy was also reviewed and updated.



Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. There are no doubts upon the Bank's ability to continue as a going concern.
8. Key operating and financial data for last six years are summarized below:

		(Rupees in million)					
		2007	2006	2005	2004	2003	2002
Total customer deposits		114,819	91,420	75,796	62,170	46,178	34,240
Total advances		79,224	70,796	55,304	47,366	35,232	23,775
Profit before tax		3,052	2,689	2,022	1,039	1,513	619
Profit after tax		2,211	1,761	1,464	541	1,012	290
Shareholders' Equity		8,014	6,186	4,745	3,274	2,726	1,822
Earnings per share *	(Rs)	6.01	4.78	3.98	1.47	2.75	0.80
Cash Dividend	(%)	15	15	15	–	10	–
Stock Dividend – Interim	(%)	–	–	20	–	–	–
Final	(%)	30	40	20	35	25	25
		30	40	40	35	25	25

* Earnings per share from 2002 to 2006 have been recalculated based on the existing paid-up capital.

Value of investments of Provident Fund and Gratuity Fund Schemes for the financial year ended December 31, 2007 were as follows:

	Rs. in '000
Provident Fund	418,732
Gratuity Fund	132,099



9. The pattern of shareholding and additional information regarding pattern of shareholding is given on Pages 84-85
10. No trades in the shares of the Bank were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

General

In the end, we are grateful to our valued customers for their continued trust and support. We would also like to take this opportunity to thank the State Bank of Pakistan for their guidance and to our foreign and local correspondent banks for their valuable services. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these results.

On behalf of the Board of Directors

Karachi: February 21, 2008

ALI RAZA D. HABIB
Chairman



Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2007

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of non-executive directors on its Board of Directors. At present the Board includes eight (8) non-executive directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Bank, except for the nominee Director of National Investment Trust (NIT).
3. All the Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Bank's "Statement of Ethics and Business Practices", has been signed by all the Directors and employees.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Bank are well conversant with their duties and responsibilities.
10. The Chief Financial Officer and Company Secretary were appointed prior to the enforcement of the Code of Corporate Governance. During the year, the Head of Internal Audit retired, and a new Head of Internal Audit was appointed by the Board of Directors. (Subsequent to December 31, 2007, in January 2008, the Chief Financial Officer and Company Secretary passed away, and these vacancies were filled with the approval of the Board of Directors.)
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of five (5) non-executive directors as members including the Chairman of the Committee.
16. Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee were revised in accordance with the requirement of the Code and advised to the committee for compliance.
17. The Bank has an effective internal audit division that is manned by experienced and qualified personnel. The audit team is conversant with the policies and procedures of the Bank and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all the other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Karachi: February 21, 2008

ALI RAZA D. HABIB
Chairman



Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bank AL Habib Limited ("The Bank") to comply with Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2007.

Karachi: February 21, 2008

KPMG Taseer Hadi & Co.
Chartered Accountants



Statement on Internal Controls

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits, etc., as detailed in various manuals, circulars and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in banking business and operations.

The Internal Control Systems are reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the Management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objective will be achieved.

During the year under review, we have endeavoured to follow guidelines issued by State Bank of Pakistan on internal controls and to incorporate these guidelines in the Bank's existing Internal Control System for evaluation and management of significant risks and we will endeavor to further improve our Internal Control System during 2008.

A. SAEED SIDDIQUI
Company Secretary

M. SALEEM CHASHMAWALA
Head of Internal Audit

Karachi: February 21, 2008

Board of Directors' Remarks on the Management's evaluation of Internal Controls

Keeping in view the feedback received by the Board of Directors from the Audit Committee and reports submitted as to the business policies and major risk related decisions taken by the Management, the Board of Directors endorse Management's evaluation of Internal Controls.

On behalf of the Board of Directors

Karachi: February 21, 2008

ALI RAZA D. HABIB
Chairman



Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Bank AL Habib Limited** as at 31 December 2007 and the related unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fourteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change referred to in note 7 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2007, and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: February 21, 2008

KPMG Taseer Hadi & Co.
Chartered Accountants



Balance Sheet as at 31 December 2007

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	8	13,766,500	9,346,431
Balances with other banks	9	604,742	1,232,902
Lendings to financial institutions	10	4,112,429	6,578,800
Investments - net	11	35,287,080	21,023,254
Advances - net	12	79,224,380	70,795,961
Operating fixed assets	13	5,786,287	3,910,067
Deferred tax assets - net		—	—
Other assets - net	14	2,452,856	2,110,622
		141,234,274	114,998,037
LIABILITIES			
Bills payable	15	2,394,482	1,390,613
Borrowings	16	9,826,525	10,788,554
Deposits and other accounts	17	114,818,855	91,419,963
Sub-ordinated loans	18	2,848,080	2,087,920
Liabilities against assets subject to finance lease	19	642,369	708,210
Deferred tax liabilities	20	559,646	370,727
Other liabilities	21	1,818,999	1,709,658
		132,908,956	108,475,645
NET ASSETS		8,325,318	6,522,392
REPRESENTED BY :			
Share capital	22	3,681,068	2,629,334
Reserves		2,527,949	2,082,561
Unappropriated profit		1,804,740	1,474,441
		8,013,757	6,186,336
Surplus on revaluation of assets - net of deferred tax	23	311,561	336,056
		8,325,318	6,522,392
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 47 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Profit and Loss Account for the year ended 31 December 2007

	Note	2007 (Rupees in '000)	2006
Mark-up /return/interest earned	25	9,945,872	7,857,745
Mark-up/return/interest expensed	26	(5,764,757)	(4,078,200)
Net mark-up/return/interest income		4,181,115	3,779,545
Provision against non-performing loans and advances - net	12.5	(92,687)	(19,652)
Provision for diminution in the value of investment	11.2.1	(579)	(1,307)
Bad debts written-off directly		–	–
		(93,266)	(20,959)
Net mark-up/return/interest income after provisions		4,087,849	3,758,586
NON MARK-UP/INTEREST INCOME			
Fees, commission and brokerage income		694,492	576,308
Dividend income		31,321	41,717
Income from dealing in foreign currencies		532,960	466,761
Gain on sale of securities	27	631,475	84,055
Unrealised gain on sale of securities classified as held for trading		–	–
Other income	28	240,576	194,403
Total non mark-up/interest income		2,130,824	1,363,244
		6,218,673	5,121,830
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	29	(3,166,045)	(2,432,395)
Other provisions/assets written-off		–	–
Other charges	30	(401)	(54)
Total non mark-up/interest expenses		(3,166,446)	(2,432,449)
Extra-ordinary/unusual items		–	–
PROFIT BEFORE TAXATION		3,052,227	2,689,381
Taxation – Current	31	(642,753)	(784,202)
– Prior years		–	(4,840)
– Deferred		(198,141)	(139,347)
		(840,894)	(928,389)
PROFIT AFTER TAXATION		2,211,333	1,760,992
			(Rupees)
Basic and diluted earnings per share	32	6.01	4.78

The annexed notes 1 to 47 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Statement of Changes in Equity for the year ended 31 December 2007

	Share Capital	Capital Reserve		Revenue Reserves		Unappropriated Profit	Total
		Statutory Reserve	Special Reserve	General Reserve	Exchange Translation Reserve		
	(Rupees in '000)						
Balance as at 01 Jan. 2006	2,191,112	1,063,014	126,500	540,000	–	825,169	4,745,795
Changes in equity for the year ended 31 December 2006							
Final Cash dividend paid for the year ended 31 December 2005	–	–	–	–	–	(328,667)	(328,667)
Transfer from surplus on revaluation of fixed assets - net of tax (note 23.2)	–	–	–	–	–	7,367	7,367
Exchange differences on translation of net investment in foreign branch	–	–	–	–	849	–	849
Profit for the year	–	–	–	–	–	1,760,992	1,760,992
Total recognised income and expense for the year	–	–	–	–	849	1,768,359	1,769,208
Transfer to statutory reserve	–	352,198	–	–	–	(352,198)	–
Issue of bonus shares	438,222	–	–	–	–	(438,222)	–
Balance as at 31 December 2006	2,629,334	1,415,212	126,500	540,000	849	1,474,441	6,186,336
<i>Changes in equity for the year ended 31 December 2007</i>							
Final cash dividend paid for the year ended 31 December 2006	–	–	–	–	–	(394,400)	(394,400)
Transfer from surplus on revaluation of fixed assets - net of tax (note 23.2)	–	–	–	–	–	7,367	7,367
Exchange differences on translation of net investment in foreign branch	–	–	–	–	3,121	–	3,121
Profit for the year	–	–	–	–	–	2,211,333	2,211,333
Total recognised income and expense for the year	–	–	–	–	3,121	2,218,700	2,221,821
Transfer to statutory reserve	–	442,267	–	–	–	(442,267)	–
Issue of bonus shares	1,051,734	–	–	–	–	(1,051,734)	–
Balance as at 31 December 2007	3,681,068	1,857,479	126,500	540,000	3,970	1,804,740	8,013,757

The annexed notes 1 to 47 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Cash Flow Statement for the

	2007	2006
	(Rupees in '000)	
Cash Flow From Operating Activities		
Profit before taxation	3,052,227	2,689,381
Dividend income	(31,321)	(41,717)
	3,020,906	2,647,664
Adjustments for:		
Depreciation	338,707	201,124
Amortisation	52,587	67,797
Provision against non-performing loans and advances	92,687	19,652
Provision for diminution in the value of investment	579	1,307
Gain on disposal of operating fixed assets	(20,453)	(17,727)
Financial charges on leased assets	85,613	50,954
Charge for compensated absences	54,102	10,000
	603,822	333,107
	3,624,728	2,980,771
Decrease / (Increase) in Operating Assets		
Lendings to financial institutions	2,466,371	(3,226,053)
Advances	(8,521,106)	(15,511,836)
Other assets (excluding advance taxation)	(333,771)	(236,708)
	(6,388,506)	(18,974,597)
Increase / (Decrease) in Operating Liabilities		
Bills Payable	1,003,869	(74,035)
Borrowings	(962,029)	4,512,686
Deposits	23,398,892	15,624,105
Other Liabilities	759,485	237,203
	24,200,217	20,299,959
	21,436,439	4,306,133
Income tax paid	(1,369,870)	(103,311)
Net cash flows from operating activities (Balance carried forward)	20,066,569	4,202,822

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*



year ended 31 December 2007

	Note	2007 (Rupees in '000)	2006
Net cash flows from operating activities (Balance brought forward)		20,066,569	4,202,822
Cash Flow From Investing Activities			
Net investments		(14,290,756)	(1,447,139)
Dividend received		31,919	40,429
Investments in operating fixed assets		(2,014,156)	(1,130,663)
Sale proceeds of property and equipment disposed-off		28,404	27,939
Net cash flows from investing activities		(16,244,589)	(2,509,434)
Cash Flow From Financing Activities			
Sub-ordinated loans		760,160	738,460
Payments of lease obligations		(404,847)	(202,331)
Dividend paid		(388,505)	(322,585)
Exchange differences on translation of net investment in foreign branch		3,121	849
Net cash flows from financing activities		(30,071)	214,393
Increase in cash and cash equivalents		3,791,909	1,907,781
Cash and cash equivalents at the beginning of the year		10,579,333	8,671,552
Cash and cash equivalents at the end of the year	33	14,371,242	10,579,333

The annexed notes 1 to 47 form an integral part of these financial statements.

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Notes to the Financial Statements for the year ended 31 December 2007

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 175 branches (2006: 152 branches), including a wholesale branch (2006: 01) in the Kingdom of Bahrain, a branch (2006: 01) in Karachi Export Processing Zone and four (2006: 03) Islamic Banking branches.

2. BASIS OF PRESENTATION

2.1 These financial statements represent separate financial statements of Bank AL Habib Limited. The consolidated financial statements of the Group are being issued separately.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.

The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions/balances. Key financial figures of the Islamic Banking branches are disclosed in Note 44 to these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan. In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank Pakistan differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan shall prevail.

The State Bank of Pakistan, vide its BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40, 'Investment Property' for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

In addition, Securities and Exchange Commission of Pakistan has notified the adoption of Islamic Financial Accounting Standard (IFAS) 1-Murabaha and Islamic Financial Accounting Standard (IFAS) 2 - Ijara issued by the Institute of Chartered Accountants of Pakistan. IFAS 2 is effective for financial periods beginning on and after 01 July, 2007.



During the year, amendments to IAS 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain additional disclosures. International Financial Reporting Standard (IFRS) 2 - Share Based Payment, IFRS 3 - Business Combinations, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 6 - Exploration for and Extraction of Mineral Resources, IFRIC 8 - Scope of IFRS 2 Share Based Payment and IFRIC 10 - Interim Financial Reporting and impairment became effective during the year. The application of these standards and interpretations did not have any material effect on the Bank's financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified by revaluation of leasehold land and buildings and valuation of certain investments and derivative financial instruments at fair value.

Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 45 to these financial statements.

Functional currency and presentation currency

These financial statements are presented in Pak Rupees which is the Bank's functional currency. Except as indicated, all financial information presented in Pak Rupees have been rounded to the nearest thousand.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 01 January 2008 are either not relevant to Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain increased disclosures:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of



that asset. The application of the standard is not likely to have an effect on Banks's financial statements.

IFRIC 9 - Reassessment of embedded derivatives - The IFRIC is effective during the year and will be applied together with application of IAS 39.

IFRIC 11 – IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own payment regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any material impact on the Bank's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Bank's operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as specified in note 7.

6.1 Cash and cash equivalents

Cash and cash equivalents, for the purpose of cash flow statement, represent cash and balances with treasury banks, balances with other banks in current, deposit and savings accounts with original maturity of three months or less.

6.2 Repurchase agreements

The Bank enters into purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognised. The amounts paid are recognised as lendings to financial institutions. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of investments are reported as borrowings.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognised on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.



6.3 Investments

In accordance with BSD Circular No. 10 dated 13 July 2004 as amended vide BSD Circular No. 11 dated 04 August 2004 and BSD Circular No. 14 dated 24 September 2004, issued by the State Bank of Pakistan, the Bank classifies its investment portfolio into 'Held for Trading', 'Held to Maturity' and 'Available for Sale' securities as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin.

Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold them till maturity.

Available for sale

These are investments, other than those in subsidiary and associates, which do not fall under the held for trading and held to maturity categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity and investments in associates and subsidiary, are valued at fair value being the quoted price as at 31 December 2007. Investments classified as held to maturity are carried at amortised cost.

Provision for diminution in the value of equity securities is made after considering permanent impairment, if any in their values and is taken to profit and loss account.

Investments in subsidiary, associates and unquoted securities are carried at cost less impairment loss, if any.

The difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

The surplus / deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Gain or loss on disposals of investments are dealt with through the profit and loss account in the year in which they arise.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised using the trade date method of accounting.

6.4 Advances

Loans and advances

Loans and advances including financing under murabaha and net investment in finance lease / ijarah are stated net of provisions for non-performing advances. Specific and General provisions for non-performing advances are determined keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written-off when they are considered irrecoverable.



Finance lease receivables / Ijarah financing receivable

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in loans and advances to customers.

Murabaha financing

Funds disbursed under murabaha arrangements for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Until last year, murabaha financing was being recorded as loans from the date the advance was disbursed (refer note 7).

6.5 Operating fixed assets

Tangible - owned

Leasehold lands are stated at revalued amounts. Buildings on leasehold land are stated at revalued amount less accumulated depreciation. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight line method by taking into consideration the estimated useful lives of the related assets. Depreciation is charged on prorata basis i.e. full month charge in the month of purchase and no charge in the month of disposal.

Residual value, useful lives and depreciation methods are reviewed and adjusted, if required, at each balance sheet date.

Gain or loss on disposal of fixed assets are included in income currently.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Costs incurred on renovations are capitalized as improvements to lease hold buildings.

Surplus on revaluation of fixed assets (net of deferred taxation) to the extent of the incremental depreciation charged on the revalued assets is transferred to retained earnings.

Tangible - leased

Leases where the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets - owned

Intangible assets are stated at cost less accumulated amortization. Amortization is based on straight line method by taking into consideration the estimated useful life of assets.

Capital work in progress

Capital work in progress is stated at cost.



6.6 Taxation

Income tax expense comprises of current and deferred tax. Income tax expenses are recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustments to the tax payable in respect of previous years.

Deferred

Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

6.7 Staff retirement benefits

Defined benefit plan - Employees' Gratuity Fund

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Board of Trustees. The Bank's costs and contributions are determined based on an actuarial valuation carried out at each year end using Projected Unit Credit Method. Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

Defined contribution plan - Employees' Provident Fund

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Board of Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

6.8 Revenue recognition

Mark-up income and expenses are recognized on a time proportion basis taking into account effective yield on the instrument, except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan on which mark-up is recognized on receipt basis.

Profit on murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha i.e. sale of goods to customer, is recognised immediately upon the later date.

Profits on diminishing musharaka financings are recognised on accrual basis.

Financing method is used in accounting for income from lease / ijara financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value



over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.

Fee, commission and brokerage income are recognized as services are performed.

Dividend income is recognized at the time of book closure of the company declaring dividend when the Bank's right to receive has been established.

Unrealised leased income and mark-up / return on non-performing loan are suspended, where necessary, in accordance with the requirements of the Prudential Regulations issued by State Bank of Pakistan and recognised on receipt basis.

6.9 **Foreign currencies**

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. The fair value of forward cover taken from the State Bank of Pakistan for foreign currency deposits is added / deducted from value of foreign currency deposits. Outstanding forward foreign exchange contracts and foreign bills purchased excluding swap contracts are valued at the market rates applicable to the respective maturities. However, premium on swap contracts is amortized over the period of swap and the movement in ready rates since the initiation of swap is also accounted for.

Exchange gains and losses are included in income currently except those arising on the translation of foreign branches which are taken to equity under 'Exchange Translation Reserve'.

The assets and liabilities of foreign operations are translated to Pakistani rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year.

6.10 **Dividends**

Dividends including stock dividends are accounted for in the period in which these are approved.

6.11 **Provision for guarantee claims and other off-balance sheet obligations**

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net-of expected recoveries.

6.12 **Contingent assets**

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

6.13 **Other provisions**

Other provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.



6.14 **Derivative financial instruments**

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The significant gain or loss on remeasurement to fair value is recognized in profit and loss account.

6.15 **Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

6.16 **Employees' compensated absences**

Employees' entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the balance sheet date.

6.17 **Off-setting**

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.18 **Impairment**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

6.19 **Segment reporting**

A segment is a distinguishable component of the Bank that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk.

Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities includes provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc to individual customers, small merchants and SMEs.

Corporate commercial banking

The commercial banking represents provision of banking services including Treasury and International Trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations issued by the State Bank of Pakistan.



Geographical segments

The Bank operates in two geographic regions, being:

- Pakistan
- Middle East

7. ADOPTION OF ISLAMIC FINANCIAL ACCOUNTING STANDARD - I, MURABAHA

7.1 Consequent to adoption of Islamic Financial Accounting Standard I – Murabaha issued by the Institute of Chartered Accountants of Pakistan, the Bank has changed its accounting policy in recording of murabaha transactions with retrospective effect. The Bank accounts for murabaha as follows:

- Funds disbursed for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at deferred sale price net of profit. Previously, murabaha financings were recorded at the time of disbursement of funds.
- Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Previously, these goods were recorded as advance against future murabaha.
- Profit for the period from the date of disbursement to the date of culmination of murabaha is recognized from the date of disbursement.

There is no effect of this change in policy on the profit and loss for the current or prior period.

	2007	2006
	(Rupees in '000)	
8. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	2,535,477	1,692,412
Foreign currencies	471,233	205,116
With State Bank of Pakistan in:		
Local currency current account	8.1 9,070,755	5,029,485
Local currency current account-Islamic Banking	8.2 88,000	115,000
Foreign currency deposit account		
Cash reserve account	561,100	487,084
Special Cash Reserve account	8.3 561,100	1,461,252
Local US Dollar collection account	8.4 20,978	29,775
With National Bank of Pakistan in:		
Local currency current account	457,857	326,307
	<u>13,766,500</u>	<u>9,346,431</u>



- 8.1 This represents statutory cash reserve maintained under Section 22 of the Banking Companies Ordinance, 1962.
- 8.2 This represents statutory cash reserve maintained by the Islamic Banking Division in accordance with BPD Circular No. 01 dated 01 January 2003 issued by Islamic Banking department of the State Bank of Pakistan.
- 8.3 This represents special cash reserve maintained against foreign currency deposits mobilised under FE-25 Circular issued by the State Bank of Pakistan and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. These carry markup at the rate of 4.24% per annum.
- 8.4 This represents US Dollar settlement account opened with the State Bank of Pakistan in accordance with FE Circular No. 02 dated 19 February 2004 and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. These carry markup at London Inter-Bank Offer Rate less 1%.

		2007	2006
		(Rupees in '000)	
9.	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current accounts	160,967	100,703
	In deposit accounts	9.1 2,500	2,500
	In savings accounts	9.2 15	110,000
	Outside Pakistan		
	In current accounts	181,073	595,378
	In deposit accounts	9.3 260,187	424,321
		604,742	1,232,902

- 9.1 This carries mark-up at the rate of 4.00% per annum (2006: 4.00%) maturing in October 2008.
- 9.2 These represent saving deposits by Islamic Banking Division with expected profit at the rate of 1.00% - 2.00% (2006: 4.32% - 7.00%) per annum.
- 9.3 These carry mark-up ranging from 3.75% - 5.30% (2006: 4.67% - 5.17%) per annum.



2007 2006
(Rupees in '000)

10. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency

Call money lendings	10.1	–	3,250,000
Certificates of Investment	10.2	300,000	1,900,000
Repurchase agreement lendings (Reverse Repo)	10.3	3,812,429	1,428,800
		<u>4,112,429</u>	<u>6,578,800</u>

10.1 These represent lendings made in the local inter-bank market at rates NIL (2006: 8.10% - 10.50%) per annum.

10.2 These are certificates of investment of financial institutions carrying profit rate of 9.85% (2006: 10.70 % - 11.55 %) and having a maturity period of upto three months.

10.3 Securities held as collateral against lendings to financial Institutions

	2007			2006		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	<u>3,812,429</u>	<u>–</u>	<u>3,812,429</u>	<u>1,428,800</u>	<u>–</u>	<u>1,428,800</u>

10.3.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 3,835 million (2006: Rs. 1,432 million). These carry markup rates ranging from 9.20% to 9.40% (2006: 8.70% to 8.75%) per annum and having maturity period upto three months.



11. INVESTMENTS

	2007			2006		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
11.1 Investments by type	(Rupees in '000)					
Available for sale securities	11.3					
Market Treasury Bills	26,213,053	-	26,213,053	12,656,048	2,428,711	15,084,759
Pakistan Investment Bonds	1,408,845	-	1,408,845	1,320,296	-	1,320,296
Government of Pakistan Bonds	306,332	-	306,332	-	-	-
Ordinary shares of listed companies and closed end mutual funds	258,145	-	258,145	516,141	-	516,141
Ordinary shares of unlisted companies	35,700	-	35,700	35,700	-	35,700
Term Finance Certificates						
- Listed	537,928	-	537,928	204,990	-	204,990
Sukuk Certificates	874,000	-	874,000	-	-	-
Open ended mutual funds	80,000	-	80,000	249,752	-	249,752
S.W.I.F.T.	4,750	-	4,750	4,175	-	4,175
	29,718,753	-	29,718,753	14,987,102	2,428,711	17,415,813
Held to maturity securities	11.4					
Pakistan Investment Bonds	2,714,138	-	2,714,138	2,066,584	-	2,066,584
Sukuk Certificates	333,413	-	333,413	25,000	-	25,000
Term Finance Certificates						
- Listed	326,303	-	326,303	345,509	-	345,509
- Unlisted	403,119	-	403,119	261,869	-	261,869
Unlisted WAPDA Bonds	600,014	-	600,014	600,044	-	600,044
	4,376,987	-	4,376,987	3,299,006	-	3,299,006
Associated companies						
Listed						
- Habib Sugar Mills Ltd.	11.1.2 180,977	-	180,977	21,142	-	21,142
- First Habib Income Fund	750,000	-	750,000	-	-	-
Unlisted						
- Habib Asset Management Ltd.	13,500	-	13,500	13,500	-	13,500
	944,477	-	944,477	34,642	-	34,642
Subsidiary						
- AL Habib Capital Markets (Pvt) Ltd.	200,000	-	200,000	200,000	-	200,000
Investments at cost	35,240,217	-	35,240,217	18,520,750	2,428,711	20,949,461
Provision for diminution in the value of investment	11.2.2 (3,399)	-	(3,399)	(2,820)	-	(2,820)
Investments - Net of Provisions	35,236,818	-	35,236,818	18,517,930	2,428,711	20,946,641
Surplus on revaluation of available for sale securities	50,262	-	50,262	76,613	-	76,613
Total Investments - net	35,287,080	-	35,287,080	18,594,543	2,428,711	21,023,254
11.1.1 Strategic Investment						
Associated company						
- Habib Asset Management Ltd.	4,500	-	4,500	4,500	-	4,500
	4,500	-	4,500	4,500	-	4,500

11.1.2 This represents 3.597 million shares (2006: 2.672 million shares) of Habib Sugar Mills Limited carried at cost. During June 2007, 3.0 million shares were sold and subsequently 3.014 million shares were purchased. Further, the Bank sold 3.0 million shares and subsequently purchased 3.020 million shares during October 2007. The resulting capital gain has been taken to profit and loss account.



	Note	2007	2006						
(Rupees in '000)									
11.2 Investments by segment									
<i>Federal Government Securities</i>									
– Market Treasury Bills	11.5	26,213,053	15,084,759						
– Pakistan Investment Bonds	11.6	4,122,983	3,386,880						
– WAPDA Bonds	11.9	600,014	600,044						
– WAPDA Sukuk	11.10	775,000	25,000						
– Government of Pakistan Sukuk	11.10	308,413	–						
– Government of Pakistan Bonds	11.11	306,332	–						
		32,325,795	19,096,683						
<i>Fully paid-up ordinary shares and closed end mutual funds</i>									
– Listed companies and closed end mutual funds	11.3	258,145	516,141						
– Unlisted companies	11.7	35,700	35,700						
		293,845	551,841						
<i>Term Finance Certificates (TFCs)</i>									
– Listed TFCs	11.8	864,231	550,499						
– Unlisted TFCs	11.8	403,119	261,869						
		1,267,350	812,368						
<i>Others</i>									
– Associated companies	11.12	944,477	34,642						
– Subsidiary	11.13	200,000	200,000						
– Open ended mutual funds	11.3	80,000	249,752						
– Sukuk Certificates	11.10	124,000	–						
– S.W.I.F.T.	11.14	4,750	4,175						
		1,353,227	488,569						
Investment at cost		35,240,217	20,949,461						
Less: Provision for diminution in the value of investment	11.2.1	(3,399)	(2,820)						
		35,236,818	20,946,641						
Surplus on revaluation of available for sale securities		50,262	76,613						
Total investments - net		35,287,080	21,023,254						
11.2.1 Particulars of provision									
Opening balance		2,820	1,513						
Charge for the year		579	1,307						
Closing balance		3,399	2,820						
11.2.2 Particulars of provision in respect of type and segment									
Available for sale - fully paid ordinary shares - unlisted company									
– Pakistan Export Finance Guarantee Agency Ltd.		3,399	2,820						
11.2.3 Financial information of associated companies									
		2007		2006					
	Year Ended	Total Assets	Total Liabilities	Revenues	Profit/(Loss)	Total Assets	Total Liabilities	Revenues	Profit/(Loss)
(Rupees in '000)									
Habib Sugar Mills Ltd.	30 Sept. 07	2,939,436	959,764	2,838,960	216,213	2,395,706	832,639	4,019,324	215,589
Habib Asset Management Ltd.	30 June 07	42,720	10,048	4,750	(11,420)	29,139	47	401	(908)
First Habib Income Fund	30 June 07	1,057,646	11,201	18,704	17,143	–	–	–	–



11.3 Quality of available for sale securities

	2007			2006		
	Rating	Cost	Market value	Rating	Cost	Market value
		(Rupees in '000)			(Rupees in '000)	
Federal government securities						
- Market Treasury Bills	Unrated	26,213,053	26,191,428	Unrated	15,084,759	15,074,084
- Pakistan Investment Bonds	Unrated	1,408,845	1,484,272	Unrated	1,320,296	1,411,527
- Government of Pakistan Bonds	B+	306,332	305,180	-	-	-
- WAPDA Sukuk	Unrated	750,000	751,675	-	-	-
		28,678,230	28,732,555		16,405,055	16,485,611

Shares and close end mutual funds - listed

No. of ordinary shares		Name of Companies	Rating	Cost	Market value	Rating	Cost	Market value
2007	2006							
-	25,921	Atlas Battery Limited	-	-	-	Unrated	2,328	1,814
39,062	31,250	Attock Refinery Limited	AA-	5,156	9,816	AA-	5,156	2,603
201,595	201,595	Cherat Cement Company Limited	Unrated	15,938	8,003	Unrated	15,938	8,265
110,000	110,000	D.G. Khan Cement Company Limited	Unrated	10,231	10,417	Unrated	10,231	6,925
6,750	45,000	Engro Chemicals Pakistan Limited	AA	844	1,794	AA-	8,504	7,605
-	550,000	Fauji Fertilizer Bin Qasim Limited	-	-	-	Unrated	18,521	15,675
-	398,200	Fauji Fertilizer Company Limited	-	-	-	Unrated	44,696	42,030
33,373	401,493	International Industries Limited	Unrated	357	4,709	Unrated	5,720	43,763
-	300,000	Kot Adu Power Company Limited	-	-	-	Unrated	12,560	12,210
-	50,000	Lucky Cement Limited	-	-	-	Unrated	5,693	2,995
-	400,000	Maple Leaf Cement Factory Limited	-	-	-	Unrated	18,173	6,960
-	25,000	National Refinery Limited	-	-	-	AAA	7,499	6,475
-	100,000	Nishat Chunian Limited	-	-	-	Unrated	9,177	3,815
315,000	315,000	Oil and Gas Development Co. Limited	AAA	42,824	37,626	Unrated	42,824	36,131
-	133,600	Packages Limited	-	-	-	AA	26,139	28,056
1,000,000	-	Pakistan Capital Protected Fund - 1	Unrated	10,000	10,260	-	-	-
90,000	125,000	Pakistan Oil Fields	Unrated	32,482	30,096	Unrated	45,113	43,719
55,000	100,000	Pakistan Petroleum Limited	Unrated	9,304	13,478	Unrated	18,608	23,200
25,000	70,000	Pakistan State Oil Company Limited	AAA	8,064	10,165	AAA	22,578	20,580
4,875,000	4,875,000	Pakistan Strategic Allocation Fund	4-Star	48,750	44,119	5-Star	48,750	41,438
-	750,000	Pakistan Telecommunication Co. Ltd.	-	-	-	Unrated	46,256	33,225
250,000	250,000	PICIC Growth Fund	MFR 2-Star	10,028	7,125	4-Star	10,028	7,038
100,000	100,000	PICIC Investment Fund	MFR 3-Star	1,950	1,320	4-Star	1,950	1,450
-	26,250	Shell Pakistan Limited	-	-	-	Unrated	7,348	10,449
-	262,000	Sitara Energy Limited	-	-	-	Unrated	9,164	4,100
-	408,292	Standard Chartered Modaraba	-	-	-	AA+	10,970	6,206
1,597,500	1,597,500	The Hub Power Company Limited	Unrated	62,217	48,724	Unrated	62,217	43,133
				258,145	237,652		516,141	459,860

The par value of these share is Rs. 10 each.

Shares - unlisted

No. of ordinary shares		Name of Companies	Rating	Cost	Market value	Rating	Cost	Market value
2007	2006							
30	30	Khushhali Bank Limited	A-	30,000	30,000	A-	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Unrated	5,700	5,700	Unrated	5,700	5,700
				35,700	35,700		35,700	35,700



		2007		2006				
		Rating	Cost (Rupees in '000)	Market value (Rupees in '000)	Rating	Cost (Rupees in '000)	Market value (Rupees in '000)	
Term finance certificates - listed								
<u>No. of certificates</u>		<u>Name of Companies</u>						
2007	2006							
6,000	6,000	Allied Bank Limited	A+	29,988	31,975	A	30,000	30,099
5,000	5,000	Askari Bank Limited-II (formerly Askari Commercial Bank Limited-II)	AA-	24,980	26,123	AA	24,990	24,363
40,000	-	Engro Chemicals Pakistan Limited	AA	200,000	204,500	-	-	-
5,000	5,000	Jahangir Siddiqui & Company Ltd. - IV	AA+	24,990	25,740	AA+	25,000	25,498
6,600	-	NIB Bank Limited	A	33,000	33,000	-	-	-
20,000	20,000	Orix Leasing Pakistan Limited	AA+	99,980	102,679	AA+	100,000	100,000
20,000	-	Pak Arab Fertilizers Limited	AA	100,000	102,125	-	-	-
5,000	5,000	United Bank Limited - III	AA	24,990	26,396	AA-	25,000	25,058
				537,928	552,538		204,990	205,018

Sukuk Certificates

<u>No. of certificates</u>		<u>Name of Company</u>						
2007	2006							
20,000	-	Dar Al Arkan International Sukuk Co.	A-	124,000	122,140	-	-	-

Open ended mutual funds

<u>No. of units</u>		<u>Name of funds</u>						
2007	2006							
51,492	50,000	Atlas Islamic Fund	Unrated	25,000	28,146	Unrated	25,000	25,000
-	27,729	Atlas Stock Market Fund	-	-	-	Unrated	10,000	15,331
-	1,022,180	Dawood Money Market Fund	-	-	-	5-Star	77,252	107,702
-	520,731	Faysal Balanced Growth Fund	-	-	-	MFR 3 Star	37,500	52,474
100,000	-	HBL Stock Fund	Unrated	10,000	10,240	-	-	-
500,000	-	KASB Balanced Fund	Unrated	25,000	25,000	-	-	-
-	5,095,000	NAFA Cash Fund	-	-	-	A	50,000	53,600
1,000,000	-	NAFA Islamic Income Fund	Unrated	10,000	10,130	-	-	-
-	1,001,808	Pakistan International Element Islamic Fund	-	-	-	Unrated	50,000	47,955
100,000	-	United Islamic Income Fund	Unrated	10,000	10,164	-	-	-
				80,000	83,680		249,752	302,062

S.W.I.F.T.

<u>No. of shares</u>		<u>Name of Company</u>						
2007	2006							
24	24	S.W.I.F.T.	Unrated	4,750	4,750	Unrated	4,175	4,175
Total - Available for sale securities				<u>29,718,753</u>	<u>29,769,015</u>		<u>17,415,813</u>	<u>17,492,426</u>



11.3.1 Long term or medium term ratings are used.

11.4 The market value of held to maturity securities at 31 December 2007 amounted to Rs. 4,253 million (2006: 3,101 million).

11.5 Market Treasury Bills carry yield ranging from 9.00% - 9.39% per annum (2006: 8.64% - 9.00%) having maturity upto one year.

11.6 Pakistan Investment Bonds are for a period of 3, 5 and 10 years with yields ranging from 7.00% - 14.00 % per annum (2006: 7.00% - 14.00%). Pakistan Investment Bonds having a face value of Rs. 5 million are pledged with the Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-a-vis private fund accounts.

11.7 Particulars of investments in shares - unlisted - Available for sale

Cost of investments of the Bank in fully paid-up ordinary shares of unlisted companies are as follows:

No. of ordinary shares		Name of Companies	2007	2006
2007	2006		(Rupees in '000)	
30	30	Khushhali Bank Limited Formed as per the directive of the Government of Pakistan to provide micro finance in rural area for alleviating poverty. The par value per share is Rs. 1,000,000 Break-up value Rs. 1,027,293 per share. Chief Executive Officer: Mr. Ghalib Nishter	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited A Joint venture between Asian Development Bank and thirteen commercial banks in Pakistan. The par value per share is Rs. 10 Break-up value Rs. 4.04 per share. Chief Executive Officer: Mr. S. M. Zaeem.	5,700	5,700
			<u>35,700</u>	<u>35,700</u>



11.8 Particulars of Investment in Term Finance Certificates

Cost of investments of the Bank in Term Finance Certificates are as follows:

No. of Certificates		Redeemable Value per certificate	Maturity Date	Name of Companies	2007	2006
2007	2006				(Rupees in '000)	
Listed-Held to Maturity						
20,000	20,000	4,995.00	Feb-13	Askari Bank Limited-I (formerly Askari Commercial Bank Limited-I)	99,900	99,940
15,000	15,000	4,994.27	Nov-12	Bank Al Falah Limited	74,913	74,942
5,000	5,000	1,248.60	Apr-08	Jahangir Siddiqui & Company Ltd.	6,243	18,728
9,000	9,000	4,995.00	Feb-13	ABN Amro Bank (formerly Prime Commercial Bank Limited)	44,955	44,973
5,000	5,000	4,995.00	May-13	Soneri Bank Limited	24,975	24,985
-	7,928	-	Jun-07	Sui Southern Gas Company Ltd.	-	6,601
5,000	5,000	4,997.00	Feb-13	Standard Chartered Bank (Pakistan) Ltd. - III (formerly Union Bank Ltd. III)	24,985	24,995
4,000	4,000	4,999.50	Mar-13	United Bank Limited - II	19,998	19,999
5,000	5,000	4,998.00	Sep-14	United Bank Limited - III	24,990	25,000
1,070	1,070	4,994.39	Aug-12	United Bank Limited - I	5,344	5,346
					<u>326,303</u>	<u>345,509</u>
Listed-Available for sale						
6,000	6,000	4,998.00	Dec-14	Allied Bank Limited	29,988	30,000
5,000	5,000	4,996.00	Oct-13	Askari Bank Limited - II (formerly Askari Commercial Bank Limited-II)	24,980	24,990
40,000	-	5,000.00	Nov-15	Engro Chemicals Pakistan Limited - III	200,000	-
5,000	5,000	4,998.00	May-12	Jahangir Siddiqui & Company Limited - IV	24,990	25,000
20,000	20,000	4,999.00	May-12	Orix Leasing Pakistan Limited	99,980	100,000
20,000	-	5,000.00	Feb-12	Pak Arab Fertilizers Company (Private) Limited	100,000	-
6,600	-	5,000.00	Feb-16	NIB Bank Limited	33,000	-
5,000	5,000	4,998.00	Sep-14	United Bank Limited - III	24,990	25,000
					<u>537,928</u>	<u>204,990</u>
					<u>864,231</u>	<u>550,499</u>
Unlisted-Held to Maturity						
-	10	10,000,000.00	Jul-12	Pak Arab Fertilizers Co. (Pvt) Ltd.	-	100,000
50,000	-	5,000.00	Jan-13	Orix Leasing Pakistan Limited	250,000	-
35,000	35,000	4,374.83	Feb-11	Pakistan International Airlines Corporation	153,119	161,869
					<u>403,119</u>	<u>261,869</u>

TFCs of Pak Arab Fertilizers Company (Private) Limited were classified as 'Held to Maturity' by the Bank but the issuer of the TFCs had the call option against such TFCs and they exercised the option during the year.



These Term Finance Certificates are redeemable in half yearly installments and carry rate of return ranging from 8.45% - 12.49% per annum (2006: 8.45% - 13.06% per annum). The certificates of Bank Alfalah Limited, United Bank Limited, Soneri Bank Limited, ABN Amro Bank (formerly Prime Commercial Bank Limited), Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited), Allied Bank Limited and Askari Bank Limited (formerly Askari Commercial Bank Limited) are subordinated.

11.9 Particulars of Investment in WAPDA Bonds - Unlisted - Held to Maturity

Cost of investment of the Bank in WAPDA Bonds is as follows:

No. of bonds		Redeemable Value per certificate	Maturity Date	Name of Company	2007	2006
2007	2006				(Rupees in '000)	
120,000	120,000	5,000.00	Apr-08	Water and Power Development Authority	600,014	600,044

These Bonds are redeemable at the end of the tenor and carry rate of return equal to the State Bank of Pakistan discount rate less 0.25% per annum (2006: SBP's discount rate less 0.25%).

11.10 Particulars of Investment in Sukuk Certificates

Cost of investment of the Bank in Sukuk certificates is as follows:

No. of certificates		Redeemable value per certificate	Maturity Date	Name of Companies	Note	2007	2006
2007	2006					(Rupees in '000)	
Unlisted - Held to Maturity							
5,000	5,000	5,000.00	Oct-12	WAPDA First Sukuk Company Limited	11.10.1	25,000	25,000
50,000	-	6,200.00	Jan-10	Government of Pakistan Sukuk	11.10.2	308,413	-
						333,413	25,000
Unlisted - Available for Sale							
150,000	-	5,000.00	Jul-17	WAPDA Second Sukuk Company Limited	11.10.3	750,000	-
20,000	-	6,200.00	Jul-12	Dar Al Arkan International Sukuk Company	11.10.4	124,000	-
						874,000	-
						1,207,413	25,000

11.10.1 WAPDA first Sukuk certificates are redeemable semi-annually and carry rate of return equal to the Karachi Inter-Bank Offer Rate plus 35 basis points.

11.10.2 Government of Pakistan Sukuk are redeemable semi-annually and carry rate of return equal to six monthly London Inter-Bank Offer Rate plus a fixed credit spread of 220 basis points.

11.10.3 The return on WAPDA Second Sukuk certificates is on a six monthly Karachi Inter-Bank Offer Rate plus a fixed credit spread of 25 basis points.

11.10.4 The paid up value of Dar Al Arkan International Sukuk Company-Bahrain is US \$ 100 per Certificates. The return is on the basis of three month London Inter-Bank Offer Rate plus a fixed credit spread of 2.25 basis points.



11.11 Particulars of investment in Government of Pakistan Bonds

Cost of investment of the Bank in Government of Pakistan Bonds is as follows:

No. of bonds		Redeemable value per certificate	Maturity Date	Name of Company	2007	2006
2007	2006				(Rupees in '000)	
Unlisted - Available for Sale						
50,000	-	6,200.00	Feb-09	Government of Pakistan Bonds	306,332	-

The return on Government of Pakistan Bonds is at a fixed rate of 6.75% per annum.

11.12 Particulars of Investments in associated companies

Cost of investments of the Bank in associated companies is as follow:

No. of shares		Name of Companies	2007	2006
2007	2006		(Rupees in '000)	
- Listed				
3,596,664	2,671,998	Habib Sugar Mills Limited 6.24% of share capital of company is owned by the Bank. Market value Rs. 192.961 million (2006: Rs. 115.698 million) The par value per share is Rs. 5. Chief Executive: Mr. Raeesul Hassan	180,977	21,142
7,224,291	-	First Habib Income Fund Net Asset Value Rs. 101.67 (2006: NIL) The average cost per unit is Rs. 103.8 The par value per unit is Rs. 100 Investment Advisor - Habib Asset Management Limited Chief Executive of Investment Advisor: Mr. Imran Azim	750,000	-
- Unlisted				
1,350,000	1,350,000	Habib Asset Management Limited 30.00% of share capital of company is owned by the Bank The par value per share is Rs. 10 Break up value per share Rs. 7.26 Chief Executive: Mr. Imran Azim	13,500	13,500
			944,477	34,642



11.13 Particulars of Investment in subsidiary company - Unlisted

Cost of investment of the Bank in subsidiary company is as follows:

No. of shares		Name of Company	2007	2006
2007	2006		(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited 66.67% of share capital of company is owned by the Bank The par value per share is Rs. 10 Break up value per share Rs. 10.31 Chief Executive: Mr. Aftab Q. Munshi	<u>200,000</u>	<u>200,000</u>

11.14 Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based services by the Bank. Based on the Bank's financial contribution, the Bank has 24 shares (2006:24 shares) of S.W.I.F.T at year end.

12. ADVANCES		2007	2006
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
	In Pakistan	70,536,624	62,278,338
	Outside Pakistan	1,184,888	1,023,482
		71,721,512	63,301,820
Net investment in finance lease / Ijara financing			
	In Pakistan	639,852	402,819
	Outside Pakistan	-	-
		639,852	402,819
	Murabaha financing / receivable	1,007,878	454,365
Bills discounted and purchased (excluding market treasury bills)			
	Payable in Pakistan	2,625,735	1,992,115
	Payable outside Pakistan	3,451,721	4,885,086
		6,077,456	6,877,201
	Advances - gross	79,446,698	71,036,205
	Provision for non-performing advances	(222,318)	(240,244)
	Advances - net of provisions	79,224,380	70,795,961
12.1 Particulars of advances - gross:			
12.1.1 In local currency		66,922,499	59,587,134
In foreign currencies		12,524,199	11,449,071
		79,446,698	71,036,205
12.1.2 Short Term (for upto one year)		65,047,098	57,712,211
Long Term (for over one year)		14,399,600	13,323,994
		79,446,698	71,036,205



12.2 Net investment in finance lease/Ijara financing

	2007				2006			
	Not later than one year	Later than one year and less than five years	Over Five years	Total	Not later than one year	Later than one year less than five years	Over Five years	Total
	(Rupees in '000)							
Lease rentals receivable	200,632	512,845	-	713,477	87,456	393,497	-	480,953
Residual value	-	66,527	-	66,527	-	37,822	-	37,822
Minimum lease payments	200,632	579,372	-	780,004	87,456	431,319	-	518,775
Financial charges for future periods	(57,193)	(82,959)	-	(140,152)	(40,180)	(75,776)	-	(115,956)
Present value of minimum lease payments	143,439	496,413	-	639,852	47,276	355,543	-	402,819

	2007	2006
	(Rupees in '000)	
12.3 Murabaha receivable - gross	1,036,941	468,779
Deferred murabaha income	(9,138)	(7,756)
Profit receivable shown in other assets	(19,925)	(6,658)
Murabaha financings / receivables	<u>1,007,878</u>	<u>454,365</u>

12.3.1 This includes advance for murabaha aggregating to Rs. 98 million (2006: Rs. 207 million).

12.4 Advances include Rs. 216.628 million (2006: Rs. 388.263 million) which have been placed under non-performing status as detailed.

	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Substandard	22,291	-	22,291	5,573	-	5,573	5,573	-	5,573
Doubtful	27,145	-	27,145	13,576	-	13,576	13,576	-	13,576
Loss	167,192	-	167,192	167,192	-	167,192	167,192	-	167,192
	216,628	-	216,628	186,341	-	186,341	186,341	-	186,341
General Provision	-	-	-	-	-	-	35,977	-	35,977
	<u>216,628</u>	<u>-</u>	<u>216,628</u>	<u>186,341</u>	<u>-</u>	<u>186,341</u>	<u>222,318</u>	<u>-</u>	<u>222,318</u>

	2006								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	5,955	-	5,955	1,489	-	1,489	1,489	-	1,489
Doubtful	18,916	-	18,916	9,458	-	9,458	9,458	-	9,458
Loss	363,392	-	363,392	202,228	-	202,228	202,228	-	202,228
	388,263	-	388,263	213,175	-	213,175	213,175	-	213,175
General Provision	-	-	-	-	-	-	27,069	-	27,069
	<u>388,263</u>	<u>-</u>	<u>388,263</u>	<u>213,175</u>	<u>-</u>	<u>213,175</u>	<u>240,244</u>	<u>-</u>	<u>240,244</u>



12.4.1 The Prudential Regulations issued by the State Bank of Pakistan effective from 01 January 2004 require banks to maintain a general reserve equal to 1.5% of the consumer portfolio which is fully secured and 5% of the consumer portfolio which is unsecured to protect the Bank from the risk associated with the economic cyclical nature of this business. The Bank has created the general provision for secured and unsecured consumer portfolio amounting to Rs. 35.977 million (2006: Rs. 27.069 million).

12.4.2 During the year the Bank in line with the BSD Circular No. 07 dated 12 October 2007 issued by State Bank of Pakistan, changed its method of measuring provision against non-performing financings whereby the Forced Sale Value of the collateral is not considered in determining the provision. Previously, forced sale value of the collateral was considered for loans and advances over Rs. 10 million. Had the effect of Forced Sale Value been considered for loans and advances over Rs. 10 million, provision against non performing loans would have been lower by Rs. 35.522 million and profit before tax would have been higher by Rs. 35.522 million.

12.5 Particulars of provision against non-performing advances:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	213,175	27,069	240,244	195,152	27,069	222,221
Charge for the year	134,204	58,908	193,112	37,664	-	37,664
Reversals	(50,425)	(50,000)	(100,425)	(18,012)	-	(18,012)
	83,779	8,908	92,687	19,652	-	19,652
Amount written off 12.6	(110,613)	-	(110,613)	(1,629)	-	(1,629)
Closing balance	186,341	35,977	222,318	213,175	27,069	240,244

12.5.1 Particulars of provision against non-performing advances:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	186,341	35,977	222,318	213,175	27,069	240,244

12.6 Particulars of write offs:

	2007		2006	
	(Rupees in '000)			
12.6.1 Against provision	110,613		1,629	
Directly charged to profit and loss account	-		-	
	110,613		1,629	
12.6.2 Write-offs of Rs. 500,000 and above	110,435	12.7	1,524	
Write-offs of below Rs. 500,000	178		105	
	110,613		1,629	

12.7 Detail of loans written-off of Rs. 500,000 and above:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2007 is given in Annexure 1.



12.8	Particulars of Loans and Advances to Directors, Associated Companies, etc.	2007	2006
		(Rupees in '000)	
	(i) Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons.		
	Balance at beginning of the year	10,906	11,989
	Loans granted during the year	10,859	1,175
	Repayments	(19,074)	(2,258)
	Balance at end of the year	2,691	10,906
	(ii) 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		
	Balance at beginning of the year	247,615	260,000
	Loans granted during the year	728,478	262,730
	Repayments	(840,950)	(275,115)
	Balance at end of the year	135,143	247,615
	(iii) Debts due by subsidiary company, controlled firms and other related parties		
	Balance at beginning of the year	-	-
	Loans granted during the year	599,462	70,489
	Repayments	(599,462)	(70,489)
	Balance at end of the year	-	-
13.	OPERATING FIXED ASSETS		
	Capital work-in-progress	617,665	385,775
	Property and equipment	5,152,132	3,515,487
	Intangible assets	16,490	8,805
		5,786,287	3,910,067
13.1	Capital work-in-progress		
	Civil works	200,189	170,734
	Advance payment towards property and equipments	411,116	208,023
	Consultants' fee and other charges	6,360	7,018
		617,665	385,775



13.2 Property and equipment

	Cost/Revalued Amount			Depreciation			Book value	Rate of depreciation %
	As at 1 Jan. 2007	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2007	As at 1 Jan. 2007	Charge / (Deletions) Adjustments*	As at 31 Dec. 2007	As at 31 Dec. 2007	
(Rupees in '000)								
Owned								
Leasehold land	927,994	807,132	1,735,126	-	-	-	1,735,126	-
Buildings on leasehold land	1,733,661	689,148 (14,103)	2,408,706	121,957	80,923 (1,750)	201,130	2,207,576	2.00-6.67
Improvements to leasehold buildings	102,050	81,476 (5,092)	178,434	5,315	7,115 (265)	12,165	166,269	5
Furniture and fixtures	192,042	44,791 (10,519)	226,314	59,306	20,289 (3,786)	75,809	150,505	10
Electrical, office and computer equipment	68,658	117,551 (10,168) 97,756*	273,797	52,893	18,292 (7,262) 61,941*	125,864	147,933	20
Vehicles	6,300	19,977 (760)	25,517	1,891	1,596 (493)	2,994	22,523	20
	3,030,705	1,760,075 (40,642) 97,756*	4,847,894	241,362	128,215 (13,556) 61,941*	417,962	4,429,932	
Leased								
Electrical, office and computer equipment	674,078	209,685 (34,984) (97,756)*	751,023	128,825	154,650 (11,675) (61,941)*	209,859	541,164	20
Vehicles	239,954	60,515 (5,820)	294,649	59,063	55,842 (1,292)	113,613	181,036	20
	914,032	270,200 (40,804) (97,756)*	1,045,672	187,888	210,492 (12,967) (61,941)*	323,472	722,200	
	3,944,737	2,030,275 (81,446)	5,893,566	429,250	338,707 (26,523)	741,434	5,152,132	

* This represents transfer of equipments from leased to owned assets on completion of lease term.



2006

	Cost/Revalued Amount			Depreciation			Book value	
	As at 1 Jan. 2006	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2006	As at 1 Jan. 2006	Charge / (Deletions) Adjustments*	As at 31 Dec. 2006	As at 31 Dec. 2006	Rate of depreciation %
	(Rupees in '000)							
Owned								
Leasehold land	618,866	286,621 22,507*	927,994	-	-	-	927,994	-
Buildings on leasehold land	1,257,818	498,350 (22,507)*	1,733,661	63,782	58,175	121,957	1,611,704	2.00-6.67
Improvements to leasehold buildings	40,377	61,673	102,050	2,227	3,088	5,315	96,735	5
Furniture and fixtures	131,774	61,552 (1,284)	192,042	45,439	14,695 (828)	59,306	132,736	10
Electrical, office and computer equipment	60,511	11,907 (3,760)	68,658	53,184	3,165 (3,456)	52,893	15,765	20
Vehicles	3,566	3,980 (1,246)	6,300	2,328	558 (995)	1,891	4,409	20
	<u>2,112,912</u>	<u>924,083</u> (6,290)	<u>3,030,705</u>	<u>166,960</u>	<u>79,681</u> (5,279)	<u>241,362</u>	<u>2,789,343</u>	
Leased								
Electrical, office and computer equipment	283,282	394,278 (3,482)	674,078	48,477	81,519 (1,171)	128,825	545,253	20
Vehicles	116,174	132,295 (8,515)	239,954	20,882	39,924 (1,743)	59,063	180,891	20
	<u>399,456</u>	<u>526,573</u> (11,997)	<u>914,032</u>	<u>69,359</u>	<u>121,443</u> (2,914)	<u>187,888</u>	<u>726,144</u>	
	<u>2,512,368</u>	<u>1,450,656</u> (18,287)	<u>3,944,737</u>	<u>236,319</u>	<u>201,124</u> (8,193)	<u>429,250</u>	<u>3,515,487</u>	

13.3 Intangible assets

	2007			2006			Rate of amortization %
	Cost		As at 31 Dec.	Amortization		As at 31 Dec.	
As at 1 Jan.	Additions	As at 31 Dec.		As at 1 Jan.	Charge		As at 31 Dec.
	(Rupees in '000)						
Computer software	<u>69,069</u>	<u>22,193</u>	<u>91,262</u>	<u>60,264</u>	<u>14,508</u>	<u>74,772</u>	50
	(Rupees in '000)						
Computer software	<u>51,459</u>	<u>17,610</u>	<u>69,069</u>	<u>48,479</u>	<u>11,785</u>	<u>60,264</u>	50



13.4 Disposals / deletions of fixed assets during the year with original cost or book value in excess of Rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book Value	Sale Price	Mode of disposal	Particulars of purchaser
	(Rupees in '000)				
Furniture and Fixtures	2,507	925	373	Auction	Karachi Auction Mart, 7/C, Mai Kolachi Road, Karachi.

13.5 During the year no assets were disposed-off to the Chief Executive or a Director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party.

13.6 In 2004, leasehold land and buildings were revalued by M/s Iqbal A. Nanjee & Co. on the basis of market value which resulted in net surplus of Rs. 441.312 million over the book value of the assets as on 01 January 2004.

Had there been no revaluation, the net book value of specific classes of property, plant and equipment would have amounted to:

	Net Book Value	
	2007	2006
	(Rupees in '000)	
Leasehold land	1,673,611	866,479
Buildings on leasehold land	1,873,152	1,265,946
	3,546,763	2,132,425
	2007	2006
	(Rupees in '000)	

14. OTHER ASSETS

Income / mark-up accrued in local currency	1,638,433	1,425,230
Income / mark-up accrued in foreign currency	125,352	90,910
Advances, deposits, advance rent and other prepayments	422,965	235,425
Deferred costs	-	29,228
Unrealized gain on forward foreign exchange contracts	18,389	31,330
Stationery and stamps on hand	68,546	48,614
Receivable from SBP / Government of Pakistan	5,675	7,564
Non refundable deposits	119,985	128,837
Others	53,511	113,484
	2,452,856	2,110,622

14.1 This represents non refundable deposits paid in relation to acquisition of some Bank's properties. These are being written off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).



		2007	2006
		(Rupees in '000)	
15. BILLS PAYABLE			
In Pakistan		<u>2,394,482</u>	<u>1,390,613</u>
16. BORROWINGS			
In Pakistan		7,931,514	10,742,659
Outside Pakistan		1,895,011	45,895
		<u>9,826,525</u>	<u>10,788,554</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		7,931,514	10,742,659
In foreign currency		1,895,011	45,895
		<u>9,826,525</u>	<u>10,788,554</u>
16.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	16.3	6,479,025	7,037,717
Under Long Term Financing for Export Oriented Projects	16.4	1,452,489	1,276,231
Repurchase agreement borrowings	16.5	-	2,428,711
		<u>7,931,514</u>	<u>10,742,659</u>
Unsecured			
Borrowings from financial institutions	16.6	744,000	-
Overdrawn Nostros		1,151,011	45,895
		<u>9,826,525</u>	<u>10,788,554</u>
16.3	These borrowings carry mark-up rates at 6.50% (2006: 6.50% - 7.50%) per annum and are secured against promissory notes, undertakings in favour of the Bank and export documents, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
16.4	This represents borrowings from State Bank of Pakistan under Long Term Finance for Export Oriented Products at rates ranging from 4.00% - 5.00% (2006: 4.00% - 5.00%) per annum having maturity period of upto seven years and six months.		
16.5	This represents repurchase agreement borrowings from other banks at rate NIL per annum (2006: 8.75% - 9.00%).		
16.6	This represents repurchase agreement borrowings from financial institutions at rates ranging from 5.25% - 6.50% (2006: NIL) per annum having maturity period upto one month.		



	2007	2006
	(Rupees in '000)	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	40,739,267	33,823,942
Savings deposits	20,628,769	16,781,615
Current accounts - Remunerative	16,580,475	11,311,994
Current accounts - Non-remunerative	35,519,490	27,856,246
	113,468,001	89,773,797
Financial Institutions		
Remunerative deposits	1,111,894	1,530,182
Non-remunerative deposits	238,960	115,984
	1,350,854	1,646,166
	114,818,855	91,419,963
17.1 Particulars of deposits		
In local currency	101,066,915	80,820,393
In foreign currencies	13,751,940	10,599,570
	114,818,855	91,419,963
18. SUB-ORDINATED LOANS		
Term Finance Certificates (TFCs) - I - Quoted, Unsecured	18.1 1,348,380	1,348,920
Term Finance Certificates (TFCs) - II - Quoted, Unsecured	18.2 1,499,700	739,000
	2,848,080	2,087,920
18.1 Term Finance Certificates (TFCs) - I Quoted, Unsecured		
Total issue	Rupees 1,350 million	
Rating	AA-	
Rate	Payable six monthly at average six months KIBOR plus 150 bps	
Floor	3.50% p.a.	
Cap	10.00% p.a.	
Redemption	6-78th month: 0.25% 84th, 90th and 96th month: 33.25% each	
Tenor	8 years	



18.2 Term Finance Certificates (TFCs) - II Quoted, Unsecured

Total issue	Rupees 1,500 million
Rating	AA-
Rate	Payable six monthly at average six months KIBOR plus 1.95% without any floor and cap
Redemption	6-84th month: 0.28% 90th and 96th month: 49.86% each
Tenor	8 years

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007			2006		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	373,356	58,812	314,544	331,029	67,025	264,004
Later than one year and not later than five years	361,960	34,135	327,825	500,372	56,166	444,206
	735,316	92,947	642,369	831,401	123,191	708,210

(Rupees in '000)

19.1 The Bank has entered into various lease agreements for computers, office equipments and vehicles. Lease rentals include financial charges at the rate of 10.00% to 12.25% per annum (2006: 10.00%-12.25%) per annum which have been used as discounting factor and are payable monthly. The Bank has the option to purchase the assets upon completion of lease period and has intention to exercise it.



2007 **2006**
(Rupees in '000)

20. DEFERRED TAX ASSETS / (LIABILITIES)

Deferred tax credits / taxable temporary differences arising in respect of:

– Assets on Ijara Financing	(13,223)	(3,973)
– Difference between accounting book value of owned fixed assets and tax base	(532,814)	(353,887)
– Investments	(17,593)	(26,815)
– Difference between accounting book value of leased assets and lease liabilities	(27,942)	(6,277)
– Other assets	(16,440)	–
	(608,012)	(390,952)

Deferred tax debits / deductible temporary differences arising in respect of :

– Provision for loan losses - general	12,592	9,474
– specific	–	–
– Provision for compensated absences	28,700	9,764
– Provision for diminution in the value of investments	1,190	987
– Other liabilities	5,884	–
	48,366	20,225
	(559,646)	(370,727)

20.1 Movement in temporary differences during the year

	Balance as at Jan. 1, 2006	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2006	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2007
	(Rupees in '000)						
Deductible temporary differences on							
– provision against investments	–	987	–	987	203	–	1,190
– provision against doubtful debts	9,474	–	–	9,474	3,118	–	12,592
– provision against others	6,264	3,500	–	9,764	18,936	–	28,700
– other liabilities	–	–	–	–	5,884	–	5,884
Taxable temporary differences on							
– ijara financing	–	(3,973)	–	(3,973)	(9,250)	–	(13,223)
– fixed assets	(225,523)	(128,364)	–	(353,887)	(178,927)	–	(532,814)
– lease liabilities	5,220	(11,497)	–	(6,277)	(21,665)	–	(27,942)
– Revaluation of investment in available for sale	(50,182)	–	23,367	(26,815)	–	9,222	(17,593)
– other assets	–	–	–	–	(16,440)	–	(16,440)
	(254,747)	(139,347)	23,367	(370,727)	(198,141)	9,222	(559,646)



	2007	2006
	(Rupees in '000)	
21. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	520,700	552,874
Mark-up / return / interest payable in foreign currencies	101,408	45,655
Accrued expenses	56,056	25,488
Provision for compensated absences	82,000	27,898
Advance payments	128,751	58,409
Taxation (Provision less payments)	43,951	771,068
Unclaimed dividends	18,569	12,674
Unrealized loss on forward foreign exchange contracts	-	-
Branch adjustment account	395,520	48,706
Special exporters' accounts in foreign currencies	37,046	24,490
Unearned income	10,299	-
Others	424,699	142,396
	1,818,999	1,709,658

22. SHARE CAPITAL

	2007	2006			
	(Number of shares)				
Authorised Capital					
500,000,000	500,000,000		Ordinary shares of Rs.10 each	5,000,000	5,000,000
Issued, subscribed and paid-up capital					
30,000,000	30,000,000		Ordinary shares of Rs. 10 each		
338,106,741	232,933,387		fully paid in cash	300,000	300,000
			Issued as bonus shares	3,381,068	2,329,334
368,106,741	262,933,387			3,681,068	2,629,334

22.1 Issued, subscribed and paid-up capital at year-end includes 6,878,437 ordinary shares of Rs. 10 each (2006: 4,373,455 shares) held by the associated companies.

22.2 After 31 December 2007, the following dividends were proposed by the Board of Directors in respect of year 2007. The dividends have not been provided for.

(Rupees in '000)

Bonus issue at 30 shares for 100 shares held	1,104,320
Cash dividend @ Rs. 1.50 per share	552,160

The Board of Directors of the Bank has recommended bonus issue of 30% which would increase the paid up of the Bank to Rs. 4,785.388 million in compliance with the BSD circular no. 06 dated 28 October 2005 of the State Bank of Pakistan. The State Bank of Pakistan requires to increase the paid-up capital to Rs. 4 billion by 31 March 2008.

22.3 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

22.4 Statutory reserves

The Bank is required to transfer 20% of its profits to a statutory reserve until the reserve equals share capital. This reserve is not available for distribution.



		2007	2006
		(Rupees in '000)	
23. SURPLUS ON REVALUATION OF ASSETS - NET			
Surplus on revaluation of securities - net of tax	23.1	32,670	49,798
Surplus on revaluation of fixed assets - net of tax	23.2	278,891	286,258
		311,561	336,056
23.1 Federal Government securities		54,325	80,558
Quoted shares		(20,493)	(56,283)
Other securities		16,431	52,338
Related deferred tax liability		(17,593)	(26,815)
		32,670	49,798
23.2 Surplus on revaluation of fixed assets		407,273	418,607
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(7,367)	(7,367)
Related deferred tax liability		(3,967)	(3,967)
		(11,334)	(11,334)
		395,939	407,273
Less: Related deferred tax liability on:			
Revaluation of fixed assets		121,015	124,982
Incremental depreciation charged during the year transferred to profit and loss account		(3,967)	(3,967)
		117,048	121,015
		278,891	286,258
24. CONTINGENCIES AND COMMITMENTS			
24.1 Direct Credit Substitutes			
Acceptances		5,129,748	4,180,208
24.2 Transaction-related Contingent Liabilities			
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:			
– Government		4,560,704	2,977,965
– Financial Institutions		231,879	198,103
– Others		2,237,975	1,486,431
		7,030,558	4,662,499
24.3 Trade-related Contingent Liabilities			
Letters of credit		35,157,398	19,965,016
24.4 Other contingencies			

The Income Tax Authorities have finalised the Income Tax assessments of the Bank upto tax year 2004 (accounting year ended 31 December 2003). For tax year 2005, 2006 and 2007 the Bank has filed returns under self-assessment scheme as envisaged in the section 120 of the Income Tax Ordinance, 2001. The Income Tax Department has filed appeals against the appellate order relating to the assessment years 1995-1996, 2000-2001, 2001-2002, 2002-2003 and tax years 2003 and 2004 before the Income Tax Appellate Tribunal (ITAT) on which the tax liability, if any, of Rs. 40 million may arise. The Bank, based on the earlier decisions at ITAT level in previous years and the tax advisor's opinion is confident of a favourable outcome and expects that no additional liability would arise.



24.5 Commitments in respect of forward lending

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2007	2006
	(Rupees in '000)	
24.6 Commitments in respect of forward exchange contracts		
Purchase	7,620,287	4,020,798
Sale	6,525,727	7,513,967
The maturities of above contracts are spread over a period upto one year.		
24.7 Commitments for the acquisition of operating fixed assets	309,046	706,825
24.8 Commitments in respect of operating leases		
Not later than one year	1,683	1,836
Later than one year and not later than five years	-	718
	1,683	2,554
The Bank has entered into operating lease arrangements whereby vehicles are acquired on operating lease. The lease rentals are payable over a period upto 11 months.		
24.9 Other commitments		
Commitment for donation to Habib Education Trust for construction of Habib Public School building	-	9,000

25. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
– Customers	6,498,412	5,300,188
– Financial institutions	146,493	116,962
On investments		
– Available for sale securities	2,441,615	1,868,531
– Held to maturity securities	347,652	268,215
On deposits with financial institutions	233,357	98,906
On securities purchased under resale agreements	190,099	136,562
On call money lendings	88,244	68,381
	9,945,872	7,857,745



	2007	2006
	(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	4,766,543	3,317,868
Securities sold under repurchase agreements	78,466	138,132
Sub-ordinated loan - TFCs	314,915	134,907
Borrowing from State Bank of Pakistan:		
– under Export Refinance Scheme	469,969	422,994
– under Long-Term Financing for Export Oriented Projects	65,298	29,000
Other short term borrowings	69,566	35,299
	5,764,757	4,078,200
27. GAIN ON SALE OF SECURITIES		
Shares - Listed	209,092	48,627
Mutual Funds - Open ended	422,383	35,428
	631,475	84,055
28. OTHER INCOME		
Gain on disposal of operating fixed assets	20,453	17,727
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges, etc.)	220,123	176,676
	240,576	194,403
29. ADMINISTRATIVE EXPENSES		
Salaries, allowances, etc.	1,280,440	962,847
Charge for defined benefit plan	35.7 33,772	30,050
Contribution to defined contribution plan	52,851	38,923
Charge for compensated absences	54,102	10,000
Non-executive directors' fees, allowances and other expenses	710	660
Rent, taxes, insurance, electricity, etc.	422,397	309,810
Legal and professional charges	23,287	17,936
Communications	103,455	95,630
Repairs and maintenance	125,440	93,822
Rentals of operating leases	1,836	60,765
Financial charges on leased assets	85,613	50,954
Security charges	94,515	62,012
Stationery and printing	93,421	76,966
Advertisement and publicity	66,343	47,955
Donations	29.1 14,910	14,750
Auditors' remuneration	29.2 1,413	1,160
Depreciation	13.2 338,707	201,124
Amortisation	52,587	67,797
Vehicle running expenses	92,706	83,699
Commission and brokerage	57,221	65,124
Subscriptions and publications	18,790	16,571
Clearing charges (NIFT)	29,675	21,359
Others	121,854	102,481
	3,166,045	2,432,395



2007 2006
(Rupees in '000)

29.1 The details of donations in excess of Rupees One hundred thousand are given below:

Agha Khan Hospital and Medical College Foundation	–	200
Al-Sayyeda Benevolent Trust	925	925
Habib Education Trust	9,900	9,900
Habib Medical Trust	925	925
Habib Poor Fund	900	900
Rahmatbai Habib Food & Clothing Trust	900	900
Rahmatbai Habib Widows & Orphans Trust	900	900
Shaukat Khanum Memorial Hospital and Research Centre	100	–
Society for Children in need of Special Attention	–	100
The Society for the Prevention and Cure of Blindness	100	–

None of the Directors or their spouse had any interest in the above donees.

2007 2006
(Rupees in '000)

29.2 **Auditors' remuneration**

Audit fee	813	650
Fee for half yearly review, audit of provident and gratuity fund, special certifications and sundry advisory services	450	400
Out of pocket expenses	150	110
	1,413	1,160

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	401	54
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31. TAXATION

For the year		
– Current	642,753	784,202
– Deferred	198,141	139,347
	840,894	923,549
31.1		
For prior years	–	4,840
	840,894	928,389



	2007	2006
	(Rupees in '000)	
31.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>3,052,227</u>	<u>2,689,381</u>
Tax at the applicable rate of 35% (2006: 35%)	<u>1,068,279</u>	941,283
Tax effect of:		
– Expenses that are not deductible in determining taxable income	13,468	19,623
– Dividend income taxed at reduced rate	(7,830)	(12,515)
– Capital gain on sale of quoted shares being exempt from tax	(221,016)	(29,419)
– Others	(12,007)	4,577
	<u>840,894</u>	<u>923,549</u>
32. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year	<u>2,211,333</u>	<u>1,760,992</u>
Weighted average number of ordinary shares (Numbers)	<u>368,106,741</u>	<u>368,106,741</u>
Basic and diluted earnings per share (Rupees)	<u>6.01</u>	<u>4.78</u>
33. CASH AND CASH EQUIVALENTS		
	2007	2006
	(Rupees in '000)	
Cash and balance with treasury banks	<u>13,766,500</u>	9,346,431
Balance with other banks	<u>604,742</u>	1,232,902
	<u>14,371,242</u>	<u>10,579,333</u>
34. STAFF STRENGTH		
	2007	2006
	(Numbers)	
Permanent	2,611	2,323
Temporary / on contractual basis	93	85
Daily wages	–	–
Others	–	–
Bank's own staff at end of the year	<u>2,704</u>	<u>2,408</u>
Outsourced	<u>645</u>	<u>488</u>
Total staff strength	<u>3,349</u>	<u>2,896</u>



35. DEFINED BENEFIT PLAN - EMPLOYEES' GRATUITY FUND

General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Board of Trustees. The Bank's costs and contributions are determined based on an actuarial valuation carried out at each year end by using Projected Unit Credit Method. The benefits under the gratuity scheme are payable on retirement at the age of 60 or on earlier cessation of service as under:

35.1 Number of years of eligible service completed:	Amount of gratuity payable:
– Less than 5 years	Nil
– 5 years or more but less than 10 years	1/3rd of basic salary for each year served
– 10 years or more but less than 15 years	2/3rd of basic salary for each year served
– 15 years or more	Full basic salary for each year served

35.2 Principal actuarial assumptions

The last actuarial valuation of the scheme was carried out on 31 December 2007 and the significant assumptions used for actuarial valuation were as follows:

	2007	2006
Discount rate	10.00% p.a.	10.00% p.a.
Expected rate of increase in salary in future years	9.00% p.a.	9.00% p.a.
Expected rate of return on plan assets	10.00% p.a.	10.00% p.a.

35.3 Reconciliation of payable to defined benefit plan

	2007	2006
	(Rupees in '000)	
Present value of defined benefit obligations	223,093	158,620
Fair value of plan assets	(135,505)	(96,453)
Net actuarial losses not recognized	(87,588)	(62,167)
	<u>–</u>	<u>–</u>

35.4 Movement in defined benefit obligation:

Obligation as at 1 January	158,620	108,992
Current service cost	24,701	23,830
Interest cost	16,737	9,998
Benefits paid	(3,796)	(3,399)
Actuarial (loss) / gain on obligation	26,831	19,199
Obligation as at 31 December	223,093	158,620



	2007	2006
	(Rupees in '000)	
35.5 Movement in fair value of plan assets		
Fair value as at 1 January	96,453	63,902
Expected return on plan assets	10,974	6,220
Contribution by the bank	33,772	30,050
Benefits paid	(3,796)	(3,399)
Actuarial (loss) / gain on plan assets	(1,898)	(320)
Fair value as at 31 December	<u>135,505</u>	<u>96,453</u>
35.6 Movement in (receivable) / payable to defined benefit plan		
Balance as at 1 January	-	-
Charge for the year	33,772	30,050
Contribution to the fund during the year		
– Bank's contribution	(33,772)	(30,050)
Balance as at 31 December	<u>-</u>	<u>-</u>
35.7 Charge for defined benefit plan		
Current service cost	24,701	23,830
Interest cost	16,737	9,998
Expected return on plan assets	(10,974)	(6,220)
Amortisation of actuarial losses	3,308	2,442
	<u>33,772</u>	<u>30,050</u>
35.8 Actual return on plan assets		
The actual return on the assets during the year is:		
– Expected return on plan assets	10,974	6,220
– Actuarial (loss) / gain on plan assets	(1,898)	(320)
	<u>9,076</u>	<u>5,900</u>

35.9 Five year data on surplus / (deficit) of the plans & experience adjustments

	2007	2006	2005	2004	2003
	(Rupees in '000)				
– Present value of defined benefit obligation	(223,093)	(158,620)	(108,992)	(80,524)	(54,719)
– Fair value of plan assets	135,505	96,453	63,902	54,399	43,616
– (Deficit) / Surplus	<u>(87,588)</u>	<u>(62,167)</u>	<u>(45,090)</u>	<u>(26,125)</u>	<u>(11,103)</u>
– Experience adjustments on plan liabilities - (loss) / gain	26,831	19,199	18,657	15,308	9,441
– Experience adjustments on plan assets - (loss) / gain	<u>(1,898)</u>	<u>(320)</u>	<u>(1,599)</u>	<u>(88)</u>	<u>(290)</u>



	2007	2006
35.10 Components of plan assets as a percentage of total plan assets		
– Term finance certificate	24.08%	27.36%
– Others (including bank balances)	75.92%	72.64%
	100.00%	100.00%

35.11 Expected contribution to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund according to the actuary's advice. Based on actuarial advice the Management estimates that the charge in respect of defined benefit plans for the year ending 31 December 2008 would be as follows:

Expected charge and contribution for the year 2008 (Rupees in '000)	44,132
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36. COMPENSATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

	(Rupees in '000)					
	Chief Executive		Executive Director		*Executives	
	2007	2006	2007	2006	2007	2006
Managerial remuneration	5,500	4,000	3,300	2,400	233,542	170,386
Contribution to provident fund	550	400	330	240	18,487	12,930
Charge for defined benefit plan	500	333	300	200	6,565	4,119
Rent and house maintenance	2,200	1,600	1,320	960	93,417	68,154
Utilities	880	741	330	240	23,354	17,038
Bonus	1,500	1,000	900	600	56,444	40,519
Medical	40	59	29	25	5,942	4,530
Others	–	–	–	–	2,737	2,616
	11,170	8,133	6,509	4,665	440,488	320,292
Number of person(s)	1	1	1	1	243	184

The Chief Executive, Executive Director and Executives are also provided with company maintained cars in accordance with the terms of employment.

* Executives mean employees, other than the Chief Executive and Executive Director whose basic salary exceeds five hundred thousand rupees in a financial year.



37. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2007		2006	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
37.1 On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	13,766,500	13,766,500	9,346,431	9,346,431
Balances with other banks	604,742	604,742	1,232,902	1,232,902
Lendings to financial institutions	4,112,429	4,112,429	6,578,800	6,578,800
Investments	35,287,080	35,211,348	21,023,254	20,917,453
Advances	79,224,380	79,224,380	70,795,961	70,795,961
Other assets	1,841,360	1,841,360	1,668,667	1,668,667
	<u>134,836,491</u>	<u>134,760,759</u>	<u>110,646,015</u>	<u>110,540,214</u>
Liabilities				
Bills payable	2,394,482	2,394,482	1,390,613	1,390,613
Borrowings	9,826,525	9,826,525	10,788,554	10,788,554
Deposits and other accounts	114,818,855	114,818,855	91,419,963	91,419,963
Sub-ordinated loan - TFCs	2,848,080	2,848,080	2,087,920	2,087,920
Liabilities against assets subject to finance lease	642,369	642,369	708,210	708,210
Other liabilities	1,297,528	1,297,528	861,988	861,988
	<u>131,827,839</u>	<u>131,827,839</u>	<u>107,257,248</u>	<u>107,257,248</u>
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange contracts	<u>7,620,287</u>	<u>7,620,287</u>	<u>4,020,798</u>	<u>4,020,798</u>
Forward sale of foreign exchange contracts	<u>6,525,727</u>	<u>6,525,727</u>	<u>7,513,967</u>	<u>7,513,967</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements. In the opinion of management, the fair value of remaining financial assets and liabilities are not significantly different from their book value since assets and liabilities are either short term in nature or frequently re-priced, except for fixed term advances of over one year, staff loans and fixed term deposits of over one year.

In the opinion of management, the fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.



38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2007			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	4,728,460	8,969,618	(1,621,382)	12,076,696
Total expenses	(3,193,878)	(7,451,973)	1,621,382	(9,024,469)
Net income (loss)	1,534,582	1,517,645	–	3,052,227
Segment Assets (Gross)	43,949,165	119,596,040	(22,310,931)	141,234,274
Segment Non Performing Loans	20,728	195,900	–	216,628
Segment Provision Required	20,028	202,290	–	222,318
Segment Liabilities	42,365,670	112,854,217	(22,310,931)	132,908,956
Segment Return on net				
Assets (ROA) (%)	3.49%	1.27%	–	–
Segment Cost of funds (%)	7.66%	6.67%	–	–
	2006			
Total income	5,199,675	6,923,804	(2,902,490)	9,220,989
Total expenses	(3,587,321)	(5,846,777)	2,902,490	(6,531,608)
Net income (loss)	1,612,354	1,077,027	–	2,689,381
Segment Assets (Gross)	64,300,931	99,808,608	(49,111,502)	114,998,037
Segment Non Performing Loans	67,474	320,789	–	388,263
Segment Provision Required	59,229	181,015	–	240,244
Segment Liabilities	63,425,001	94,162,146	(49,111,502)	108,475,645
Segment Return on net				
Assets (ROA) (%)	2.51%	1.08%	–	–
Segment Cost of funds (%)	5.90%	6.48%	–	–

For the purpose of presentation of results of each segment, the inter-segment lending has been remunerated at an average cost to that segment.

39. TRUST ACTIVITIES

The Bank provides services as a trustee to Dawood Money Market Fund. The market value of shares held by the Bank in safe custody on behalf of the fund amounted to Rs. 1,298.634 million (2006: Rs. 338.947 million)



40. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel and their close family members.

The Bank continues to have a policy whereby all transactions with related parties are entered into on arm's length prices using the comparable uncontrolled price method except dividends which have been approved in the Annual General Meeting.

The lending policy in case of related parties has been consistent with that of the Bank's overall credit policy and in line with the Prudential Regulations issued by the State Bank of Pakistan.

Transactions with related parties, other than those under the terms of employment, are summarized as follows:

	2007				Total
	Associates	Subsidiary	Non Executive Directors (Rupees in '000)	Key Management Personnel	
Deposits					
At beginning of the year	165,483	48,014	5,427	14,571	233,495
Received during the year	23,906,965	24,369,432	34,334	37,770	48,348,501
Repaid during the year	(23,869,746)	(24,255,480)	(28,093)	(41,058)	(48,194,377)
At end of the year	202,702	161,966	11,668	11,283	387,619
Advances					
At beginning of the year	247,615	-	-	10,906	258,521
Given during the year	728,478	599,462	1,586	9,273	1,338,799
Recovered during the year	(840,950)	(599,462)	(1,495)	(17,579)	(1,459,486)
At end of the year	135,143	-	91	2,600	137,834
Mark-up earned	25,700	2,752	6	578	29,036
Mark-up expensed	19,059	1,037	254	3,800	24,150
Bank charges and commission	1,675	63	14	303	2,055
Salaries and allowances	-	-	-	64,587	64,587
Bonus	-	-	-	10,898	10,898
Compensated absences	-	-	-	6,090	6,090
Contribution to defined contribution plan	-	-	-	2,505	2,505
Contribution to defined benefit plan	-	-	-	1,646	1,646
Staff provident fund	-	-	-	-	50,346
Directors' fee	-	-	710	-	710
Insurance claim received	3,998	-	-	-	3,998
Insurance premium paid	89,504	-	-	-	89,504
Dividend income	2,672	-	-	-	2,672
Dividend paid	6,560	-	-	-	6,560
Rental income	-	2,216	-	-	2,216
Commission expense	-	363	-	-	363



	2006				Total
	Associates	Subsidiary	Non Executive Directors	Key Management Personnel	
	(Rupees in '000)				
Deposits					
At beginning of the year	126,643	86,103	17,447	24,401	254,594
Received during the year	8,084,156	9,549,031	93,559	89,294	17,816,040
Repaid during the year	(8,045,316)	(9,587,120)	(105,579)	(99,124)	(17,837,139)
At end of the year	<u>165,483</u>	<u>48,014</u>	<u>5,427</u>	<u>14,571</u>	<u>233,495</u>
Advances					
At beginning of the year	260,000	–	–	11,989	271,989
Given during the year	262,730	70,489	–	1,175	334,394
Recovered during the year	(275,115)	(70,489)	–	(2,258)	(347,862)
At end of the year	<u>247,615</u>	<u>–</u>	<u>–</u>	<u>10,906</u>	<u>258,521</u>
Mark-up earned	21,910	801	–	730	23,441
Mark-up expensed	7,102	523	271	361	8,257
Bank charges and comission	790	29	2	35	856
Salaries and allowances	–	–	–	56,207	56,207
Bonus	–	–	–	9,251	9,251
Compensated absences	–	–	–	57	57
Contribution to defined contribution plan	–	–	–	2,573	2,573
Contribution to defined benefit plan	–	–	–	1,222	1,222
Staff Provident fund	–	–	–	–	36,350
Directors' fee	–	–	660	–	660
Insurance claim received	5,617	–	–	–	5,617
Insurance premium paid	57,292	–	–	–	57,292
Dividend income	2,004	–	–	–	2,004
Dividend paid	5,467	–	–	–	5,467
Rental income	–	2,216	–	–	2,216
Commission expense	–	1,377	–	–	1,377



41. CAPITAL ADEQUACY

41.1 Capital management

It is the Bank's policy that the level of capital maintained by it should be such that it maximizes the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore, the Bank carefully monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement.

State Bank of Pakistan (SBP) requires that banks doing business in Pakistan should maintain regulatory capital for credit and market risks, the amount of which should at least be equal to 8% of their risk weighted assets.

Eligible regulatory capital consists of three parts. Tier 1 capital comprises paid-up capital, share premium, reserve for bonus shares, general reserves, and unappropriated profit. Tier 2 capital includes general provisions, revaluation reserves, exchange translation reserves, and subordinated long-term debt. Tier 3 capital consists of short-term subordinated debt, solely for the purpose of meeting a proportion of capital requirement for market risk. The Bank does not use any Tier 3 capital at present.

The Bank calculates capital requirement for credit and market risks using the methodology prescribed by SBP. Total regulatory capital should be at least 8% of risk-weighted assets, and the Bank's capital is well over this requirement as shown below in note 41.2.

In addition, State Bank of Pakistan requires that the paid up capital of locally incorporated banks should be raised to Rs. 6 billion by 31 December 2009 in a phased manner. The Bank has been increasing its paid up share capital to comply with the aforesaid requirement.

41.2 Capital adequacy

The risk weighted assets to capital ratio, calculated in accordance with the guidelines of State Bank of Pakistan on capital adequacy is as follows:

	2007	2006
	(Rupees in '000)	
Regulatory Capital Base		
<i>Tier I Capital</i>		
Shareholders Capital	3,681,068	2,629,334
Reserves	2,523,979	2,081,712
Unappropriated profits	1,804,740	1,474,441
	8,009,787	6,185,487
Less: Adjustments for investment in subsidiary company	(200,000)	(200,000)
Total Tier I Capital	7,809,787	5,985,487
<i>Tier II Capital</i>		
Subordinated Debt (upto 50% of total Tier I Capital)	2,578,404	2,087,920
General Provisions subject to 1.25% of Total Risk Weighted Assets	35,977	27,069
Foreign Currency Exchange Translation Reserve	3,970	849
Revaluation Reserve (upto 50%)	139,446	143,130
Total Tier II Capital	2,757,797	2,258,968
Eligible Tier III Capital	-	-
Total Regulatory Capital (a)	10,567,584	8,244,455



Risk-Weighted Exposures

	2007		2006	
	Book value	Risk Adjusted Value	Book value	Risk Adjusted Value
	(Rupees in '000)			
Credit Risk				
Balance Sheet Items:				
Cash and other liquid assets	14,371,242	212,520	10,579,333	311,842
Money at call	4,112,429	300,000	6,578,800	2,550,000
Investments	35,287,080	2,525,065	21,023,254	1,440,888
Loans and advances	79,224,380	67,226,508	70,795,961	60,428,212
Fixed assets	5,786,287	5,786,287	3,910,067	3,910,067
Other assets	2,452,856	2,340,474	2,110,622	2,021,216
	141,234,274	78,390,854	114,998,037	70,662,225
Off Balance Sheet items:				
Loan repayment guarantees	5,129,748	5,089,691	4,180,208	4,143,606
Purchase and resale agreements	–	–	–	–
Performance bonds etc	7,030,558	2,540,668	4,662,499	1,586,463
Revolving underwriting commitments	–	–	–	–
Stand by letters of credit	35,157,398	11,203,257	19,965,016	8,633,180
Outstanding foreign exchange contracts				
– Purchase	7,620,287	117,142	4,020,798	48,246
– Sale	6,525,727	32,865	7,513,967	66,193
	61,463,718	18,983,623	40,342,488	14,477,688
Credit risk-weighted exposures		97,374,477		85,139,913
Market Risk				
General market risk	–	–	–	–
Specific market risk	150,945	150,945	243,571	243,571
Market risk-weighted exposures		150,945		243,571
Total Risk-weighted exposures (b)		97,525,422		85,383,484
Capital adequacy ratio [(a) / (b) x 100]		10.84%		9.66%

42. RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

42.1 Credit risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet.

Credit risk of the Bank is managed through the credit policies approved by the Board; a well defined credit approval mechanism; prescribed documentation requirement; post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's Credit risk.



Counterparty exposure limits are approved in line with the State Bank of Pakistan's Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. All credit exposures are adequately collateralised, except when specially exempted by State Bank of Pakistan as in the case of personal loans and credit cards. There is an established system for continuous monitoring of credit exposures and follow-up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per the Prudential Regulations.

Credit facilities, both fund based and non-fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites, credit worthiness of counterparties and adequate collateralisation of exposures.

Stress testing for credit risk is carried regularly to estimate the impact of increase in Non-performing loans (NPLs), downward shift in NPL categories.

42.1.1 Segment by class of business

	2007					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture / Agri business	1,906,789	2.40	926,460	0.81	456,196	0.96
Automobiles and Transportation						
Equipment	1,041,234	1.31	3,585,112	3.12	1,794,447	3.79
Cement	1,869,819	2.35	521,940	0.45	828,239	1.75
Chemicals / Pharmaceuticals	1,886,588	2.38	150,834	0.13	1,857,662	3.93
Commerce and Trade	5,958,484	7.50	2,218,184	1.93	6,019,980	12.72
Electronics and Electrical appliances	894,943	1.13	580,017	0.51	1,645,707	3.48
Fertilizers	755,365	0.95	1,750,818	1.52	595,467	1.26
Food and Allied	2,535,336	3.19	295,312	0.26	687,898	1.45
Ghee and Edible Oil	750,756	0.94	111,967	0.10	716,557	1.51
Individuals	2,577,546	3.24	71,906,721	62.63	497,403	1.05
Insurance	—	—	559,539	0.49	—	—
Investment Banks / Scheduled Banks	641,744	0.81	842,658	0.73	—	—
Iron and Steel	1,983,686	2.50	449,722	0.39	2,245,380	4.75
Modarabas	652,395	0.82	53,032	0.05	—	—
Oil Refinery	59,543	0.07	2,504,955	2.18	134,791	0.28
Paper and Board	69,672	0.09	55,593	0.05	385,744	0.82
Plastic products	320,245	0.40	95,392	0.08	463,002	0.98
Production and Transmission of Energy	1,350,388	1.70	104,544	0.09	1,568,386	3.32
Ready-made garments	1,802,782	2.27	57,073	0.05	487,075	1.03
Real estate / Construction	2,214,185	2.80	1,257,915	1.10	1,760,131	3.72
Services (other than financial)	844,226	1.06	1,284,798	1.12	222,128	0.47
Shoes and Leather garments	1,049,115	1.32	128,470	0.11	93,810	0.20
Sugar	2,707,421	3.41	163,920	0.14	175,853	0.37
Surgical Equipments	162,607	0.20	109,968	0.10	81,547	0.17
Metal Products	510,635	0.64	20,235	0.02	304,241	0.64
Synthetic and Rayon	1,072,647	1.35	17,792	0.02	569,410	1.20
Textile	31,187,311	39.25	1,426,509	1.24	9,229,997	19.52
Spinning	15,915,455	20.03	783,701	0.68	6,275,991	13.26
Weaving	5,687,009	7.16	211,521	0.18	1,067,699	2.27
Composite	9,584,847	12.06	431,287	0.38	1,886,307	3.99
Public / Government	2,854,668	3.59	11,849,211	10.31	10,940,929	23.12
Others	9,786,568	12.33	11,790,164	10.27	3,555,724	7.51
	79,446,698	100.00	114,818,855	100.00	47,317,704	100.00



2006

	Gross advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture / Agri business	690,506	0.97	506,574	0.55	216,277	0.75
Automobiles and Transportation						
Equipment	832,219	1.17	3,973,941	4.35	2,136,455	7.42
Cement	1,158,677	1.63	9,079	0.01	677,923	2.35
Chemicals / Pharmaceuticals	1,229,620	1.74	307,328	0.34	998,275	3.47
Commerce and Trade	7,320,531	10.31	3,119,757	3.41	4,995,178	17.34
Electronics and Electrical appliances	654,670	0.92	36,756	0.04	139,718	0.49
Fertilizers	897,838	1.26	704,535	0.77	115,269	0.40
Food and Allied	2,920,000	4.11	316,857	0.35	1,166,479	4.05
Ghee and Edible Oil	344,985	0.49	83,199	0.09	311,786	1.08
Individuals	1,366,127	1.92	54,409,869	59.52	90,651	0.31
Insurance	—	—	615,399	0.67	—	—
Investment Banks / Scheduled Banks	911,752	1.28	1,175,227	1.29	—	—
Iron and Steel	1,626,015	2.29	155,196	0.17	1,832,119	6.36
Modarabas	734,648	1.03	14,864	0.02	—	—
Oil Refinery	521,645	0.73	370,281	0.41	1,967,095	6.83
Paper and Board	156,980	0.22	40,768	0.04	123,611	0.43
Plastic products	277,883	0.39	70,541	0.08	335,447	1.16
Production and Transmission of Energy	361,282	0.51	25,015	0.03	103,525	0.36
Ready-made garments	1,416,331	1.99	77,571	0.08	451,703	1.57
Real estate/Construction	1,780,444	2.51	1,071,435	1.17	671,118	2.33
Services (other than financial)	808,813	1.14	2,148,892	2.35	607,894	2.11
Shoes and Leather garments	852,437	1.20	90,022	0.10	116,179	0.40
Sugar	2,021,675	2.85	59,159	0.06	292,551	1.02
Surgical Equipments	163,333	0.23	24,222	0.03	23,954	0.08
Metal Products	490,885	0.69	29,098	0.03	88,378	0.31
Synthetic and Rayon	1,031,559	1.45	58,453	0.06	265,202	0.92
Textile	30,509,311	42.94	1,617,066	1.77	5,473,893	19.00
Spinning	15,958,013	22.46	948,692	1.04	3,401,919	11.81
Weaving	5,742,995	8.08	209,088	0.23	666,571	2.31
Composite	8,808,303	12.40	459,286	0.50	1,405,403	4.88
Public/Government	3,039,741	4.28	13,270,027	14.51	3,160,776	10.97
Others	6,916,298	9.75	7,038,832	7.70	2,446,267	8.49
	71,036,205	100.00	91,419,963	100.00	28,807,723	100.00



42.1.2 Details of non-performing advances and specific provisions by class of business segment

	2007		2006	
	Classified Advances	Specific Provision held	Classified Advances	Specific Provision held
	(Rupees in '000)			
Automobiles and Transportation				
Equipment	6,656	3,672	–	–
Chemicals / Pharmaceuticals	–	–	826	826
Commerce and Trade	12,117	10,374	–	–
Food and Allied	4,412	4,412	8,800	3,700
Ghee and Edible oil	2,594	1,297	–	–
Individuals	20,729	8,236	2,201	1,623
Plastic products	38,349	38,349	–	–
Ready-made garments	16,259	10,962	81,281	39,766
Real estate / Construction	43,675	37,969	1,054	1,054
Services (other than financial)	–	–	5,002	2,188
Shoes and Leather garments	–	–	206,326	122,888
Surgical Equipments	–	–	1,000	250
Textile	68,106	67,972	81,773	40,880
Spinning	15,277	15,277	–	–
Weaving	828	828	1,065	266
Composite	52,001	51,867	80,708	40,614
Others	3,731	3,098	–	–
	216,628	186,341	388,263	213,175

42.1.3 Segment by sector

	2007					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,854,668	3.59	11,849,211	10.32	10,940,929	23.12
Private	76,592,030	96.41	102,969,644	89.68	36,376,775	76.88
	79,446,698	100.00	114,818,855	100.00	47,317,704	100.00
	2006					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	3,039,741	4.28	13,270,027	14.52	3,160,776	10.97
Private	67,996,464	95.72	78,149,936	85.48	25,646,947	89.03
	71,036,205	100.00	91,419,963	100.00	28,807,723	100.00



42.1.4 Details of non-performing advances and specific provisions by sector

	2007		2006	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	-	-	-	-
Private	216,628	186,341	388,263	213,175
	<u>216,628</u>	<u>186,341</u>	<u>388,263</u>	<u>213,175</u>

42.2 GEOGRAPHICAL SEGMENT ANALYSIS

	2007			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	3,058,962	138,402,588	8,322,837	46,772,841
Middle East	(6,735)	2,831,686	2,481	544,863
	<u>3,052,227</u>	<u>141,234,274</u>	<u>8,325,318</u>	<u>47,317,704</u>

	2006			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	2,717,213	114,260,152	6,550,224	28,580,741
Middle East	(27,832)	737,885	(27,832)	226,982
	<u>2,689,381</u>	<u>114,998,037</u>	<u>6,522,392</u>	<u>28,807,723</u>

42.3 Market risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

Market risk is managed through the market risk policy approved by the Board; approval of counterparty and dealer limits; specific senior management approval for each investment; and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of market risk management is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO; the Settlements Department which confirms and settles the aforesaid deals; and the Middle Office which independently monitors and analyses the risks inherent in Treasury operations. Risk Management Committee of the Board provides supervision and guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, and shares and mutual funds; money market transactions; and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO.



42.4 Foreign Exchange Risk

	2007			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	125,772,922	116,780,366	(1,094,689)	7,897,867
United States Dollar	14,318,884	13,698,878	(141,657)	478,349
Great Britain Pound	336,629	1,524,958	1,151,709	(36,620)
Japanese Yen	22	6,115	6,107	14
Euro	740,462	831,356	77,462	(13,432)
Other currencies	65,355	67,283	1,068	(860)
	<u>141,234,274</u>	<u>132,908,956</u>	–	<u>8,325,318</u>
	2006			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	100,269,382	97,507,221	3,662,047	6,424,208
United States Dollar	13,928,150	9,090,193	(4,743,646)	94,311
Great Britain Pound	234,319	1,063,552	829,529	296
Japanese Yen	20	7,515	7,495	–
Euro	523,255	793,122	273,324	3,457
Other currencies	42,911	14,042	(28,749)	120
	<u>114,998,037</u>	<u>108,475,645</u>	–	<u>6,522,392</u>

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, and foreign currency placements with the State Bank of Pakistan and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impacts of adverse changes in foreign exchange rates.

42.5 Equity price risk

Equity price risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to acquire shares for investment purposes and not to run a trading book for buying and selling of shares.

Equity price risk of the Bank is controlled through equity desk/dealer limits, broker limits, equity portfolio limits, future contracts limits, and Continuous Funding System (CFS) limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impacts of decline in stock prices.



42.6 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

2007

Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
(Rupees in '000)												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	4.23%	13,766,500	582,078	-	-	-	-	-	-	-	-	13,184,422
Balances with other banks	4.15%	604,742	365,793	-	-	2,500	-	-	-	-	-	236,449
Lendings to financial institutions	9.32%	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-	-
Investments - net	9.16%	35,287,080	1,435,543	9,087,441	17,047,358	2,674,935	525,312	42,283	2,505,412	465,936	-	1,502,860
Advances - net	10.04%	79,224,380	37,214,543	11,718,689	8,434,798	1,602,543	1,960,726	2,258,327	6,811,866	2,719,332	431,790	6,071,766
Other assets - net	-	1,841,360	-	-	-	-	-	-	-	-	-	1,841,360
		134,836,491	41,986,403	22,530,113	25,482,156	4,279,978	2,486,038	2,300,610	9,317,278	3,185,268	431,790	22,836,857
Liabilities												
Bills payable	-	2,394,482	-	-	-	-	-	-	-	-	-	2,394,482
Borrowings	5.85%	9,826,525	2,077,069	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	-	11,853
Deposits and other accounts*	6.32%	114,818,855	51,035,912	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,931	5,440	-	35,519,490
Sub-ordinated loan - TFCs	11.13%	2,848,080	270	1,499,700	-	270	540	540	1,080	1,345,680	-	-
Liabilities against assets subject to finance lease	11.51%	642,369	25,891	52,150	79,488	157,036	224,960	75,903	26,941	-	-	-
Other Liabilities	-	1,297,528	-	-	-	-	-	-	-	-	-	1,297,528
		131,827,839	53,139,142	14,064,068	7,727,094	8,182,551	1,798,255	1,878,234	3,824,068	1,991,074	-	39,223,353
On-balance sheet gap		3,008,652	(11,152,739)	8,466,045	17,755,062	(3,902,573)	687,783	422,376	5,493,210	1,194,194	431,790	(16,386,496)
Total yield / interest risk sensitivity gap			(11,152,739)	8,466,045	17,755,062	(3,902,573)	687,783	422,376	5,493,210	1,194,194	431,790	
Cumulative yield / interest risk sensitivity gap			(11,152,739)	(2,686,694)	15,068,368	11,165,795	11,853,578	12,275,954	17,769,164	18,963,358	19,395,148	

* Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



2006

	Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years		Over 10 years
(Rupees in '000)												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	0.72%	9,346,431	1,491,027	-	-	-	-	-	-	-	-	7,855,404
Balances with other banks	5.50%	1,232,902	534,321	-	-	2,500	-	-	-	-	-	696,081
Lendings to financial institutions	9.31%	6,578,800	4,993,683	1,585,117	-	-	-	-	-	-	-	-
Investments - net	7.92%	21,023,254	3,432,935	4,038,212	6,284,169	2,200,435	1,310,357	91,876	1,597,786	1,033,865	-	1,033,619
Advances - net	8.84%	70,795,961	351,946	59,892,668	4,875,179	-	-	-	402,819	-	-	5,273,349
Other assets - net	-	1,668,667	-	-	-	-	-	-	-	-	-	1,668,667
		110,646,015	10,803,912	65,515,997	11,159,348	2,202,935	1,310,357	91,876	2,000,605	1,033,865	-	16,527,120
Liabilities												
Bills payable	-	1,390,613	-	-	-	-	-	-	-	-	-	1,390,613
Borrowings	7.02%	10,788,554	2,970,779	3,691,902	2,712,218	100,210	183,064	189,064	242,902	652,520	-	45,895
Deposits and other accounts*	4.00%	91,419,963	39,108,362	8,440,231	2,804,970	7,453,231	454,705	1,810,488	1,845,488	76	-	29,502,412
Sub-ordinated loan - TFCs	10.00%	2,087,920	270	-	-	418	836	836	450,233	1,635,327	-	-
Liabilities against assets subject to finance lease	11.02%	708,210	22,531	54,463	61,014	125,998	245,328	149,495	49,381	-	-	-
Other Liabilities	-	861,988	-	-	-	-	-	-	-	-	-	861,988
		107,257,248	42,101,942	12,186,596	5,578,202	7,679,857	883,933	2,149,883	2,588,004	2,287,923	-	31,800,908
On-balance sheet gap		3,388,767	(31,298,030)	53,329,401	5,581,146	(5,476,922)	426,424	(2,058,007)	(587,399)	(1,254,058)	-	(15,273,788)
Total yield / interest risk sensitivity gap			(31,298,030)	53,329,401	5,581,146	(5,476,922)	426,424	(2,058,007)	(587,399)	(1,254,058)	-	
Cumulative yield / interest risk sensitivity gap			(31,298,030)	22,031,371	27,612,517	22,135,595	22,562,019	20,504,012	19,916,613	18,662,555	18,662,555	

* Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



42.7 Yield / Interest Rate Risk

Interest rate risk is the risk of loss from adverse movements in interest rates. The Asset Liability Management Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Bank's interest rate exposure is calculated by categorizing its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Bank are controlled through dealer limits, counter-party exposure limits and (when necessary) type-of-instrument limits. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impacts of adverse change in interest rates on the market value of the securities is estimated. In addition, stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

42.8 Liquidity risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the liquidity risk policy approved by the Board; careful monitoring of daily liquidity position by the Treasury Division and the Middle Office; and regular review and monitoring of the liquidity position by the Asset and Liability Management Committee (ALCO). Risk Management Committee of the Board provides supervision and guidance in managing the Bank's liquidity risk.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilisation of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating, as borrowing costs and ability to raise funds are directly affected by credit rating.
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

In short, the Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the marketplace. Stress testing for liquidity risk is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.



42.9 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

Operational risk is managed through the Operational Risk Policy and audit policy approved by the Board, along with the policies on prevention of frauds and forgeries and compliance with "Know Your Customer" and "Anti Money Laundering" requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the Operational Risk Policy, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Statement of Ethics & Business Practices, which is required to be signed by all employees.

Internal controls are an essential feature of risk reduction in operational risk management. The Bank has sought the assistance of external consultants to further improve the effectiveness and efficiency of its internal controls.



43. MATURITIES OF ASSETS AND LIABILITIES

	2007									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	13,766,500	13,766,500	-	-	-	-	-	-	-	-
Balances with other banks	604,742	602,242	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-
Investments - net	35,287,080	3,320	8,386,989	16,666,210	2,751,413	900,657	446,285	3,258,656	1,692,021	1,181,529
Advances - net	79,224,380	12,196,595	17,599,908	17,194,966	17,833,311	2,178,286	2,258,326	6,811,866	2,719,332	431,790
Other assets - net	2,452,856	1,667,221	330,800	152,139	102,485	53,217	21,772	19,651	62,093	43,478
Operating fixed assets	5,786,287	47,304	238,161	478,718	196,663	446,503	370,155	332,235	582,929	3,093,619
	<u>141,234,274</u>	<u>30,671,628</u>	<u>28,279,841</u>	<u>34,492,033</u>	<u>20,886,372</u>	<u>3,578,663</u>	<u>3,096,538</u>	<u>10,422,408</u>	<u>5,056,375</u>	<u>4,750,416</u>
Liabilities										
Bills payable	2,394,482	2,394,482	-	-	-	-	-	-	-	-
Borrowings	9,826,525	2,088,922	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	-
Deposits and other accounts*	114,818,855	86,555,402	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,931	5,440	-
Sub-ordinated loan - TFCs	2,848,080	270	300	-	570	1,140	1,140	2,280	2,842,380	-
Liabilities against assets subject to finance lease	642,369	25,891	52,150	79,488	157,036	224,960	75,903	26,941	-	-
Other Liabilities	1,818,999	1,394,327	2,807	-	211,113	-	-	162,087	48,665	-
Defferred tax liabilities	559,646	-	-	-	3,902	3,352	61,516	84,390	107,788	298,698
	<u>132,908,956</u>	<u>92,459,294</u>	<u>12,567,475</u>	<u>7,727,094</u>	<u>8,397,866</u>	<u>1,802,207</u>	<u>1,940,350</u>	<u>4,071,745</u>	<u>3,644,227</u>	<u>298,698</u>
	<u>8,325,318</u>	<u>(61,787,666)</u>	<u>15,712,366</u>	<u>26,764,939</u>	<u>12,488,506</u>	<u>1,776,456</u>	<u>1,156,188</u>	<u>6,350,663</u>	<u>1,412,148</u>	<u>4,451,718</u>
Net assets										
Share capital	3,681,068									
Reserves	2,527,949									
Unappropriated profit	1,804,740									
Surplus/(deficit) on revaluation of assets	311,561									
	<u>8,325,318</u>									

* Savings deposits, treasurers' call and current deposits have been reported under one months maturity. However, they are not expected to be payable within one month period.



2006

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	9,346,431	9,346,431	-	-	-	-	-	-	-	-
Balances with other banks	1,232,902	1,230,402	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	6,578,800	4,993,683	1,585,117	-	-	-	-	-	-	-
Investments - net	21,023,254	3,432,936	4,038,212	6,284,169	2,962,356	1,310,357	91,876	1,597,786	1,033,865	271,697
Advances - net	70,795,961	9,022,918	15,098,562	15,090,089	17,872,136	1,845,867	2,636,029	7,027,736	1,472,598	730,026
Other assets - net	2,110,622	1,531,567	190,125	92,856	96,903	52,548	36,403	44,871	42,276	23,073
Operating fixed assets	3,910,067	23,935	340,645	96,737	225,390	291,889	276,403	406,223	403,775	1,845,070
	114,998,037	29,581,872	21,252,661	21,563,851	21,159,285	3,500,661	3,040,711	9,076,616	2,952,514	2,869,866
Liabilities										
Bills payable	1,390,613	1,390,613	-	-	-	-	-	-	-	-
Borrowings	10,788,554	3,016,674	3,691,902	2,712,218	100,210	183,062	189,064	242,902	652,522	-
Deposits and other accounts*	91,419,963	68,610,774	8,440,231	2,804,970	7,453,231	454,705	1,810,488	1,845,488	76	-
Sub-ordinated loan - TFCs	2,087,920	270	-	-	418	836	836	450,233	1,635,327	-
Liabilities against assets subject to finance lease	708,210	22,531	54,463	61,014	125,998	245,328	149,495	49,381	-	-
Other Liabilities	1,709,658	641,193	56,845	135,130	815,398	27,898	12,673	-	20,521	-
Deferred tax liabilities	370,727	-	-	-	-	-	-	370,727	-	-
	108,475,645	73,682,055	12,243,441	5,713,332	8,495,255	911,829	2,162,556	2,958,731	2,308,446	-
	6,522,392	(44,100,183)	9,009,220	15,850,519	12,664,030	2,588,832	878,155	6,117,885	644,068	2,869,866
Net assets										
Share capital	2,629,334									
Reserves	2,082,561									
Unappropriated profit	1,474,441									
Surplus/(deficit) on revaluation of assets	336,056									
	6,522,392									

* Savings deposits, treasurers' call and current deposits have been reported under one months maturity. However, they are not expected to be payable within one month period.



44. ISLAMIC BANKING BUSINESS

The Bank is operating with Four Islamic Banking branches at the end of current year as compared to three Islamic Banking branches last year.

	2007	2006
	(Rupees in 000)	
ASSETS		
Cash and balance with treasury banks	93,520	117,143
Balances with and due from financial institutions	15	110,000
Investments	375,875	25,000
Financing and receivables		
– Murabaha	1,007,878	454,865
– Ijara	639,852	402,819
– Diminishing musharika	233,423	–
Other assets	191,994	26,216
	2,542,557	1,136,043
LIABILITIES		
Bills payable	6,799	4,122
Deposits and other accounts		
– Current accounts	121,998	36,945
– Saving accounts	105,238	84,734
– Term deposits	558,221	808,950
– Deposits from financial institutions - remunerative	243	1,000
– Deposits from financial institutions - non remunerative	50,025	–
Due to Head Office	1,322,230	19,351
Other liabilities	88,233	51,937
	2,252,987	1,007,039
NET ASSETS	289,570	129,004
REPRESENTED BY		
Islamic banking fund	250,000	100,000
Reserves	–	–
Unappropriated / unremitted profit	38,695	29,004
	288,695	129,004
Surplus / (deficit) on revaluation of assets	875	–
	289,570	129,004
Remuneration to Shariah Advisor / Board	1,015	929
CHARITY FUND		
Opening balance	–	–
Additions during the period	14	121
Payments / utilisation during the period	–	(121)
Closing balance	14	–



45. ACCOUNTING ESTIMATES AND JUDGEMENTS

Provision against non-performing loans and advances

The Bank reviews its loan portfolios to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. The provision is made in accordance with the Prudential Regulations issued by the State Bank of Pakistan.

Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

During the year, a new schedule has been introduced for taxation of banks in Pakistan. The schedule is applicable for the financial year ending 31 December 2008. The current and deferred tax calculations may require change based on the revised schedule and transitory provisions, which are currently being discussed by Pakistan Banks Association with Federal Board of Revenue.

Held to maturity investments

The Bank has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investments stated at fair value

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Bank reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment. Land and building are carried at revalued amount and would be affected by the movement in market price.

Intangible assets

The Bank reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment, if any.

Impairment of available for sale equity investments

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.



Retirement benefits

The Bank contributes to the staff gratuity fund on the basis of actuarial valuation which takes into account certain assumptions regarding interest rate, increase in salary and inflation rate etc. Any change in these estimates in future years might effect the Bank's liability with corresponding effect on the charge for the retirement benefit plan.

46. GENERAL

46.1 Comparatives

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparative and to conform with changes in presentation in current year.

47. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors' meeting held on February 21, 2008.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Annexure-1

**Statement showing written-off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended December 31, 2007**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	M/s. NASCO Corporation (Pvt.) Limited Plot Nos. 555,556,557 & 558 Sector 7-A, Korangi Industrial Area, Karachi.	Mr. Mosaddaq Saleem Qureshi (Chairman) (CNIC No. 42301-3388822-5) Mr. Mohammad Arshad Khan (Director) (CNIC No. 42201-0458852-7) Mrs. Nosheen Asghar (Director) (CNIC No. 42301-7744475-6)	Mr. Saleem Qureshi Mr. Ahsan Sher Khan Mr. Asghar Ali	206,326	5,257	-	211,583	109,131	5,257	-	114,388
2.	M/s. Onaiza Ali 214, Business Arcade, Shahrah-e-Faisal, Karachi.	Syed Ali Shamim (Sole Proprietor) (CNIC No. 501-77-647364)	Mr. Shamim Uddin Ahmed Askari	500	-	-	500	500	-	-	500
3.	M. Raza Jaffar Room No. 11, 4th Floor, Bank Arcade Building, Serai Road, Karachi.	Mr. M. Raza Jaffar (Individual) (CNIC No. 511-91-097189)	Mr. Jaffar Ali Ambarni	804	-	-	804	804	-	-	804
			Total	207,630	5,257	-	212,887	110,435	5,257	-	115,692

Note 1: The amount of principal written off was against the specific provision held by the Bank.

Note 2: Interest / mark-up written off was against suspended mark-up.



Notice of Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Thursday, March 27, 2008 at 12:00 noon to transact the following business:

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2007 together with the Reports of Directors and Auditors thereon.
2. To consider and approve payment of cash dividend @ 15%, i.e., Rs. 1.50 per share of Rs. 10/- each for the year ended December 31, 2007 as recommended by the Board of Directors.
3. To consider and approve the issue of 30% bonus shares as recommended by the Board of Directors in the proportion of 30 shares for every 100 shares held by the shareholders and in this regard to pass the following resolution:

“RESOLVED that a sum of Rs. 1,104,320,220/- (Rupees one billion one hundred four million three hundred twenty thousand two hundred twenty only) out of the un-appropriated profit be capitalized and distributed by issuing 110,432,022 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of 30 shares for every hundred shares held, to those members whose names appear in the register of members as at the close of business on March 15, 2008 and that shares so distributed shall be treated for all practical purposes as an increase in the paid up capital of the Bank.

“FURTHER RESOLVED that the bonus shares so distributed shall rank pari passu in all respect with the existing shares of the Bank.

“FURTHER RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell in the Stock Market and pay the proceeds of sale when realized to a charitable trust.

“FURTHER RESOLVED that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 110,432,022 shares”.

4. To appoint auditors for the year 2008 and to fix their remuneration. Messrs KPMG Taseer Hadi & Co., Chartered Accountants, being eligible offer themselves for re-appointment.
5. To consider any other business of the Bank with the permission of the Chair.

Special Business

6. To consider and pass the following resolution as a Special Resolution for increasing the Authorised Capital of the Bank from Rupees Five Billion to Rupees Eight Billion:

“RESOLVED that the Authorised Capital of the Bank be and is hereby increased from Rs. 5,000,000,000 (Rupees Five Billion) to Rs. 8,000,000,000 (Rupees Eight Billion) by the creation of 300,000,000 Ordinary Shares of Rs. 10/- each.

“FURTHER RESOLVED that the figures and words “Rs. 5,000,000,000 (Rupees Five Billion) divided into 500,000,000 (Five Hundred Million) ordinary shares of Rs. 10/- each” appearing in Clause V of the Memorandum of Association and that the figures and words “Rs. 5,000,000,000 divided into 500,000,000 ordinary shares of Rs. 10/- each” in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words “Rs. 8,000,000,000 (Rupees Eight Billion) divided into 800,000,000 (Eight Hundred Million) ordinary shares of Rs. 10/- each”.



7. To consider and pass the following resolution as a Special Resolution for authorising investment in the following associated companies:

“RESOLVED that the Bank be and is hereby authorized to invest in units of mutual funds and shares of the following associated companies:

Sr. No.	Name of the Company	Upto
1.	First Habib Income Fund and other prospective mutual funds managed by Habib Asset Management Limited	Rs. 1,500 million
2.	Habib Asset Management Limited	Rs. 100 million
3.	Habib Sugar Mills Limited	Rs. 300 million
4.	AL Habib Capital Markets (Private) Limited	Rs. 300 million

“FURTHER RESOLVED that the Managing Director & Chief Executive be and is hereby authorised to make the aforesaid investments as and when deemed appropriate and to dispose of and buy a part or all of such investments through any mode from time to time; to take any and all actions which may be required in respect of these investments; and to delegate the aforesaid powers to any two officers of the Bank or a committee of such officers.

“FURTHER RESOLVED that investments made by the Bank in shares of Habib Sugar Mills Limited (3,596,664 shares at average of Rs. 50.32 per share), AL Habib Capital Markets (Private) Limited (20,000,000 shares at Rs. 10.00 per share), and Habib Asset Management Limited (1,350,000 shares at Rs. 10.00 per share) and in units of First Habib Income Fund managed by Habib Asset Management Limited (7,224,291 units at average of Rs. 103.82 per unit) be and are hereby authorized and approved”.

For Item Nos. 6 and 7, a statement under Section 160 (1)(b) of the Companies Ordinance, 1984 is annexed.

By order of the Board

A. SAEED SIDDIQUI
Company Secretary

Karachi: March 3, 2008

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.
2. The CDC account / sub account holders are requested to bring with them their Computerized National ID Cards along with participant(s) ID Number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
3. The share transfer book of the Bank will remain closed from March 17, 2008 to March 27, 2008 (both days inclusive). Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. Gangjees Registrar Services (Pvt) Ltd., located at 516, Clifton Center, Khyaban-e-Roomi, Kehkashan, Block-5, Clifton, Karachi-75600.



Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

The statement is annexed to the Notice of the 17th Annual General Meeting of Bank AL Habib Limited at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

Item No. 6 of the Agenda

As recommended by the Board of Directors in their meeting held on February 21, 2008, it is proposed to increase the Authorised Capital of the Bank from Rs. 5,000,000,000 to Rs. 8,000,000,000 to meet the future requirements of paid-up capital, subject to the approval of Securities & Exchange Commission of Pakistan.

Item No. 7 of the Agenda

As recommended by the Board of Directors in their meeting held on February 21, 2008, it is proposed to make investment in associated companies. In this regard, the Bank seeks the approval of the shareholders under Section 208 of the Companies Ordinance, 1984 for making investment in associated companies.

According to S.R.O. No. 865(I)/2000 dated December 6, 2000, the following information is required to be annexed with the notice for approval of investment in associated companies for the purpose of Section 208 of the Companies Ordinance, 1984. Hence, the same is set out below:



S. No.	Description	Information Required
1 i.	Name of the Investee Company	First Habib Income Fund and other prospective mutual funds managed by Habib Asset Management Limited
ii.	Nature, amount and extent of investment	Investment upto Rs. 1,500 million in units of First Habib Income Fund and other prospective mutual funds managed by Habib Asset Management Limited
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	<i>First Habib Income Fund:</i> Average market price upto February 21, 2008 is Rs. 103.78 per unit – Face Value of Rs. 100 per unit
iv.	Break-up value of shares intended to be purchased on the basis of last published financial statement	<i>First Habib Income Fund:</i> June 30, 2007: Rs.101.67 (Net Asset Value per unit)
v.	Price at which shares will be purchased	Offer/Issue price
vi.	Earnings per share of Investee Company in last three years	<i>First Habib Income Fund:</i> Initial public offer for the fund was made from May 30, 2007 to June 1, 2007 2007: Rs. 1.67 (Earnings per unit calculated on the basis of units in issue as at June 30, 2007)
vii.	Sources of funds from where shares will be purchased	Funds raised by the Bank in the normal course of business
viii.	Period for which investment will be made	Not applicable, investments and redemptions will be governed by market conditions
ix.	Purpose of Investment	To earn dividend income as well as prospective capital gains
x.	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend income / Capital gains
xi.	Interest of Directors and their relatives in the Investee Company	Mr. Ali Raza D. Habib, Chairman of the Bank is also Chairman of Habib Asset Management Limited. He and Mr. Abbas D. Habib, Managing Director & Chief Executive, Mr. Qumail R. Habib, Executive Director, Mr. Hasnain A. Habib and Mr. Murtaza H. Habib, Directors of the Bank, also have interest in the management company of the fund, namely, Habib Asset Management Limited, to the extent of their investment.



S. No.	Description	Information Required
2. i.	Name of the Investee Company	Habib Asset Management Limited
ii.	Nature, amount and extent of investment	Equity investment upto Rs. 100 million in the shares of Habib Asset Management Limited
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable
iv.	Break-up value of shares intended to be purchased on the basis of last published financial statement	June 30, 2007: Rs. 7.26 per share – Face Value of Rs. 10 per share
v.	Price at which shares will be purchased	At face value
vi.	Earnings per share of Investee Company in last three years	2005: Not applicable for year ended June 30, 2005 –Incorporated on September 30, 2005 2006: Rs. (0.20)* per share 2007: Rs. (2.54) per share
vii.	Sources of funds from where shares will be purchased	Own source
viii.	Period for which investment will be made	Not applicable, being long term equity investment
ix.	Purpose of Investment	To earn dividend income
x.	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend income
xi.	Interest of Directors and their relatives in the Investee Company	Mr. Ali Raza D. Habib, Chairman of the Bank is also Chairman of Habib Asset Management Limited. He and Mr. Abbas D. Habib, Managing Director & Chief Executive, Mr. Qumail R. Habib, Executive Director, Mr. Hasnain A. Habib and Mr. Murtaza H. Habib, Directors of the Bank, also have interest in Habib Asset Management Limited to the extent of their investment.

* Earning per share for 2006 has been recalculated based on the existing paid-up capital of Habib Asset Management Limited.



S. No.	Description	Information Required
3 i.	Name of the Investee Company	Habib Sugar Mills Limited
ii.	Nature, amount and extent of investment	Equity investment upto Rs. 300 million in the shares of Habib Sugar Mills Limited
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Average market price upto February 21, 2008 is Rs. 47.33 per share – Face Value of Rs. 5 per share
iv.	Break-up value of shares intended to be purchased on the basis of last published financial statement	September 30, 2007: Rs.21.54 per share (without considering unrealized gain on long-term investments available for sale) – Face Value of Rs. 5 per share
v.	Price at which shares will be purchased	At fair market value
vi.	Earnings per share of Investee Company in last three years	2005: Rs. 2.82 per share* 2006: Rs. 3.74 per share* 2007: Rs. 3.75 per share
vii.	Sources of funds from where shares will be purchased	Own source
viii.	Period for which investment will be made	Not applicable, being long term equity investment
ix.	Purpose of Investment	To earn dividend income as well as prospective capital gains
x.	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend income / Capital gains
xi.	Interest of Directors and their relatives in the Investee Company	Mr. Ali Raza D. Habib, Chairman and Mr. Murtaza H. Habib, Director of the Bank, are also Directors of Habib Sugar Mills Ltd. They and Mr. Abbas D. Habib, Managing Director & Chief Executive, Mr. Qumail R. Habib, Executive Director, and Mr. Hasnain A. Habib, Director of the Bank, also have interest in Habib Sugar Mills Limited to the extent of their investment.

* Earning per share for 2005 & 2006 has been recalculated based on the existing paid-up capital of Habib Sugar Mills Limited.



S. No.	Description	Information Required
4. i.	Name of the Investee Company	AL Habib Capital Markets (Private) Limited
ii.	Nature, amount and extent of investment	Equity investment upto Rs. 300 million in the shares of AL Habib Capital Markets (Pvt.) Limited
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable
iv.	Break-up value of shares intended to be purchased on the basis of last published financial statement	June 30, 2007: Rs.10.31 per share – Face Value of Rs. 10 per share
v.	Price at which shares will be purchased	At face value
vi.	Earnings per share of Investee Company in last three years	2005: Not applicable for year ended June 30, 2005 - Incorporated on August 23, 2005 2006: Rs. (0.08) per share 2007: Rs. 0.37 per share
vii.	Sources of funds from where shares will be purchased	Own source
viii.	Period for which investment will be made	Not applicable, being long term equity investment
ix.	Purpose of Investment	To earn dividend income
x.	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend income
xi.	Interest of Directors and their relatives in the Investee Company	Mr. Ali Raza D. Habib, Chairman, Mr. Abbas D. Habib, Managing Director & Chief Executive, Mr. Qumail R. Habib, Executive Director, Mr. Hasnain A. Habib and Mr. Murtaza H. Habib, Directors of the Bank, have interest in AL Habib Capital Markets (Private) Limited to the extent of their investment.



Pattern of Shareholding as at December 31, 2007

Number of Shareholders	Size of Shareholding				Total Shares Held
534	From	1	To	100	26,911
856	From	101	To	500	271,818
744	From	501	To	1,000	547,189
1,739	From	1,001	To	5,000	4,004,559
1,728	From	5,001	To	10,000	10,953,417
207	From	10,001	To	15,000	2,529,805
90	From	15,001	To	20,000	1,599,400
62	From	20,001	To	25,000	1,420,067
42	From	25,001	To	30,000	1,170,934
37	From	30,001	To	35,000	1,185,549
21	From	35,001	To	40,000	789,401
36	From	40,001	To	50,000	1,643,519
25	From	50,001	To	60,000	1,381,466
55	From	60,001	To	80,000	3,719,156
37	From	80,001	To	100,000	3,288,813
77	From	100,001	To	150,000	9,333,099
32	From	150,001	To	200,000	5,283,325
21	From	200,001	To	250,000	4,932,308
15	From	250,001	To	300,000	4,047,099
16	From	300,001	To	350,000	5,075,307
48	From	350,001	To	600,000	20,929,656
16	From	600,001	To	1,000,000	12,343,783
65	From	1,000,001	To	33,475,000	271,630,160
6,503					368,106,741

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,355	228,903,922	62.18
Investment Companies	3	525,497	0.14
Insurance Companies	6	29,163,246	7.92
Joint Stock Companies	94	18,021,308	4.90
Financial Institutions	14	69,045,505	18.76
Modaraba Companies	2	8,614,462	2.34
Mutual Funds	3	286,908	0.08
Foreign Companies	8	10,410,648	2.83
Others	18	3,135,245	0.85
TOTAL	6,503	368,106,741	100.00



Pattern of Shareholding as at December 31, 2007

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Sugar Mills Ltd.	1	6,122,837
Habib Insurance Co., Ltd.	1	755,600
NIT		
National Investment Trust National Bank of Pakistan, Trustee Department	1	64,580,453
Directors		
Ali Raza D. Habib	1	3,446,690
Qumail R. Habib	1	5,292,171
Anwar Haji Karim	1	4,090,073
Tariq Iqbal Khan (NIT Nominee)	—	—
Murtaza H. Habib	1	4,537,042
Syed Mazhar Abbas	1	6,120
Hasnain A. Habib	1	6,555,278
Imtiaz Alam Hanfi	1	1,698
Shameem Ahmed	1	700
Chief Executive Officer		
Abbas D. Habib	1	13,752,886
Directors' Spouses and Minor Children		
Mrs. Razia A. Raza Habib W/o Mr. Ali Raza D. Habib	1	1,533,772
Mrs. Niamet Fatima W/o Mr. Abbas D. Habib	1	1,595,801
Master Qasim Abbas Habib S/o Mr. Abbas D. Habib (Joint A/c)	1	306,744
Executives	5	44,474
Banks, Development Financial Institutions, Insurance Companies, Investment Companies, Non-Banking Financial Institutions, Modarabas and Mutual Funds	26	42,299,565
Joint Stock Companies and Corporations	93	11,898,471
Individuals	6,338	187,740,473
Others	26	13,545,893
	6,503	368,106,741



Consolidated Financial Statements

Bank AL Habib Limited

and

AL Habib Capital Markets (Pvt) Limited

(Subsidiary Company)



Bank AL Habib Limited and its Subsidiary Company Directors' Report on Audited Consolidated Financial Statements

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Brokerage Subsidiary M/s. AL Habib Capital Markets (Private) Limited for the year ended December 31, 2007.

	(Rupees in '000)
Profit for the year before tax	3,048,608
Taxation	(846,033)
Profit for the year after tax	<u>2,202,575</u>
Share of profit attributable to minority interest	<u>(5,761)</u>
Profit attributable to share holders	2,196,814
Unappropriated profit brought forward	1,472,490
Transfer from surplus on revaluation of fixed assets - net of tax	<u>7,367</u>
Profit available for appropriation	<u>3,676,671</u>
Appropriations:	
Transfer to Statutory Reserve	<u>(442,267)</u>
Cash Dividend - 2006	<u>(394,400)</u>
Issue of Bonus Shares - 2006	<u>(1,051,734)</u>
	<u>(1,888,401)</u>
Unappropriated profit carried forward	<u>1,788,270</u>
Earnings per share (after tax)	<u>5.97</u>

Pattern of Shareholding

The pattern of shareholding as at December 31, 2007 is annexed with the financial statements of Bank AL Habib Limited.

On behalf of the Board of Directors

Karachi: February 21, 2008

ALI RAZA D. HABIB
Chairman



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Bank AL Habib Limited ("the Bank") as at 31 December 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for fourteen branches, which have been audited by us.

These financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Bank AL Habib Limited as at 31 December 2007 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Karachi: February 21, 2008

KPMG Taseer Hadi & Co.
Chartered Accountants



Consolidated Balance Sheet as at 31 December 2007

	Note	2007 (Rupees in '000)	2006
ASSETS			
Cash and balances with treasury banks	8	13,766,513	9,346,444
Balances with other banks	9	615,031	1,233,948
Lendings to financial institutions	10	4,112,429	6,578,800
Investments - net	11	35,277,864	21,008,556
Advances - net	12	79,240,057	70,875,727
Operating fixed assets	13	5,852,648	3,978,479
Deferred tax assets - net		—	—
Other assets - net	14	2,473,693	2,238,362
		141,338,235	115,260,316
LIABILITIES			
Bills payable	15	2,394,482	1,390,613
Borrowings	16	9,826,525	10,788,554
Deposits and other accounts	17	114,818,032	91,371,949
Sub-ordinated loans	18	2,848,080	2,087,920
Liabilities against assets subject to finance lease	19	646,557	712,975
Deferred tax liabilities	20	560,491	371,860
Other liabilities	21	1,830,648	1,916,895
		132,924,815	108,640,766
NET ASSETS		8,413,420	6,619,550
REPRESENTED BY :			
Share capital	22	3,681,068	2,629,334
Reserves		2,527,949	2,082,561
Unappropriated profit		1,788,270	1,472,490
Minority interest		104,870	99,109
		8,102,157	6,283,494
Surplus on revaluation of assets - net of deferred tax	23	311,263	336,056
		8,413,420	6,619,550
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Consolidated Profit and Loss Account for the year ended 31 December 2007

	Note	2007 (Rupees in '000)	2006
Mark-up /return/interest earned	25	9,958,902	7,863,517
Mark-up/return/interest expensed	26	(5,764,515)	(4,079,607)
Net mark-up/return/interest income		4,194,387	3,783,910
Provision against non-performing loans and advances	12.5	(92,687)	(19,652)
Provision for diminution in the value of investment	11.2.1	(579)	(1,307)
Bad debts written-off directly		—	—
		(93,266)	(20,959)
Net mark-up/return/interest income after provisions		4,101,121	3,762,951
NON MARK-UP/INTEREST INCOME			
Fees, commission and brokerage income		743,673	590,629
Dividend income		31,377	39,712
Income from dealing in foreign currencies		532,960	466,761
Gain on sale of securities	27	597,550	104,939
Unrealised gain on revaluation of investment classified as held for trading		2,227	652
Other income	28	238,831	194,998
Total non mark-up/interest income		2,146,618	1,397,691
		6,247,739	5,160,642
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	29	(3,214,550)	(2,465,998)
Other provisions / assets written-off		—	—
Other charges	30	(401)	(54)
Total non mark-up/interest expenses		(3,214,951)	(2,466,052)
Extra-ordinary/unusual items		—	—
		3,032,788	2,694,590
Share of profit of associates		15,820	11,795
PROFIT BEFORE TAXATION		3,048,608	2,706,385
Taxation – Current	31	(646,686)	(785,610)
– Prior years		—	(4,840)
– Deferred		(199,347)	(143,231)
		(846,033)	(933,681)
PROFIT AFTER TAXATION		2,202,575	1,772,704
Attributable to:			
Equity holders of parent		2,196,814	1,771,565
Minority interest		5,761	1,139
		2,202,575	1,772,704
			(Rupees)
Basic and diluted earnings per share	32	5.97	4.81

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

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Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Consolidated Statement of Changes in Equity for the year ended 31 December 2007

	Share Capital	Capital Reserve		Revenue Reserves			Total	Minority Interest	Total Equity
		Statutory Reserve	Special Reserve	General Reserve	Exchange Translation Reserve	Unappro- priated Profit			
(Rupees in '000)									
Balance as at 01 Jan. 2006	2,191,112	1,063,014	126,500	540,000	-	812,645	4,733,271	97,970	4,831,241
Change in equity for the year ended 31 December 2006									
Final Cash dividend paid for the year 31 December 2005	-	-	-	-	-	(328,667)	(328,667)	-	(328,667)
Transfer from surplus on revaluation of fixed assets - net of tax (note 23.2)	-	-	-	-	-	7,367	7,367	-	7,367
Exchange difference on translation of net investment in foreign branch	-	-	-	-	849	-	849	-	849
Profit for the year	-	-	-	-	-	1,771,565	1,771,565	1,139	1,772,704
Total recognised income and expense for the year	-	-	-	-	849	1,778,932	1,779,781	1,139	1,780,920
Transfer to statutory reserve	-	352,198	-	-	-	(352,198)	-	-	-
Issue of bonus shares	438,222	-	-	-	-	(438,222)	-	-	-
Balance as at 31 Dec. 2006	2,629,334	1,415,212	126,500	540,000	849	1,472,490	6,184,385	99,109	6,283,494
Change in equity for the year ended 31 Dec. 2007									
Final cash dividend paid for the year ended 31 Dec. 2006	-	-	-	-	-	(394,400)	(394,400)	-	(394,400)
Transfer from surplus on revaluation of fixed assets - net of tax (note 23.2)	-	-	-	-	-	7,367	7,367	-	7,367
Exchange differences on translation of net investment in foreign branch	-	-	-	-	3,121	-	3,121	-	3,121
Profit for the year	-	-	-	-	-	2,196,814	2,196,814	5,761	2,202,575
Total recognised income and expense for the year	-	-	-	-	3,121	2,204,181	2,207,302	5,761	2,213,063
Transfer to statutory reserve	-	442,267	-	-	-	(442,267)	-	-	-
Issue of bonus shares	1,051,734	-	-	-	-	(1,051,734)	-	-	-
Balance as at 31 Dec. 2007	3,681,068	1,857,479	126,500	540,000	3,970	1,788,270	7,997,287	104,870	8,102,157

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Consolidated Cash Flow Statement for the

	2007 (Rupees in '000)	2006
Cash Flow From Operating Activities		
Profit before taxation	3,048,608	2,706,385
Dividend Income	(31,377)	(39,712)
	3,017,231	2,666,673
Adjustments for:		
Depreciation	342,880	203,630
Amortisation	53,337	69,297
Charge for compensated absences	54,102	10,000
Provision for diminution in the value of investment	579	1,307
Provision against non-performing loans and advances	92,687	19,652
Financial charges on leased assets	86,110	50,954
Share of profit from associate	(15,820)	(11,795)
Unrealised gain on revaluation of investment classified	(2,227)	(652)
Gain on disposal of operating fixed assets	(20,416)	(17,727)
	591,232	324,666
	3,608,463	2,991,339
Decrease / (Increase) in operating assets		
Lendings to financial institutions	2,466,371	(3,226,053)
Advances	(8,457,017)	(15,526,538)
Other assets (excluding advance taxation)	(228,530)	(357,765)
	(6,219,176)	(19,110,356)
Increase / (decrease) in operating liabilities		
Bills payable	1,003,869	(74,035)
Borrowings	(962,029)	4,512,686
Deposits	23,446,083	15,643,260
Other liabilities	582,707	424,902
	24,070,630	20,506,813
	21,459,917	4,387,796
Income tax paid	(1,375,637)	(104,781)
Net cash flows from operating activities (Balance carried forward)	20,084,280	4,283,015

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*



year ended 31 December 2007

	Note	2007 (Rupees in '000)	2006
Net cash flows from operating activities (Balance brought forward)		20,084,280	4,283,015
Cash Flow From Investing Activities			
Net investments		(14,278,490)	(1,542,868)
Dividend received		31,975	40,429
Investments in operating fixed assets		(2,016,778)	(1,134,134)
Sale proceeds of vehicle and equipment disposed-off		28,687	27,883
Net cash flows from investing activities		(16,234,606)	(2,608,690)
Cash Flow From Financing Activities			
Sub-ordinated loans		760,160	738,460
Payments of lease obligations		(423,298)	(182,215)
Dividend paid		(388,505)	(322,585)
Exchange differences on translation of net investment in foreign branch		3,121	849
Net cash flows from financing activities		(48,522)	234,509
Increase in cash and cash equivalents		3,801,152	1,908,834
Cash and cash equivalents at the beginning of the year		10,580,392	8,671,558
Cash and cash equivalents at the end of the year	33	14,381,544	10,580,392

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Notes to the Consolidated Financial Statements for the year ended 31 December 2007

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)

Bank AL Habib Limited (holding company and the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 175 branches (2005: 152 branches), including a wholesale branch (2006: 01) in the Kingdom of Bahrain, a branch (2006: 01) in Karachi Export Processing Zone and four (2006: three) Islamic Banking branches.

The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The principal objective of the Company is to engage in the business of equity, money market and foreign exchange, brokerage, equity research and corporate financial advisory and consultancy services. AL Habib Capital Markets (Private) Limited (the Company) was incorporated in Pakistan as a Private Limited Company on 23 August 2005 under the Companies Ordinance, 1984 and started operations from 14 December 2005.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by Group from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.

The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Note 44 to these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan. In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan shall prevail.



The State Bank of Pakistan, vide its BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

In addition, Securities and Exchange Commission of Pakistan has notified the adoption of Islamic Financial Accounting Standard (IFAS) 1-Murabaha and Islamic Financial Accounting Standard (IFAS) 2 - Ijara issued by the Institute of Chartered Accountants of Pakistan. IFAS 2 is effective for financial periods beginning on and after 01 July, 2007.

During the year, amendments to IAS 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain additional disclosures. International Financial Reporting Standard (IFRS) 2 - Share Based Payment. IFRS 3 - Business Combinations, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 6 - Exploration for and Extraction of Mineral Resources, IFRIC 8 - Scope of IFRS 2 Share Based Payment and IFRIC 10 - Interim Financial Reporting and impairment became effective during the year. The application of these standards and interpretations did not have any material effect on the Group's financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified by revaluation of leasehold land and buildings and valuation of certain investments and derivative financial instruments at fair value.

Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 45 to these financial statements.

Functional currency and presentation currency

These financial statements are presented in Pak Rupees which is the Group's functional currency. Except as indicated. All financial information presented in Pak Rupees have been rounded to the nearest thousand.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 01 January 2008 are either not relevant to Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures:



Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Group's financial statements.

IFRIC 9 - Reassessment of embedded derivatives - The IFRIC is effective during the year and will be applied together with application of IAS 39.

IFRIC 11 – IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own payment regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any material impact on the Group's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Group's operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as specified in note 7.

6.1 Basis of consolidation

The Bank has the following subsidiary and associates:

Subsidiary

Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or hold more than 50% of the shares or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Bank and subsidiary are combined on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses. Significant intercompany transactions have been eliminated.



Percentage of shareholding

AL Habib Capital Markets (Private) Limited 66.67 percent

Associates

Associates are those companies, in which the Bank directly or indirectly, owns or holds more than 20% of the voting securities beneficially and / or has the ability to exercise significant influence over their financial or operating policies of the investee.

Habib Sugar Mills Limited	6.24 percent
Habib Asset Management Limited	30.00 percent
First Habib Income Fund	28.72 percent

Investment in associates is accounted for under equity method of accounting.

6.2 Cash and cash equivalents

Cash and cash equivalents, for the purpose of cash flow statement, represent cash and balances with treasury banks, balances with other banks in current, deposit and savings accounts with original maturity of three months or less.

6.3 Repurchase agreements

The Group enters into purchase / (sale) of investments under agreements to resale / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognised. The amounts paid are recognised as lendings to financial institutions. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognised on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

6.4 Investments

In accordance with BSD Circular No. 10 dated 13 July 2004 as amended vide BSD Circular No. 11 dated 04 August 2004 and BSD Circular No. 14 dated 24 September 2004, issued by the State Bank of Pakistan, the Group classifies its investment portfolio into 'Held for Trading', 'Held to Maturity' and 'Available for Sale' securities as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin.

Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Group has the positive intent and ability to hold them till maturity.

Available for sale

These are investments, other than those in subsidiary and associates which do not fall under the held for trading and held to maturity categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity and investments in associates, and subsidiary, are valued at fair value being the quoted price as at 31 December 2007. Investments classified as held to maturity are carried at amortised cost.



Provision for diminution in the value of equity securities is made after considering permanent impairment, if any in their values and is taken to profit and loss account.

Investment in subsidiary, associates and unquoted securities are carried at cost less impairment loss, if any.

The difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

The surplus / deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Gains or losses on disposals of investments are dealt with through the profit and loss account in the year in which they arise.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised using the trade date method of accounting.

6.5 Advances

Loans and advances

Loans and advances including financing under murabaha and net investment in finance lease / ijarah are stated net of provisions for non performing advances. Specific and General provisions for non performing advances are determined keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written-off when they are considered irrecoverable.

Finance lease receivables / Ijarah financing receivable

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in loans and advances to customers.

Murabaha financing

Funds disbursed, under murabaha arrangements for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Until last year, murabaha financing was being recorded as loans from the date the advance was disbursed (refer note 7).

6.6 Operating fixed assets

Tangible - owned

Leasehold lands are stated at revalued amounts. Buildings on lease hold land are stated at revalued amount less accumulated depreciation. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight line method by taking into consideration the estimated useful lives of the related assets. Depreciation is charged on prorata basis i.e. full month charge in the month of purchase and no charge in the month of disposal.

Residual value, useful lives and depreciation methods are reviewed and adjusted, if required, at each balance sheet date.

Gains or losses on disposal of fixed assets are included in income currently.



Maintenance and normal repairs are charged to profit and loss account as and when incurred. Costs incurred on renovations are capitalized as improvements to lease hold buildings.

Surplus on revaluation of fixed assets (net of deferred taxation) to the extent of the incremental depreciation charged on the revalued assets is transferred to retained earnings.

Tangible - leased

Leases where the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets - owned

Intangible assets are stated at cost less accumulated amortization. Amortization is based on straight line method by taking into consideration the estimated useful life of assets.

Capital work in progress

Capital work in progress is stated at cost.

6.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expenses are recognised in Profit and Loss account except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustments to the tax payable in respect of the previous years.

Deferred

Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

6.8 Staff retirement benefits

Defined benefit plan - Employees' Gratuity Fund

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Board of Trustees. The Bank's costs and contributions are determined based on an actuarial valuation carried out at each year end using Projected Unit Credit Method. Net cumulative unrecognised actuarial gains / losses relating to previous reporting period in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees.



Defined contribution plan - Employees' Provident Fund

The Bank operates an approved Provident Fund Scheme for all its regular permanent employees, administered by the Board of Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

The Subsidiary Company operates an unapproved funded contributory Provident Fund Scheme for all confirmed employees of the company. Contributions are made by the employer and employee to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

6.9 Revenue recognition

Mark-up income and expenses are recognized on a time proportion basis taking into account effective yield on the instrument, except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan on which mark-up is recognized on receipt basis.

Profit on murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha i.e. sale of goods to customer, is recognised immediately upon the later date.

Profits on diminishing musharakah financings are recognised on accrual basis.

Financing method is used in accounting for income from lease and ijara financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain/loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.

Fee, commission and brokerage income are recognized as services are performed.

Brokerage, consultancy and advisory fee and commission income etc. are recognised as and when such services are provided.

Income from reverse repurchase transactions and CFS is recognised on the time proportion basis using effective interest method.

Dividend income is recognized at the time of book closure of the company declaring dividend when the Group's right to receive has been established.

Unrealised leased income and mark-up / return on non-performing loan are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

6.10 Foreign currencies

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. The fair value of forward cover taken from the State Bank of Pakistan for foreign currency deposits is added / deducted from value of foreign currency deposits. Outstanding forward foreign exchange contracts and foreign bills purchased excluding swap contracts are valued at the market rates applicable to the respective maturities. However, premium on swap contracts is amortized over the period of swap and the movement in ready rates since the initiation of swap is also accounted for.

Exchange gains and losses are included in income currently except those arising on the translation of foreign branches which are taken to equity under 'Exchange Translation Reserve'.

The assets and liabilities of foreign operations are translated to Pakistani rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year.



6.11 **Dividends**

Dividends including stock dividends are accounted for in the period in which these are approved.

6.12 **Provision for guarantee claims and other off balance sheet obligations**

Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net-of expected recoveries.

6.13 **Contingent assets**

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

6.14 **Other provisions**

Other provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.15 **Derivative financial instruments**

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognized in profit and loss account.

6.16 **Acceptances**

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

6.17 **Employees' compensated absences**

Employees' entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto balance sheet date.

6.18 **Off-setting**

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.19 **Impairment**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.



6.20 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk.

Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities includes provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc to individual customers, small merchants and SMEs.

Corporate commercial banking

The commercial banking represents provision of banking services including Treasury and International Trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations issued by the State Bank of Pakistan.

Retail brokerage

Retail brokerage activities includes the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.

Geographical segments

The Group operates in two geographic regions, being:

- Pakistan
- Middle East

7. ADOPTION OF ISLAMIC FINANCIAL ACCOUNTING STANDARD-I, MURABAHA

7.1 Consequent to adoption of Islamic Financial Accounting Standard I – Murabaha issued by the Institute of Chartered Accountants of Pakistan, the Bank has changed its accounting policy in recording of murabaha transactions with retrospective effect. The Bank accounts for murabaha as follows:

- Funds disbursed for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at deferred sale price net of unearned profit. Previously, murabaha financings were recorded at the time of disbursement of funds.
- Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Previously, these goods were recorded as advance against future murabaha.
- Profit for the period from the date of disbursement to the date of culmination of murabaha is recognized from the date of disbursement.

There is no effect of this change in policy on the profit and loss for the current or prior period.



		2007	2006
		(Rupees in '000)	
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,535,490	1,692,425
Foreign currencies		471,233	205,116
With State Bank of Pakistan in:			
Local currency current account	8.1	9,070,755	5,029,485
Local currency current account-Islamic Banking	8.2	88,000	115,000
Foreign currency deposit account			
Cash reserve account		561,100	487,084
Special Cash Reserve account	8.3	561,100	1,461,252
Local US Dollar collection account	8.4	20,978	29,775
With National Bank of Pakistan in:			
Local currency current account		457,857	326,307
		13,766,513	9,346,444

- 8.1 This represents statutory cash reserve maintained under Section 22 of the Banking Companies Ordinance, 1962.
- 8.2 This represents statutory cash reserve maintained by Islamic Banking Division in accordance with BPD Circular No. 01 dated 01 January 2003 issued by Islamic Banking department of the State Bank of Pakistan.
- 8.3 This represents special cash reserve maintained against foreign currency deposits mobilised under FE 25 Circular issued by the State Bank of Pakistan and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. These carry markup at the rate of 4.24% per annum.
- 8.4 This represents US Dollar settlement account opened with the State Bank of Pakistan in accordance with FE Circular No. 2 dated 19 February 2004 and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. These carry markup at London Inter Bank offer rate less 1%.

		2007	2006
		(Rupees in '000)	
9. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		164,577	101,749
In term deposit accounts	9.1	2,500	2,500
In savings accounts	9.2	6,694	110,000
Outside Pakistan			
In current accounts		181,073	595,378
In deposit accounts	9.3	260,187	424,321
		615,031	1,233,948



- 9.1 This carries mark-up at the rate of 4.00% per annum (2006: 4.00%) maturing in October 2008.
- 9.2 These represent saving deposits by Islamic Banking Division with expected profit at the rate of 1.00% - 2.00% (2006: 4.32% - 7.00%) per annum.
- 9.3 These carry mark-up ranging from 3.75% - 5.30% (2006: 4.67% - 5.17%) per annum.

2007 2006
(Rupees in '000)

10. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency

Call money lendings	10.1	–	3,250,000
Certificates of Investment	10.2	300,000	1,900,000
Repurchase agreement lendings (Reverse Repo)	10.3	3,812,429	1,428,800
		<u>4,112,429</u>	<u>6,578,800</u>

10.1 These represent lendings made in the local inter-bank market at rates NIL (2006: 8.10% - 10.50%) per annum.

10.2 These are certificates of investment of financial institutions carrying profit rate of 9.85% (2006: 10.70 % - 11.55 %) and having a maturity period of upto three months.

10.3 Securities held as collateral against lendings to financial Institutions

	<u>2007</u>			<u>2006</u>		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	<u>3,812,429</u>	<u>–</u>	<u>3,812,429</u>	<u>1,428,800</u>	<u>–</u>	<u>1,428,800</u>

10.3.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 3,835 million (2006: Rs. 1,432 million). These carry markup rates ranging from 9.20% to 9.40% (2006: 8.70% to 8.75%) per annum and having maturity period upto three months.



11. INVESTMENTS

		2007			2006			
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
		(Rupees in '000)						
11.1	Investments by type							
	Available for sale securities	11.3						
	Market Treasury Bills	26,213,053	-	26,213,053	12,656,048	2,428,711	15,084,759	
	Pakistan Investment Bonds	1,408,845	-	1,408,845	1,320,296	-	1,320,296	
	Government of Pakistan Bonds	306,332	-	306,332	-	-	-	
	Ordinary shares of listed companies and closed end mutual funds	270,745	-	270,745	516,141	-	516,141	
	Ordinary shares of unlisted companies	35,700	-	35,700	35,700	-	35,700	
	Term Finance Certificates							
	- Listed	537,928	-	537,928	204,990	-	204,990	
	Sukuk Certificates	874,000	-	874,000	-	-	-	
	Open ended mutual funds	80,000	-	80,000	249,752	-	249,752	
	S.W.I.F.T.	4,750	-	4,750	4,175	-	4,175	
		29,731,353	-	29,731,353	14,987,102	2,428,711	17,415,813	
	Held to maturity securities	11.4						
	Pakistan Investment Bonds	2,714,138	-	2,714,138	2,066,584	-	2,066,584	
	Sukuk Certificates	333,413	-	333,413	25,000	-	25,000	
	Term Finance Certificates							
	- Listed	326,303	-	326,303	345,509	-	345,509	
	- Unlisted	403,119	-	403,119	261,869	-	261,869	
	Unlisted WAPDA Bonds	600,014	-	600,014	600,044	-	600,044	
		4,376,987	-	4,376,987	3,299,006	-	3,299,006	
	Associated companies							
	Listed							
	- Habib Sugar Mills Ltd.	11.1.2	180,977	-	180,977	52,259	-	52,259
	- First Habib Income Fund		756,889	-	756,889	-	-	
	Unlisted							
	- Habib Asset Management Ltd.		10,152	-	10,152	11,960	-	11,960
			948,018	-	948,018	64,219	-	64,219
	Held for trading	11.7						
	Ordinary shares of listed companies		172,715	-	172,715	155,073	-	155,073
	Investments at cost		35,229,073	-	35,229,073	18,505,400	2,428,711	20,934,111
	Provision for diminution in the value of investment	11.2.2	(3,399)	-	(3,399)	(2,820)	-	(2,820)
	Investments - Net of Provisions		35,225,674	-	35,225,674	18,502,580	2,428,711	20,931,291
	Surplus on revaluation of held for trading securities		2,227	-	2,227	652	-	652
	Surplus on revaluation of available for sale securities		49,963	-	49,963	76,613	-	76,613
	Total Investments - net		35,277,864	-	35,277,864	18,579,845	2,428,711	21,008,556
11.1.1	Strategic Investment							
	Associated company							
	- Habib Asset Management Ltd.		4,500	-	4,500	4,500	-	4,500
			4,500	-	4,500	4,500	-	4,500

11.1.2 This represents 3.597 million shares (2006: 2.672 million shares) of Habib Sugar Mills Limited carried at cost. During June 2007, 3.0 million shares were sold and subsequently 3.014 million shares were purchased. Further, the Group sold 3.0 million shares and subsequently purchased 3.020 million shares during October 2007. The resulting capital gain has been taken to profit and loss account.



	Note	2007 (Rupees in '000)	2006
11.2 Investments by segment			
<i>Federal Government Securities</i>			
– Market Treasury Bills	11.5	26,213,053	15,084,759
– Pakistan Investment Bonds	11.6	4,122,983	3,386,880
– WAPDA Bonds	11.10	600,014	600,044
– WAPDA Sukuk	11.11	775,000	25,000
– Government of Pakistan Sukuk	11.11	308,413	–
– Government of Pakistan Bonds	11.12	306,332	–
		32,325,795	19,096,683
<i>Fully paid-up ordinary shares and closed end mutual funds</i>			
– Listed companies and closed end mutual funds	11.3 & 11.7	443,460	671,214
– Unlisted companies	11.8	35,700	35,700
		479,160	706,914
<i>Term Finance Certificates (TFCs)</i>			
– Listed TFCs	11.9	864,231	550,499
– Unlisted TFCs	11.9	403,119	261,869
		1,267,350	812,368
<i>Others</i>			
– Associated companies	11.13	948,018	64,219
– Open ended mutual funds	11.3	80,000	249,752
– Sukuk Bonds	11.11	124,000	–
– S.W.I.F.T.	11.14	4,750	4,175
		1,156,768	318,146
Investment at cost		35,229,073	20,934,111
Less: Provision for diminution in the value of investment	11.2.1	(3,399)	(2,820)
		35,225,674	20,931,291
Surplus on revaluation of held for trading securities		2,227	652
Surplus on revaluation of available for sale securities		49,963	76,613
Total investments - net		35,277,864	21,008,556
11.2.1 Particulars of provision			
Opening balance		2,820	1,513
Charge for the year		579	1,307
Closing balance		3,399	2,820
11.2.2 Particulars of provision in respect of type and segment			
Available for sale - fully paid ordinary shares - unlisted company – Pakistan Export Finance Guarantee Agency Ltd.		3,399	2,820
11.2.3 Financial information of associated companies			

		2007				2006			
	Year Ended	Total Assets	Total Liabilities	Revenues	Profit/(Loss)	Total Assets	Total Liabilities	Revenues	Profit/(Loss)
(Rupees in '000)									
Habib Sugar Mills Ltd.	30 Sept. 07	2,939,436	959,764	2,838,960	216,213	2,395,706	832,639	4,019,324	215,589
Habib Asset Management Ltd.	30 June 07	42,720	10,048	4,750	(11,420)	29,139	47	401	(908)
First Habib Income Fund	30 June 07	1,057,646	11,201	18,704	17,143	–	–	–	–



11.3 Quality of available for sale securities

	2007		2006	
	Rating	Cost Market value (Rupees in '000)	Rating	Cost Market value (Rupees in '000)
Federal government securities				
- Market Treasury Bills	Unrated	26,213,053 26,191,428	Unrated	15,084,759 15,074,084
- Pakistan Investment Bonds	Unrated	1,408,845 1,484,272	Unrated	1,320,296 1,411,527
- Government of Pakistan Bonds	B+	306,332 305,180	-	- -
- WAPDA Second Sukuk Company Limited	Unrated	750,000 751,675	-	- -
		<u>28,678,230 28,732,555</u>		<u>16,405,055 16,485,611</u>

Shares and close end mutual funds - listed

No. of ordinary shares		Name of Companies	Rating	2007		2006	
2007	2006			Cost	Market value	Cost	Market value
-	25,921	Atlas Battery Limited	-	-	-	Unrated	2,328 1,814
39,062	31,250	Attock Refinery Limited	AA-	5,156 9,816	AA-	5,156 2,603	
201,595	201,595	Cherat Cement Company Limited	Unrated	15,938 8,003	Unrated	15,938 8,265	
110,000	110,000	D.G. Khan Cement Company Limited	Unrated	10,231 10,417	-	10,231 6,925	
17,750	45,000	Engro Chemicals Pakistan Limited	AA	3,855 4,718	AA-	8,504 7,605	
-	550,000	Fauji Fertilizer Bin Qasim Limited	-	- -	Unrated	18,521 15,675	
-	398,200	Fauji Fertilizer Company Limited	-	- -	Unrated	44,696 42,030	
33,373	401,493	International Industries Limited	Unrated	357 4,709	Unrated	5,720 43,763	
-	300,000	Kot Adu Power Company Limited	-	- -	Unrated	12,560 12,210	
-	50,000	Lucky Cement Limited	-	- -	Unrated	5,693 2,995	
-	400,000	Maple Leaf Cement Factory Limited	-	- -	-	18,173 6,960	
-	25,000	National Refinery Limited	-	- -	-	7,499 6,475	
-	100,000	Nishat Chunian Limited	-	- -	Unrated	9,177 3,815	
345,000	315,000	Oil and Gas Development Company	AAA	46,564 41,209	-	42,824 36,131	
-	133,600	Packages Limited	-	- -	AA	26,139 28,056	
1,000,000	-	Pakistan Capital Protected Fund - 1	Unrated	10,000 10,260	-	- -	
100,000	125,000	Pakistan Oil Fields	Unrated	35,809 33,440	-	45,113 43,719	
65,000	100,000	Pakistan Petroleum Limited	Unrated	11,826 15,929	-	18,608 23,200	
25,000	70,000	Pakistan State Oil Company Limited	AAA	8,064 10,165	-	22,578 20,580	
4,875,000	4,875,000	Pakistan Strategic Allocation Fund	4-Star	48,750 44,119	Unrated	48,750 41,438	
-	750,000	Pakistan Telecommunication Co. Ltd.	-	- -	Unrated	46,256 33,225	
250,000	250,000	PICIC Growth Fund	MFR 2-Star	10,028 7,125	-	10,028 7,038	
100,000	100,000	PICIC Investment Fund	MFR 3-Star	1,950 1,320	Unrated	1,950 1,450	
-	26,250	Shell Pakistan Limited	-	- -	Unrated	7,348 10,449	
-	262,000	Sitara Energy Limited	-	- -	Unrated	9,164 4,100	
-	408,292	Standard Chartered Modaraba	-	- -	AA+	10,970 6,206	
1,597,500	1,597,500	The Hub Power Company Limited	Unrated	62,217 48,724	Unrated	62,217 43,133	
				<u>270,745 249,954</u>		<u>516,141 459,860</u>	

The par value of these share / units is Rs. 10 each.

Shares - unlisted

No. of ordinary shares		Name of Companies	Rating	2007		2006	
2007	2006			Cost	Market value	Cost	Market value
30	30	Khushhali Bank Limited	A-	30,000 30,000	Unrated	30,000 30,000	
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Unrated	5,700 5,700	Unrated	5,700 5,700	
				<u>35,700 35,700</u>		<u>35,700 35,700</u>	



		2007		2006				
		Rating	Cost (Rupees in '000)	Market value (Rupees in '000)	Rating	Cost (Rupees in '000)	Market value (Rupees in '000)	
Term finance certificates - listed								
<u>No. of Ordinary shares</u>		<u>Name of Companies</u>						
2007	2006							
6,000	6,000	Allied Bank Limited	A+	29,988	31,975	A	30,000	30,099
5,000	5,000	Askari Bank Limited-II (formerly Askari Commercial Bank Limited-II)	AA-	24,980	26,123	AA	24,990	24,363
40,000	-	Engro Chemicals Pakistan Limited	AA	200,000	204,500	-	-	-
5,000	5,000	Jahangir Siddiqui & Company Ltd. - IV	AA+	24,990	25,740	AA+	25,000	25,498
6,600	-	NIB Bank Limited	A	33,000	33,000	-	-	-
20,000	20,000	Orix Leasing Pakistan Limited	AA+	99,980	102,679	AA+	100,000	100,000
20,000	-	Pak Arab Fertilizers Limited	AA	100,000	102,125	-	-	-
5,000	5,000	United Bank Limited - III	AA	24,990	26,396	AA-	25,000	25,058
				537,928	552,538		204,990	205,018

Sukuk Certificates

<u>No. of Certificates</u>		<u>Name of Company</u>						
2007	2006							
20,000	-	Dar Al Arkan International Sukuk Co.	A-	124,000	122,140	-	-	-

Open ended mutual funds

<u>No. of ordinary shares</u>		<u>Name of Funds</u>						
2007	2006							
51,492	50,000	Atlas Islamic Fund	Unrated	25,000	28,146	Unrated	25,000	25,000
-	27,729	Atlas Stock Market Fund	-	-	-	Unrated	10,000	15,331
-	1,022,180	Dawood Money Market Fund	-	-	-	5-Star	77,252	107,702
-	520,731	Faysal Balanced Growth Fund	-	-	-	MFR 3 Star	37,500	52,474
100,000	-	HLB Stock Fund	Unrated	10,000	10,240	-	-	-
500,000	-	KASB Balanced Fund	Unrated	25,000	25,000	-	-	-
-	5,095,000	NAFA Cash Fund	-	-	-	A	50,000	53,600
1,000,000	-	NAFA Islamic Income Fund	Unrated	10,000	10,130	-	-	-
-	1,001,808	Pakistan International Element Islamic Fund	-	-	-	Unrated	50,000	47,955
100,000	-	United Islamic Income Fund	Unrated	10,000	10,164	-	-	-
				80,000	83,680		249,752	302,062

S.W.I.F.T.

<u>No. of shares</u>		<u>Name of Company</u>						
2007	2006							
24	24	S.W.I.F.T.	Unrated	4,750	4,750	Unrated	4,175	4,175
Total - Available for sale securities				<u>29,731,353</u>	<u>29,781,317</u>		<u>17,415,813</u>	<u>17,492,426</u>

11.3.1 Long term or medium term ratings are used.

11.4 The market value of held to maturity securities at 31 December 2007 amounted to Rs. 4,253 million (2006: 3,101 million).

11.5 Market Treasury Bills carry yield ranging from 9.00% - 9.39% per annum (2006: 8.64% - 9.00%) having maturity upto one year.

11.6 Pakistan Investment Bonds are for a period of 3, 5 and 10 years with yields ranging from 7.00% - 14.00% per annum (2006: 7.00% - 14.00%). Pakistan Investment Bonds having a face value of Rs. 5 million are pledged with the Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-a-vis private fund accounts.



11.7 Particulars of investment in shares and closed end mutual funds

Cost of the investments of the Group in shares and closed end mutual funds is as follows:

Listed - Held for trading

No. of ordinary shares		Name of Companies	2007	2006
2007	2006		(Rupees in '000)	
180,000	55,900	Abbott Laboratories (Pakistan) Limited	40,260	8,568
30,000	-	Alghazi Tractors Private Limited	8,270	-
-	2,500	Askari Bank Limited (formerly Askari Commercial Bank Limited)	-	264
38,500	-	Atlas Insurance Limited	5,349	-
25,000	4,400	BOC Pakistan	6,420	621
-	22,000	DADEX Eternit	-	1,320
-	9,600	Dawood Hercules	-	2,794
20,000	-	Dawood Lawrence Limited	1,840	-
25,000	94,400	EFU General Insurance	8,527	20,111
9,000	-	Engro Chemicals Pakistan Limited	2,530	-
216,000	-	Gul Ahmed Textile Mills Limited	8,026	-
-	283,000	Habib ADM Limited	-	5,024
87,500	-	IGI Insurance Limited	34,642	-
-	127,600	IGI Insurance Limited (formerly International General Insurance Company of Pakistan Limited)	-	50,753
20,000	-	Jahangir Siddiqui & Company Limited	21,124	-
-	15,500	Lakson Tobacco Company Limited	-	5,550
-	28,400	Millat Tractors Limited	-	7,982
100,000	-	New Jubilee Insurance Company Limited	20,054	-
40,000	-	Packages Limited	15,673	-
-	10,300	Pak Suzuki Motors Company Limited	-	4,245
-	45,500	Pakistan Industrial Credit and Investment Corporation	-	3,026
-	45,400	Pakistan Refinery Limited	-	9,947
-	430,000	Soneri Bank Limited	-	20,995
-	139,000	The Bank of Punjab	-	13,873
			<u>172,715</u>	<u>155,073</u>

11.8 Particulars of investments in shares - unlisted - Available for sale

Cost of investments of the Group in fully paid-up ordinary shares of unlisted companies is as follows:

No. of ordinary shares		Name of Companies	2007	2006
2007	2006		(Rupees in '000)	
30	30	Khushhali Bank Limited Formed as per the directive of the Government of Pakistan to provide micro finance in rural areas for alleviating poverty. The par value per share is Rs. 1,000,000 Break-up value Rs. 1,027,293 per share. Chief Executive Officer: Mr. Ghalib Nishter	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited A Joint venture between Asian Development Bank and thirteen commercial banks in Pakistan. The par value per share is Rs. 10 Break-up value Rs. 4.04 per share. Chief Executive Officer: Mr. S.M. Zaeem	5,700	5,700
			<u>35,700</u>	<u>35,700</u>



11.9 Particulars of Investment in Term Finance Certificates

Cost of investments of the Group in Term Finance Certificates is as follows:

No. of Certificates		Redeemable Value	Maturity	Name of Companies	2007	2006
2007	2006	per certificate	Date		(Rupees in '000)	
Listed-Held to Maturity						
20,000	20,000	4,995.00	Feb-13	Askari Bank Limited-I (formerly Askari Commercial Bank Limited-I)	99,900	99,940
15,000	15,000	4,994.27	Nov-12	Bank Al Falah Limited	74,913	74,942
5,000	5,000	1,248.60	Apr-08	Jahangir Siddiqui & Company Ltd.	6,243	18,728
9,000	9,000	4,995.00	Feb-13	ABN Amro Bank (formerly Prime Commercial Bank Limited)	44,955	44,973
5,000	5,000	4,995.00	May-13	Soneri Bank Limited	24,975	24,985
-	7,928	-	Jun-07	Sui Southern Gas Company Ltd.	-	6,601
5,000	5,000	4,997.00	Feb-13	Standard Chartered Bank (Pak.) Ltd.-III (formerly Union Bank Limited-III)	24,985	24,995
4,000	4,000	4,999.50	Mar-13	United Bank Limited - II	19,998	19,999
5,000	5,000	4,998.00	Sep-14	United Bank Limited - III	24,990	25,000
1,070	1,070	4,994.39	Aug-12	United Bank Limited - I	5,344	5,346
					<u>326,303</u>	<u>345,509</u>
Listed-Available for sale						
6,000	6,000	4,998.00	Dec-14	Allied Bank Limited	29,988	30,000
5,000	5,000	4,996.00	Oct-13	Askari Bank Ltd.-II (formerly Askari Commercial Bank Ltd.-II)	24,980	24,990
40,000	-	5,000.00	Nov-15	Engro Chemicals Pakistan Limited-III	200,000	-
5,000	5,000	4,998.00	May-12	Jahangir Siddiqui & Company Ltd.-IV	24,990	25,000
20,000	20,000	4,999.00	May-12	Orix Leasing Pakistan Ltd.	99,980	100,000
20,000	-	5,000.00	Feb-12	Pak Arab Fertilizers Co. (Pvt.) Ltd.	100,000	-
6,600	-	5,000.00	Feb-16	NIB Bank Limited	33,000	-
5,000	5,000	4,998.00	Sep-14	United Bank Limited - III	24,990	25,000
					<u>537,928</u>	<u>204,990</u>
					<u>864,231</u>	<u>550,499</u>
Unlisted-Held to Maturity						
-	10	10,000,000	Jul-12	Pak Arab Fertilizers Co. (Pvt) Ltd.	-	100,000
50,000	-	5,000.00	Jan-13	Orix Leasing Pakistan Limited	250,000	-
35,000	35,000	4,374.83	Feb-11	Pakistan International Airlines Corporation	153,119	161,869
					<u>403,119</u>	<u>261,869</u>

TFCs of Pak Arab Fertilizers Company (Private) Limited were classified as 'Held to Maturity' by the Group but the issuer of the TFCs had the call option against such TFCs and they exercised the option during the year.

These Term Finance Certificates are redeemable in half yearly installments and carry rate of return ranging from 8.45% to 12.49% per annum (2006: 8.45% to 13.06% per annum). The certificates of Bank Alfalah Limited, United Bank Limited, Soneri Bank Limited, ABN Amro Bank (formerly Prime Commercial Bank Limited), Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited), Allied Bank Limited and Askari Bank Limited (formerly Askari Commercial Bank Limited) are subordinated.



11.10 Particulars of Investment in WAPDA Bonds - Unlisted - Held to Maturity

Cost of investment of the Group in WAPDA Bonds is as follows:

No. of bonds		Redeemable Value per certificate	Maturity Date	Name of Company	2007	2006
2007	2006				(Rupees in '000)	
120,000	120,000	5,000.00	Apr-08	Water and Power Development Authority	<u>600,014</u>	<u>600,044</u>

These Bonds are redeemable at the end of the tenor and carry rate of return equal to the State Bank of Pakistan discount rate less 0.25% per annum (2006: SBP's discount rate less 0.25%).

11.11 Particulars of Investment in Sukuk Certificates

Cost of investment of the Group in Sukuk certificates is as follows:

No. of Certificates		Redeemable Value per certificate	Maturity Date	Name of Companies	2007	2006
2007	2006				(Rupees in '000)	
<i>Unlisted - Held to Maturity</i>						
5,000	5,000	5,000.00	Oct-12	WAPDA First Sukuk Company Limited	11.11.1 25,000	25,000
50,000	–	6,200.00	Jan-10	Government of Pakistan Sukuk	11.11.2 308,413	–
					<u>333,413</u>	<u>25,000</u>
<i>Unlisted - Available for Sale</i>						
150,000	–	5,000.00	Jul-17	WAPDA Second Sukuk Company Limited	11.11.3 750,000	–
20,000	–	6,200.00	Jul-12	Dar Al Arkan International Sukuk Company	11.11.4 124,000	–
					<u>874,000</u>	<u>–</u>
					<u>1,207,413</u>	<u>25,000</u>

11.11.1 WAPDA First Sukuk certificates are redeemable semi-annually and carry rate of return equal to the Karachi Inter-Bank Offer Rate plus 35 basis points.

11.11.2 Government of Pakistan Sukuk are redeemable semi-annually and carry rate of return equal to six monthly London Inter-Bank Offer Rate plus a fixed credit spread of 220 basis points.

11.11.3 The return on WAPDA Second Sukuk certificates is on a six monthly Karachi Inter-Bank Offer Rate plus a fixed credit spread of 25 basis points.

11.11.4 The paid up value of Dar Al Arkan International Sukuk Company – Bahrain is US \$ 100 (2006: NIL) per Certificates. The return is on the basis of three month London Inter-Bank Offer Rate plus a fixed credit spread of 2.25 basis points.



11.12 Particulars of investment in Government of Pakistan Bonds

Cost of investment of the Group in Government of Pakistan Bonds is as follows:

No. of certificates		Redeemable value per certificate	Maturity Date	Name of Company	2007	2006
2007	2006				(Rupees in '000)	
Unlisted - Available for Sale						
50,000	-	6,200.00	Feb-09	Government of Pakistan Bonds	306,332	-

The return on Government of Pakistan Bonds is at a fixed rate of 6.75% per annum.

11.13 Particulars of Investment in associated companies

Cost of investments of the Group in associated companies is as follows:

No. of shares		Name of Companies	2007	2006
2007	2006		(Rupees in '000)	
- Listed				
3,596,664	2,671,998	Habib Sugar Mills Limited 6.24% of share capital of company is owned by the Group Market value Rs. 192.961 million (2006: Rs. 115.698 million) The par value per share is Rs. 5 Chief Executive: Mr. Raeesul Hassan	180,977	52,259
7,224,291	-	First Habib Income Fund Net Asset Value Rs. 101.67 (2006: NIL) The average cost per unit is Rs. 103.8 The par value per unit is Rs. 100 Investment Advisor - Habib Asset Management Limited Chief Executive of Investment Advisor: Mr. Imran Azim	756,889	-
- Unlisted				
1,350,000	1,350,000	Habib Asset Management Limited 30.00% of share capital of company is owned by the Group The par value per share is Rs. 10 Break up value per share Rs. 7.26 Chief Executive: Mr. Imran Azim	10,152	11,960
			948,018	64,219

11.13.1 Movement of Investment in associated companies

Beginning of the year	64,219	40,928
Share of profit	15,820	11,795
Investment made - net	870,651	13,500
Dividend received	(2,672)	(2,004)
Closing	948,018	64,219



11.14 Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based services by the Group. Based on the Group's financial contribution, the Group has 24 shares (2006: 24 shares) of S.W.I.F.T at year end.

		2007	2006
		(Rupees in '000)	
12. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		70,552,301	62,358,104
Outside Pakistan		1,184,888	1,023,482
		71,737,189	63,381,586
Net investment in finance lease / Ijara financing			
In Pakistan	12.2	639,852	402,819
Outside Pakistan		-	-
		639,852	402,819
Murabaha financing / receivable	12.3	1,007,878	454,365
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,625,735	1,992,115
Payable outside Pakistan		3,451,721	4,885,086
		6,077,456	6,877,201
Advances - gross		79,462,375	71,115,971
Provision for non-performing advances	12.4	(222,318)	(240,244)
Advances - net of provisions		79,240,057	70,875,727
12.1 Particulars of advances - gross:			
12.1.1 In local currency		66,938,176	59,666,900
In foreign currencies		12,524,199	11,449,071
		79,462,375	71,115,971
12.1.2 Short Term (for upto one year)		65,026,907	57,791,977
Long Term (for over one year)		14,435,468	13,323,994
		79,462,375	71,115,971



12.2 Net investment in finance lease/ljara financing

	2007				2006			
	Not later than one year	Later than one year and not later than five years	Over Five years	Total	Not later than one year	Later than one year not later than five years	Over Five years	Total
	(Rupees in '000)							
Lease rentals receivable	200,632	512,845	-	713,477	87,456	393,497	-	480,953
Residual value	-	66,527	-	66,527	-	37,822	-	37,822
Minimum lease payments	200,632	579,372	-	780,004	87,456	431,319	-	518,775
Financial charges for future periods	(57,193)	(82,959)	-	(140,152)	(40,180)	(75,776)	-	(115,956)
Present value of minimum lease payments	143,439	496,413	-	639,852	47,276	355,543	-	402,819

	2007 (Rupees in '000)	
12.3 Murabaha receivable - gross	1,036,941	468,779
Deferred murabaha income	(9,138)	(7,756)
Profit receivable shown in other assets	(19,925)	(6,658)
Murabaha financing / receivable	<u>1,007,878</u>	<u>454,365</u>

12.3.1 This includes advance for murabaha aggregating to Rs. 98 million (2006: Rs. 207 million).

12.4 Advances include Rs.216.628 million (2006: Rs. 388.263 million) which have been placed under non-performing status as detailed below:

Category of classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	22,291	-	22,291	5,573	-	5,573	5,573	-	5,573
Doubtful	27,145	-	27,145	13,576	-	13,576	13,576	-	13,576
Loss	167,192	-	167,192	167,192	-	167,192	167,192	-	167,192
	216,628	-	216,628	186,341	-	186,341	186,341	-	186,341
General Provision	-	-	-	-	-	-	35,977	-	35,977
	<u>216,628</u>	<u>-</u>	<u>216,628</u>	<u>186,341</u>	<u>-</u>	<u>186,341</u>	<u>222,318</u>	<u>-</u>	<u>222,318</u>
	2006								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	5,955	-	5,955	1,489	-	1,489	1,489	-	1,489
Doubtful	18,916	-	18,916	9,458	-	9,458	9,458	-	9,458
Loss	363,392	-	363,392	202,228	-	202,228	202,228	-	202,228
	388,263	-	388,263	213,175	-	213,175	213,175	-	213,175
General Provision	-	-	-	-	-	-	27,069	-	27,069
	<u>388,263</u>	<u>-</u>	<u>388,263</u>	<u>213,175</u>	<u>-</u>	<u>213,175</u>	<u>240,244</u>	<u>-</u>	<u>240,244</u>



12.4.1 The Prudential Regulations issued by the State Bank of Pakistan effective from 01 January 2004 require banks to maintain a general reserve equal to 1.5% of the consumer portfolio which is fully secured and 5% of the consumer portfolio which is unsecured to protect the Group from the risk associated with the economic cyclical nature of this business. The Group's has created the general provision for secured and unsecured consumer portfolio amounting to Rs 35.977 million (2006: Rs 27.069 million).

12.4.2 During the year the Group, in line with the BSD Circular No. 07 dated 12 October 2007 issued by State Bank of Pakistan, changed its method of measuring provision against non-performing financings whereby the Forced Sale Value of the collateral is not considered in determining the provision. Previously, forced sale value of the collateral was considered for loans and advances over Rs. 10 million. Had the effect of Forced Sale Value been considered for loans and advances over Rs. 10 million, provision against non performing loans would have been lower by Rs. 35.522 million and profit before tax would have been higher by Rs. 35.522 million.

12.5 Particulars of provision against non-performing advances:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	213,175	27,069	240,244	195,152	27,069	222,221
Charge for the year	134,204	58,908	193,112	37,664	–	37,664
Reversals	(50,425)	(50,000)	(100,425)	(18,012)	–	(18,012)
	83,779	8,908	92,687	19,652	–	19,652
Amount written off 12.6	(110,613)	–	(110,613)	(1,629)	–	(1,629)
Closing balance	186,341	35,977	222,318	213,175	27,069	240,244

12.5.1 Particulars of provision against non-performing advances:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	186,341	35,977	222,318	213,175	27,069	240,244

12.6 Particulars of write offs:

	2007		2006	
	(Rupees in '000)			
12.6.1 Against provision	110,613		1,629	
Directly charged to profit and loss account	–		–	
	110,613		1,629	
12.6.2 Write-offs of Rs. 500,000 and above	110,435	12.7	1,524	
Write-offs of below Rs. 500,000	178		105	
	110,613		1,629	

12.7 Detail of loans written-off of Rs. 500,000 and above:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2007 is given in Annexure 1.



12.8	Particulars of Loans and Advances to Directors, Associated Companies, etc.	2007	2006
		(Rupees in '000)	
	(i) Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons.		
	Balance at beginning of the year	10,906	11,989
	Loans granted during the year	10,859	1,175
	Repayments	(19,074)	(2,258)
	Balance at end of the year	2,691	10,906
	(ii) 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.		
	Balance at beginning of the year	247,615	260,000
	Loans granted during the year	728,478	333,219
	Repayments	(840,950)	(345,604)
	Balance at end of the year	135,143	247,615
13.	OPERATING FIXED ASSETS		
	Capital work-in-progress	13.1 617,665	385,776
	Property and equipment	13.2 5,177,753	3,542,408
	Intangible assets	13.3 16,490	9,555
	Stock Exchange Membership Card	34,750	34,750
	Dubai Gold Commodity Exchange Card	5,990	5,990
		5,852,648	3,978,479
13.1	Capital work-in-progress		
	Civil works	200,189	170,734
	Advance payment towards property and equipments	411,116	208,024
	Consultants' fee and other charges	6,360	7,018
		617,665	385,776



13.2 Property and equipment

	2007							
	Cost/Revalued Amount			Depreciation			Book value	
	As at 1 Jan. 2007	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2007	As at 1 Jan. 2007	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2007	As at 31 Dec. 2007	Rate of depreciation %
Owned								
Leasehold land	927,994	807,132	1,735,126	-	-	-	1,735,126	-
Buildings on leasehold land	1,748,161	689,148 (14,103)	2,423,206	122,682	81,648 (1,750)	202,580	2,220,626	2.00-6.67
Improvements to leasehold buildings	102,050	81,476 (5,092)	178,434	5,315	7,115 (265)	12,165	166,269	5
Furniture and fixtures	193,029	44,791 (10,519)	227,301	59,401	20,386 (3,786)	76,001	151,300	10
Electrical, office and computer equipment	77,952	120,173 (10,699) 97,756*	285,182	54,719	20,336 (7,474) 61,941*	129,522	155,660	20
Vehicles	6,300	19,977 (760)	25,517	1,891	1,596 (493)	2,994	22,523	20
	3,055,486	1,762,697 (41,173) 97,756*	4,874,766	244,008	131,081 (13,768) 61,941*	423,262	4,451,504	
Leased								
Electrical, office and computer equipments	674,078	209,685 (34,984) (97,756)*	751,023	128,825	154,650 (11,675) (61,941)*	209,859	541,164	20
Vehicles	245,929	61,085 (5,820)	301,194	60,252	57,149 (1,292)	116,109	185,085	20
	920,007	270,770 (40,804) (97,756)*	1,052,217	189,077	211,799 (12,967) (61,941)*	325,968	726,249	
	3,975,493	2,033,467 (81,977)	5,926,983	433,085	342,880 (26,735)	749,230	5,177,753	

* This represents transfer of equipments from leased to owned assets on completion of lease term.



	2006							
	Cost/Revalued Amount			Depreciation			Book value	
	As at 1 Jan. 2006	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2006	As at 1 Jan. 2006	Additions/ (Deletions)/ Adjustments*	As at 31 Dec. 2006	As at 31 Dec. 2006	Rate of depreciation %
	(Rupees in '000)							
Owned								
Leasehold land	618,866	286,621 22,507*	927,994	-	-	-	927,994	-
Buildings on leasehold land	1,272,318	498,350 (22,507)*	1,748,161	64,144	58,538	122,682	1,625,479	2.00-6.67
Improvements to leasehold buildings	40,377	61,673	102,050	2,227	3,088	5,315	96,735	5
Furniture and fixtures	132,718	61,595 (1,284)	193,029	45,486	14,743 (828)	59,401	133,628	10
Electrical, office and computer equipments	66,616	15,335 (3,999)	77,952	53,795	4,405 (3,481)	54,719	23,233	20
Vehicles	3,566	3,980 (1,246)	6,300	2,328	558 (995)	1,891	4,409	20
	2,134,461	927,554 (6,529)	3,055,486	167,980	81,332 (5,304)	244,008	2,811,478	
Leased								
Electrical, office and computer equipments	283,282	394,278 (3,482)	674,078	48,477	81,519 (1,171)	128,825	545,253	20
Vehicles	119,501	134,943 (8,515)	245,929	21,215	40,780 (1,743)	60,252	185,677	20
	402,783	529,221 (11,997)	920,007	69,692	122,299 (2,914)	189,077	730,930	
	2,537,244	1,456,775 (18,526)	3,975,493	237,672	203,631 (8,218)	433,085	3,542,408	
13.3 Intangible assets								
	2007							
	Cost			Amortization		Book value		Rate of amortization %
	As at 1 Jan.	Additions	As at 31 Dec.	As at 1 Jan.	Charge	As at 31 Dec.	As at 31 Dec.	
	(Rupees in '000)							
Computer software	72,069	22,193	94,262	62,514	15,258	77,772	16,490	50
	2006							
	Cost			Amortization		Book value		Rate of amortization %
	As at 1 Jan.	Additions	As at 31 Dec.	As at 1 Jan.	Charge	As at 31 Dec.	As at 31 Dec.	
	(Rupees in '000)							
Computer software	54,459	17,610	72,069	49,229	13,285	62,514	9,555	50



- 13.4 Disposals / deletions of fixed assets during the year with original cost or book value in excess of Rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book Value	Sale Price	Mode of disposal	Particulars of purchaser
(Rupees in '000)					
Furniture and Fixtures	2,507	925	373	Auction	Karachi Auction Mart, 7/C, Mai Kolachi Road, Karachi.

- 13.5 During the year no assets were disposed-off to the Chief Executive or a Director or an executive or a shareholder holding not less than ten percent of the voting shares of the Group or any related party.

- 13.6 In 2004 leasehold land and buildings were revalued by M/s Iqbal A. Nanjee & Co. on the basis of market value which resulted in net surplus of Rs. 441.312 million over the book value of the assets as on 01 January 2004.

Had there been no revaluation, the net book value of specific classes of property, plant and equipment would have amounted to:

	Net Book Value	
	2007	2006
	(Rupees in '000)	
Leasehold land	1,673,611	866,479
Buildings on leasehold land	1,886,202	1,265,946
	3,559,813	2,132,425
	(Rupees in '000)	

14. OTHER ASSETS

Income / mark-up accrued in local currency		1,636,277	1,425,045
Income / mark-up accrued in foreign currency		125,352	90,910
Advances, deposits, advance rent and other prepayments		425,520	239,902
Advance taxation (payments less provisions)		-	275
Deferred costs		-	29,228
Unrealized gain on forward foreign exchange contracts		18,389	31,330
Stationery and stamps on hand		68,546	48,615
Receivable from SBP / Government of Pakistan		5,675	7,564
Non refundable deposits	14.1	119,985	128,836
Others		73,949	236,657
		2,473,693	2,238,362

- 14.1 This represents non refundable deposits paid in relation to acquisition of some Group's properties. These are being written off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).



	2007	2006
	(Rupees in '000)	
15. BILLS PAYABLE		
In Pakistan	<u>2,394,482</u>	<u>1,390,613</u>
16. BORROWINGS		
In Pakistan	7,931,514	10,742,659
Outside Pakistan	1,895,011	45,895
	<u>9,826,525</u>	<u>10,788,554</u>
16.1 Particulars of borrowings with respect to currencies		
In local currency	7,931,514	10,742,659
In foreign currency	1,895,011	45,895
	<u>9,826,525</u>	<u>10,788,554</u>
16.2 Details of borrowings secured / unsecured		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme 16.3	6,479,025	7,037,717
Under Long Term Financing for Export Oriented Projects 16.4	1,452,489	1,276,231
Repurchase agreement borrowings 16.5	-	2,428,711
	<u>7,931,514</u>	<u>10,742,659</u>
Unsecured		
Borrowings from financial institutions 16.6	744,000	-
Overdrawn Nostros	1,151,011	45,895
	<u>9,826,525</u>	<u>10,788,554</u>
16.3	These borrowings carry mark-up rates ranging from 6.50% (2006: 6.50% to 7.50%) per annum and are secured against promissory notes, undertakings in favour of the Bank and export documents, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.	
16.4	This represents borrowings from State Bank of Pakistan under Long Term Finance for Export Oriented Products at rates ranging from 4.00% - 5.00% per annum (2006: 4.00%-5.00%) having maturity period of upto 7 years and six months.	
16.5	This represents repurchase agreement borrowings from other banks at rate NIL per annum (2006: 8.75% - 9.00%).	
16.6	This represents repurchase agreement borrowings from financial institutions at rates ranging from 5.25% - 6.50% (2006: NIL) per annum having maturity period upto one month.	



	2007	2006
	(Rupees in '000)	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	40,739,267	33,823,942
Savings deposits	20,628,769	16,733,604
Current accounts - Remunerative	16,580,475	11,311,994
Current accounts - Non-remunerative	35,518,667	27,856,243
	113,467,178	89,725,783
Financial Institutions		
Remunerative deposits	1,111,894	1,530,182
Non-remunerative deposits	238,960	115,984
	1,350,854	1,646,166
	114,818,032	91,371,949
17.1 Particulars of deposits		
In local currency	101,066,092	80,772,379
In foreign currencies	13,751,940	10,599,570
	114,818,032	91,371,949
18. SUB-ORDINATED LOANS		
Term Finance Certificates (TFCs) - I - Quoted, Unsecured	18.1 1,348,380	1,348,920
Term Finance Certificates (TFCs) - II - Quoted, Unsecured	18.2 1,499,700	739,000
	2,848,080	2,087,920
18.1 Term Finance Certificates (TFCs) - I - Quoted, Unsecured		
Total issue	Rupees 1,350 million	
Rating	AA-	
Rate	Payable six monthly at average six months KIBOR plus 150 bps	
Floor	3.50% p.a.	
Cap	10.00% p.a.	
Redemption	6-78th month: 0.25%	
	84th, 90th and 96th month: 33.25% each	
Tenor	8 years	



18.2 Term Finance Certificates (TFCs) - II - Quoted, Unsecured

Total issue	Rupees 1,500 million
Rating	AA-
Rate	Payable six monthly at average six months KIBOR plus 1.95% without any floor and cap
Redemption	6-84th month: 0.28% 90th and 96th month: 49.86% each
Tenor	8 years

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007			2006		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	375,013	59,191	315,822	332,523	67,466	265,057
Later than one year and not later than five years	365,224	34,489	330,735	504,690	56,772	447,918
	740,237	93,680	646,557	837,213	124,238	712,975

19.1 The Group has entered into various lease agreements for computers, office equipments and vehicles. Lease rentals include financial charges at the rate of 10.00%-12.25% per annum (2006: 10.00% - 12.25%) per annum which have been used as discounting factor and are payable monthly. The Group has the option to purchase the assets upon completion of lease period and has intention to exercise it.



2007 **2006**
(Rupees in '000)

20. DEFERRED TAX ASSETS / (LIABILITIES)

Deferred tax credits / taxable temporary differences arising in respect of:

– Assets on Ijara financing	(13,224)	(3,972)
– Difference between accounting book value of owned fixed assets and tax base	(533,659)	(353,528)
– Surplus on revaluation of securities	(17,592)	(28,308)
– Difference between accounting book value of leased assets and lease liabilities	(27,942)	(6,277)
– Other assets	(16,440)	–
	(608,857)	(392,085)

Deferred tax debits / deductible temporary differences arising in respect of :

– Provision for general loan losses	12,592	9,474
– Provision for compensated absences	28,700	9,764
– Provision for diminution in the value of investments	1,190	987
– Other liabilities	5,884	–
	48,366	20,225
	(560,491)	(371,860)

20.1 Movement in temporary differences during the year

	Balance as at Jan. 1, 2006	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2006	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2007
	(Rupees in '000)						
Deductible temporary differences on							
– provision against investments	6,806	(5,819)	–	987	203	–	1,190
– provision against doubtful debts	9,474	–	–	9,474	3,118	–	12,592
– provision against others	6,264	3,500	–	9,764	18,936	–	28,700
– other liabilities	–	–	–	–	5,884	–	5,884
Taxable temporary differences on							
– ijara financing	–	(3,972)	–	(3,972)	(9,252)	–	(13,224)
– fixed assets	(229,579)	(123,949)	–	(353,528)	(180,131)	–	(533,659)
– lease liabilities	5,220	(11,497)	–	(6,277)	(21,665)	–	(27,942)
– revaluation of investment in available for sale	(50,182)	(1,494)	23,368	(28,308)	–	10,716	(17,592)
– other assets	–	–	–	–	(16,440)	–	(16,440)
	(251,997)	(143,231)	23,368	(371,860)	(199,347)	10,716	(560,491)



	2007	2006
	(Rupees in '000)	
21. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	520,574	552,876
Mark-up / return / interest payable in foreign currencies	101,408	47,033
Accrued expenses	57,831	25,488
Provision for compensated absences	82,000	27,898
Advance payments	128,751	58,409
Taxation (Provision less payments)	42,118	771,068
Unclaimed dividends	18,569	12,674
Unrealized loss on forward foreign exchange contracts	-	-
Branch adjustment account	395,520	48,706
Special exporters' accounts in foreign currencies	37,046	24,490
Unearned income	10,299	-
Others	436,532	348,253
	<u>1,830,648</u>	<u>1,916,895</u>

22. SHARE CAPITAL

	2007	2006			
	(Number)				
Authorised Capital					
	<u>500,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs.10 each	<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital					
			Ordinary shares of Rs. 10 each		
	30,000,000	30,000,000	fully paid in cash	300,000	300,000
	338,106,741	232,933,387	Issued as bonus shares	3,381,068	2,329,334
	<u>368,106,741</u>	<u>262,933,387</u>		<u>3,681,068</u>	<u>2,629,334</u>

22.1 Issued, subscribed and paid-up capital at year-end includes 6,878,437 ordinary shares of Rs. 10 each (2006: 4,373,455 shares) held by the associated companies.

22.2 After 31 December 2007, the following dividends were proposed by the Board of Directors in respect of year 2007. The dividends have not been provided for.

(Rupees in '000)

Bonus issue at 30 shares for 100 shares held	1,104,320
Cash dividend @ Rs. 1.5 per share	552,160

The Board of directors of the Bank has recommended bonus issue of 30% which would increase the paid up of the Bank to Rs. 4,785.388 million in compliance with the BSD circular no. 06 dated 28 October 2005 of the State Bank of Pakistan. The State Bank of Pakistan requires to increase the paid-up capital to Rs. 4 billion by 31 March 2008.

22.3 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

22.4 Statutory reserves

The Bank is required to transfer 20% of its profits to a statutory reserve until the reserve equals share capital. This reserve is not available for distribution.



		2007	2006
		(Rupees in '000)	
23. SURPLUS ON REVALUATION OF ASSETS - NET			
Surplus on revaluation of securities - net of tax	23.1	32,372	49,798
Surplus on revaluation of fixed assets - net of tax	23.2	278,891	286,258
		311,263	336,056
23.1 Federal Government securities		54,325	80,558
Quoted shares		(20,493)	(56,283)
Other securities		16,430	52,338
Related deferred tax liability		(17,890)	(26,815)
		32,372	49,798
23.2 Surplus on revaluation of fixed assets		407,273	418,607
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(7,367)	(7,367)
Related deferred tax liability		(3,967)	(3,967)
		(11,334)	(11,334)
		395,939	407,273
Less: Related deferred tax liability on:			
Revaluation of fixed assets		121,015	124,982
Incremental depreciation charged during the year transferred to profit and loss account		(3,967)	(3,967)
		117,048	121,015
		278,891	286,258
24. CONTINGENCIES AND COMMITMENTS			
24.1 Direct Credit Substitutes			
Acceptances		5,129,748	4,180,208
24.2 Transaction-related Contingent Liabilities			
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:			
– Government		4,560,704	2,977,965
– Financial Institutions		231,879	198,103
– Others		2,237,975	1,486,431
		7,030,558	4,662,499
24.3 Trade-related Contingent Liabilities			
Letters of credit		35,157,398	19,965,016
24.4 Other contingencies			

The income tax authorities have finalised the income tax assessments of the Bank upto tax year 2004 (accounting year ended 31 December 2003). For tax year 2005, 2006 and 2007 the Bank has filed returns under self-assessment scheme as envisaged in the section 120 of the Income Tax Ordinance, 2001. The Income Tax Department has filed appeals against the appellate



order relating to the assessment years 1995-1996, 2000-2001, 2001-2002, 2002-2003 and tax years 2003 and 2004 before the Income Tax Appellate Tribunal (ITAT) on which the tax liability, if any, of Rs. 40 million may arise. The Bank, based on the earlier decisions at ITAT level in previous years and the tax advisor's opinion is confident of a favourable outcome and expects that no additional liability would arise.

24.5 Commitments in respect of forward lending

The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2007	2006
	(Rupees in '000)	
24.6 Commitments in respect of forward exchange contracts		
Purchase	7,620,287	4,020,798
Sale	6,525,727	7,513,967
The maturities of above contracts are spread over a period upto one year.		
24.7 Commitments for the acquisition of operating fixed assets	309,046	706,825
24.8 Commitments in respect of operating leases		
Not later than one year	1,683	1,836
Later than one year and not later than five years	–	718
	1,683	2,554
The Group has entered into operating lease arrangements whereby vehicles are acquired on operating lease. The lease rentals are payable over a period upto 11 months.		
24.9 Other commitments		
Commitment for donation to Habib Education Trust for construction of Habib Public School building	–	9,000
Commitment in respect of resale transactions of listed equity securities	58,056	80,398
Commitment in respect of future transactions of listed equity securities at market value share	–	17,375
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
– Customers	6,511,260	5,300,188
– Financial institutions	146,493	116,962
On investments		
– Available for sale securities	2,441,615	1,868,531
– Held to maturity securities	347,652	268,215
On deposits with financial institutions	233,539	98,906
On securities purchased under resale agreements	190,099	142,334
On call money lendings	88,244	68,381
	9,958,902	7,863,517



	2007	2006
	(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	4,765,674	3,317,868
Securities sold under repurchase agreements	78,466	138,132
Sub-ordinated loan - TFCs	314,915	134,907
Borrowing from State Bank of Pakistan:		
– under Export Refinance Scheme	469,969	422,994
– under Long-Term Financing for Export Oriented Projects	65,298	30,407
Other short term borrowings	70,193	35,299
	<u>5,764,515</u>	<u>4,079,607</u>
27. GAIN ON SALE OF SECURITIES		
Shares - Listed	175,167	69,511
Mutual Funds - Open ended	422,383	35,428
	<u>597,550</u>	<u>104,939</u>
28. OTHER INCOME		
Gain on disposal of operating fixed assets	20,416	17,727
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges, etc.)	218,415	177,271
	<u>238,831</u>	<u>194,998</u>
29. ADMINISTRATIVE EXPENSES		
Salaries, allowances, etc.	1,303,072	979,630
Charge for defined benefit plan	35.7 33,772	30,050
Contribution to defined contribution plan	52,851	38,923
Charge for compensated absences	54,102	10,000
Non-executive directors' fees, allowances and other expenses	710	660
Rent, taxes, insurance, electricity, etc.	425,404	314,722
Legal and professional charges	23,931	18,370
Communications	104,295	96,390
Repairs and maintenance	125,649	94,724
Rentals of operating leases	1,836	60,765
Financial charges on leased assets	86,110	50,954
Security charges	94,959	62,190
Stationery and printing	93,714	77,296
Advertisement and publicity	66,557	48,042
Donations	29.1 14,936	14,776
Auditors' remuneration	29.2 1,824	1,515
Depreciation	13.2 342,880	203,631
Amortisation	53,337	69,297
Vehicle running expenses	93,997	84,782
Commission and brokerage	57,221	65,124
Subscriptions and publications	19,833	17,542
Clearing charges (NIFT)	40,216	21,359
Others	123,344	105,256
	<u>3,214,550</u>	<u>2,465,998</u>



2007 **2006**
(Rupees in '000)

29.1 The details of donations in excess of Rupees One hundred thousand are given below:

Agha Khan Hospital and Medical College Foundation	–	200
Al-Sayyeda Benevolent Trust	925	925
Habib Education Trust	9,900	9,900
Habib Medical Trust	925	925
Habib Poor Fund	900	900
Rahmatbai Habib Food & Clothing Trust	900	900
Rahmatbai Habib Widows & Orphans Trust	900	900
Shaukat Khanum Memorial Hospital and Research Centre	100	–
Society for Children in need of Special Attention	–	100
The Society for the Prevention and Cure of Blindness	100	–

None of the Directors or their spouse had any interest in the above donees.

29.2 Auditors' remuneration

Audit fee	963	800
Fee for half yearly review, audit of provident and gratuity fund, special certifications and sundry advisory services	590	605
Out of pocket expenses	271	110
	1,824	1,515

30. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	401	54
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31. TAXATION

For the year		
– Current	646,686	785,610
– Deferred	199,347	143,231
	846,033	928,841
	31.1	
For prior years	–	4,840
	846,033	933,681



		2007	2006
		(Rupees in '000)	
31.1	Relationship between tax expense and accounting profit		
	Profit before taxation	<u>3,048,608</u>	<u>2,706,385</u>
	Tax at the applicable rate of 35% (2006: 35%)	1,067,013	947,235
	Tax effect of:		
	– Expenses that are not deductible in determining taxable income	13,468	19,623
	– Dividend income taxed at reduced rate	(7,830)	(12,515)
	– Capital gain on sale of quoted shares being exempt from tax	(221,016)	(31,544)
	– Income subject to final taxation	(1,277)	(5,011)
	– Others	(4,325)	11,053
		<u>846,033</u>	<u>928,841</u>
32.	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit for the year attributable to the shareholders of Holding Company	<u>2,196,814</u>	<u>1,771,565</u>
	Weighted average number of ordinary shares (Number)	<u>368,106,741</u>	<u>368,106,741</u>
	Basic and diluted earnings per share (Rupees)	<u>5.97</u>	<u>4.81</u>
33.	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury bank	13,766,513	9,346,444
	Balances with other banks	615,031	1,233,948
		<u>14,381,544</u>	<u>10,580,392</u>
34.	STAFF STRENGTH		
		2007	2006
		(Numbers)	
	Permanent	2,643	2,355
	Temporary / on contractual basis	93	87
	Daily wages	–	–
	Others	–	–
	Group's own staff at end of the year	<u>2,736</u>	<u>2,442</u>
	Outsourced	645	488
	Total staff strength	<u>3,381</u>	<u>2,930</u>



35. DEFINED BENEFIT PENSION PLAN - EMPLOYEES' GRATUITY FUND

General description

The Group operates an approved gratuity fund for all its confirmed employees, which is administered by the Board of Trustees. This Group's costs and contributions determined based on an actuarial valuation carried out at each year end by using Projected Unit Credit Method. The benefits under the gratuity scheme are payable on retirement at the age of 60 or on earlier cessation of service as under:

35.1 Number of years of eligible service completed:	Amount of gratuity payable:
– Less than 5 years	Nil
– 5 years or more but less than 10 years	1/3rd of basic salary for each year served
– 10 years or more but less than 15 years	2/3rd of basic salary for each year served
– 15 years or more	Full basic salary for each year served

35.2 Principal actuarial assumptions

The last actuarial valuation of the scheme was carried out as on 31 December 2007 and the key assumptions used for actuarial valuation were as follows:

	2007	2006
Discount rate	10.00% p.a.	10.00% p.a.
Expected rate of increase in salary in future years	9.00% p.a.	9.00% p.a.
Expected rate of return on plan assets	10.00% p.a.	10.00% p.a.

	2007	2006
	(Rupees in '000)	
35.3 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	223,093	158,620
Fair value of plan assets	(135,505)	(96,453)
Net actuarial losses not recognized	(87,588)	(62,167)
	<u>–</u>	<u>–</u>
35.4 Movement in defined benefit obligation:		
Obligation as at 1 January	158,620	108,992
Current service cost	24,701	23,830
Interest cost	16,737	9,998
Benefits paid	(3,796)	(3,399)
Actuarial (loss) / gain on obligation	26,831	19,199
Obligation as at 31 December	223,093	158,620



	2007	2006			
	(Rupees in '000)				
35.5 Movement in fair value of plan assets					
Fair value as at 1 January	96,453	63,902			
Expected return on plan assets	10,974	6,220			
Contribution by the Group	33,772	30,050			
Benefits paid	(3,796)	(3,399)			
Actuarial (loss) / gain on plan assets	(1,898)	(320)			
Fair value as at 31 December	135,505	96,453			
35.6 Movement in (receivable) / payable to defined benefit plan					
Balance as at 1 January	–	–			
Charge for the year	33,772	30,050			
Contribution to the fund during the year – Group's contribution	(33,772)	(30,050)			
Balance as at 31 December	–	–			
35.7 Charge for defined benefit plan					
Current service cost	24,701	23,830			
Interest cost	16,737	9,998			
Expected return on plan assets	(10,974)	(6,220)			
Amortisation of actuarial losses	3,308	2,442			
	33,772	30,050			
35.8 Actual return on plan assets					
– Expected return on plan assets	10,974	6,220			
– Actuarial (loss) / gain on plan assets	(1,898)	(320)			
	9,076	5,900			
35.9 Five year data on surplus / (deficit) of the plans & experience adjustments					
	2007	2006	2005	2004	2003
	(Rupees in '000)				
– Present value of defined benefit obligation	(223,093)	(158,620)	(108,992)	(80,524)	(54,719)
– Fair value of plan assets	135,505	96,453	63,902	54,399	43,616
– (Deficit) / Surplus	(87,588)	(62,167)	(45,090)	(26,125)	(11,103)
– Experience adjustments on plan liabilities (loss) / gain	26,831	19,199	18,657	15,308	9,441
– Experience adjustments on plan assets- (loss) / gain	(1,898)	(320)	(1,599)	(88)	(290)



	2007	2006
35.10 Components of plan assets as a percentage of total plan assets		
– Term finance certificate	24.08%	27.36%
– Others (including bank balances)	75.92%	72.64%
	100.00%	100.00%

35.11 Expected contribution to be paid to the funds in the next financial year

The Group contributes to the gratuity fund according to the actuary's advice. Based on actuarial advice the management estimates that the charge in respect of defined benefit plans for the year ending 31 December 2008 would be as follows:

Expected charge and contribution for the year 2008 (Rupees in '000)	<u><u>44,132</u></u>
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36. COMPENSATION OF CHIEF EXECUTIVES, EXECUTIVE DIRECTOR AND EXECUTIVES

	(Rupees in '000)					
	Chief Executives		Executive Director		*Executives	
	2007	2006	2007	2006	2007	2006
Managerial remuneration	9,500	7,400	3,300	2,400	236,040	171,984
Contribution to provident fund	950	740	330	240	18,737	13,090
Charge for defined benefit plan	500	333	300	200	6,565	4,119
Rent and house maintenance	3,800	2,960	1,320	960	94,416	68,793
Utilities	1,280	1,081	330	240	23,604	17,198
Bonus	3,000	1,000	900	600	57,094	40,519
Medical	65	83	29	25	6,017	4,567
Others	–	–	–	–	2,737	2,616
	<u>19,095</u>	<u>13,597</u>	<u>6,509</u>	<u>4,665</u>	<u>445,210</u>	<u>322,886</u>
Number of person(s)	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>246</u>	<u>185</u>

The Chief Executives, Executive Director and Executives are also provided with the Group maintained cars in accordance with the terms of employment.

* Executives mean employees, other than the Chief Executive and Executive Director, whose basic salary exceeds five hundred thousand rupees in a financial year.



37. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2007		2006	
	Book value	Fair value	Book value	Fair value
		(Rupees in '000)		
37.1 On-balance sheet financial instruments				
Assets				
Cash and balances with treasury bank	13,766,513	13,766,513	9,346,444	9,346,444
Balances with other banks	615,031	615,031	1,233,948	1,233,948
Lendings to financial institutions	4,112,429	4,112,429	6,578,800	6,578,800
Investments	35,277,864	35,198,591	21,008,556	21,073,178
Advances	79,240,057	79,240,057	70,875,727	70,875,727
Other assets	1,859,641	1,859,641	1,791,566	1,791,566
	<u>134,871,535</u>	<u>134,792,262</u>	<u>110,835,041</u>	<u>110,899,663</u>
Liabilities				
Bills payable	2,394,482	2,394,482	1,390,613	1,390,613
Borrowings	9,826,525	9,826,525	10,788,554	10,788,554
Deposits and other accounts	114,818,032	114,818,032	91,371,949	91,371,949
Sub-ordinated loan - TFCs	2,848,080	2,848,080	2,087,920	2,087,920
Liabilities against assets subject to finance lease	646,557	646,557	712,975	712,975
Other liabilities	1,309,516	1,309,516	1,069,278	1,069,278
	<u>131,843,192</u>	<u>131,843,192</u>	<u>107,421,289</u>	<u>107,421,289</u>
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange contracts	<u>7,620,287</u>	<u>7,620,287</u>	<u>4,020,798</u>	<u>4,020,798</u>
Forward sale of foreign exchange contracts	<u>6,525,727</u>	<u>6,525,727</u>	<u>7,513,967</u>	<u>7,513,967</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements. In the opinion of management, the fair value of remaining financial assets and liabilities are not significantly different from their book value since assets and liabilities are either short term in nature or frequently re-priced, except for fixed term advances of over one year, staff loans and fixed term deposits of over one year.

In the opinion of management, the fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.



38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:

	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
	(Rupees in '000)				
	2007				
Total income	4,744,957	8,951,705	76,273	(1,651,595)	12,121,340
Total expenses	(3,193,878)	(7,467,601)	(62,848)	1,651,595	(9,072,732)
Net income (loss)	1,551,079	1,484,104	13,425	–	3,048,608
Segment Assets (Gross)	43,949,165	119,552,905	374,102	(22,537,937)	141,338,235
Segment Non Performing Loans	20,728	195,900	–	–	216,628
Segment Provision Required	20,088	202,230	–	–	222,318
Segment Liabilities	42,365,670	112,811,082	286,000	(22,537,937)	132,924,815
Segment Return on net assets (ROA) (%)	3.53%	1.24%	3.59%	–	–
Segment Cost of funds (%)	7.66%	6.69%	27.09%	–	–
	2006				
Total income	5,231,660	6,943,677	18,688	(2,921,022)	9,273,003
Total expenses	(3,588,398)	(5,869,085)	(30,157)	2,921,022	(6,566,618)
Net income (loss)	1,643,262	1,074,592	(11,469)	–	2,706,385
Segment Assets (Gross)	64,160,748	100,099,022	509,379	(49,508,833)	115,260,316
Segment Non Performing Loans	67,474	320,789	–	–	388,263
Segment Provision Required	59,229	181,015	–	–	240,244
Segment Liabilities	63,321,420	94,428,637	399,542	(49,508,833)	108,640,766
Segment Return on net assets (ROA) (%)	2.56%	1.07%	(2.25%)	–	–
Segment Cost of funds (%)	5.90%	6.49%	9.81%	–	–

For the purpose of presentation of results of each segment, the inter-segment lending has been remunerated at an average cost to that segment.

39. TRUST ACTIVITIES

The Group provides services as a trustee to Dawood Money Market Fund. The market value of shares held by the Group in safe custody on behalf of the fund amounted to Rs. 1,298.634 million (2006: Rs. 338.947 million).

40. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds, directors and key management personnel and their close family members.

The Group continues to have a policy whereby all transactions with related parties are entered into an arm's length prices using the comparable uncontrolled price method except dividends which have been approved in the Annual General Meeting.

The lending policy in case of related parties has been consistent with that of the Group's overall credit policy and in line with the Prudential Regulations issued by the State Bank of Pakistan.

Transactions with related parties, other than those under the terms of employment, are summarized as follows:



2007

	Associates	Non Executive Directors	Key Management Personnel	Total
(Rupees in '000)				
Deposits				
At beginning of the year	165,483	5,427	14,571	185,481
Received during the year	23,906,965	34,334	37,770	23,979,069
Repaid during the year	(23,869,746)	(28,093)	(41,058)	(23,938,897)
At the end of the year	<u>202,702</u>	<u>11,668</u>	<u>11,283</u>	<u>225,653</u>
Advances				
At the beginning of the year	247,615	–	10,906	258,521
Given during the year	728,478	1,586	9,273	739,337
Recovered during the year	(840,950)	(1,495)	(17,579)	(860,024)
At the end of the year	<u>135,143</u>	<u>91</u>	<u>2,600</u>	<u>137,834</u>
Mark-up earned	27,375	18	881	28,274
Mark-up expensed	19,059	254	3,800	23,113
Bank charges and commission	1,675	14	303	1,992
Salaries and allowances	–	–	64,587	64,587
Bonus	–	–	10,898	10,898
Compensated absences	–	–	6,090	6,090
Contribution to defined contribution plan	–	–	2,505	2,505
Contribution to defined benefit plan	–	–	1,646	1,646
Staff Provident fund	–	–	–	50,716
Directors' fee	–	710	–	710
Insurance claim received	4,071	–	–	4,071
Insurance premium paid	90,509	–	–	90,509
Dividend income	2,672	–	–	2,672
Dividend paid	6,560	–	–	6,560



2006

	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Total
Deposits				
At beginning of the year	126,643	17,447	24,401	168,491
Received during the year	8,084,156	93,559	89,294	8,267,009
Repaid during the year	(8,045,316)	(105,579)	(99,124)	(8,250,019)
At end of the year	165,483	5,427	14,571	185,481
Advances				
At beginning of the year	260,000	–	11,989	271,989
Given during the year	262,730	–	1,175	263,905
Recovered during the year	(275,115)	–	(2,258)	(277,373)
At end of the year	247,615	–	10,906	258,521
Mark-up earned	21,120	–	730	21,850
Mark-up expensed	7,102	271	361	7,734
Bank charges and commission	790	–	35	825
Salaries and allowances	–	–	56,207	56,207
Bonus	–	–	9,251	9,251
Compensated absences	–	–	57	57
Contribution to defined contribution plan	–	–	2,573	2,573
Contribution to defined benefit plan	–	–	1,222	1,222
Staff Provident fund	–	–	–	36,350
Directors' fee	–	660	–	660
Insurance claim received	5,617	–	–	5,617
Insurance premium paid	57,292	–	–	57,292
Dividend income	2,004	–	–	2,004
Dividend paid	5,467	–	–	5,467

41. CAPITAL ADEQUACY

41.1 Capital management

It is the Group's policy that the level of capital maintained by it should be such that it maximizes the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore, the Group carefully monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement.

State Bank of Pakistan requires that banks doing business in Pakistan should maintain regulatory capital for credit and market risks, the amount of which should at least be equal to 8% of their risk weighted assets.

Eligible regulatory capital consists of three parts. Tier 1 capital comprises paid-up capital, share premium, reserve for bonus shares, general reserves, and unappropriated profit. Tier 2 capital includes general provisions, revaluation reserves, exchange translation reserves, and subordinated long-term debt. Tier 3 capital consists of short-term subordinated debt, solely for the purpose of meeting a proportion of capital requirement for market risk. The Group does not use any Tier 3 capital at present.

The Group calculates capital requirement for credit and market risks using the methodology prescribed by SBP. Total regulatory capital should be at least 8% of risk-weighted assets, and the Group's capital is well over this requirement as shown below in note 41.2.

In addition, State Bank of Pakistan requires that the paid up capital of locally incorporated banks should be raised to Rs. 6 billion by 31 December 2009 in a phased manner. The Group has been increasing its paid up share capital to comply with the aforesaid requirement.



41.2 Capital adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy is as follows:

	2007	2006
	(Rupees in '000)	
Regulatory Capital Base		
<i>Tier I Capital</i>		
Shareholders Capital	3,681,068	2,629,334
Reserves	2,523,979	2,081,712
Minority Interest	104,870	99,109
Unappropriated profits	1,788,270	1,472,490
Total Tier I Capital	8,098,187	6,282,645
<i>Tier II Capital</i>		
Subordinated Debt (upto 50% of total Tier I Capital)	2,578,404	2,087,920
General Provisions subject to 1.25% of Total Risk Weighted Assets	35,977	27,069
Foreign Currency Exchange Translation Reserves	3,970	849
Revaluation Reserve (upto 50%)	139,446	143,130
Total Tier II Capital	2,757,797	2,258,968
Eligible Tier III Capital	-	-
Total Regulatory Capital	10,855,984	8,541,613

Risk-Weighted Exposures

	2007		2006	
	Book value	Risk Adjusted Value	Book value	Risk Adjusted Value
	(Rupees in '000)			
Credit Risk				
Balance sheet items:				
Cash and other liquid assets	14,381,544	214,578	10,580,392	312,050
Money at call	4,112,429	300,000	6,578,800	2,550,000
Investments	35,277,864	2,715,850	21,008,556	1,626,190
Loans and advances	79,240,057	67,242,008	70,875,727	60,507,978
Fixed assets	5,852,648	5,852,648	3,978,479	3,978,479
Other assets	2,473,693	2,361,310	2,238,362	2,148,682
	141,338,235	78,686,394	115,260,316	71,123,379



Risk-Weighted Exposures

	2007		2006	
	Book value	Risk Adjusted Value (Rupees in '000)	Book value	Risk Adjusted Value
Off balance sheet items				
Loan repayment guarantees	5,129,748	5,089,691	4,180,208	4,143,606
Purchase and resale agreements	58,056	–	97,772	–
Performance bonds etc	7,030,558	2,540,668	4,662,499	1,586,463
Revolving underwriting commitments	–	–	–	–
Stand by letters of credit	35,157,398	11,203,257	19,965,016	8,633,180
Outstanding foreign exchange contracts				
– Purchase	7,620,287	117,142	4,020,798	48,246
– Sale	6,525,727	32,865	7,513,967	66,193
	<u>61,521,774</u>	<u>18,983,623</u>	<u>40,440,260</u>	<u>14,477,688</u>
Credit Risk-weighted exposures		<u>97,670,017</u>		<u>85,601,067</u>
Market Risk				
General market risk	58,050	58,050	63,023	63,023
Specific market risk	209,007	209,007	341,343	341,343
Market risk-weighted exposures		<u>267,057</u>		<u>404,366</u>
Total Risk-weighted exposures (b)		<u>97,937,074</u>		<u>86,005,433</u>
Capital adequacy ratio [(a) / (b) x 100]		<u>11.08%</u>		<u>9.93%</u>

42. Risk Management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

42.1 Credit risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances commitments to lend, contingent liabilities such as letter of credit and guarantees, and other similar transaction both on and off balance sheet.

Credit risk of the Group is managed through the credit policies approved by the Board; a well defined credit approval mechanism; prescribed documentation requirement; post disbursements administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decision regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Group's Credit risk.

Counterparty exposure limits are approved in line with State Bank of Pakistan's, Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. All credit exposures are adequately collateralised, except when specially exempted by SBP as in the case of personal loan and credit cards. There is an established system for continuous monitoring of credit exposures and follow-up of any past due loans with the respective business units. All past due loans including trade bills are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per the Prudential Regulations.

Credit facilities both fund based and non-fund based, extended to large customer groups and industrial sectors are regularly maintained. The Group has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites, credit worthiness of counterparties and adequate collateralisation of exposures.



Stress testing for credit risk is carried out regularly to estimate the impact of increase in non-performing loans (NPLs), downward shift in NPL categories.

42.1.1 Segment by class of business

	2007					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture / Agri business	1,906,789	2.40	926,460	0.81	456,196	0.96
Automobiles and Transportation						
Equipment	1,041,234	1.32	3,585,112	3.12	1,794,447	3.79
Cement	1,869,819	2.35	521,940	0.45	828,239	1.75
Chemicals / Pharmaceuticals	1,886,588	2.37	150,834	0.13	1,857,662	3.93
Commerce and Trade	5,958,484	7.50	2,218,184	1.93	6,019,980	12.72
Electronics and Electrical appliances	894,943	1.13	580,017	0.51	1,645,707	3.48
Fertilizers	755,365	0.95	1,750,818	1.52	595,467	1.26
Food and Allied	2,535,336	3.19	295,312	0.26	687,898	1.45
Ghee and Edible Oil	750,756	0.94	111,967	0.10	716,557	1.51
Individuals	2,577,546	3.24	71,906,721	62.62	497,403	1.05
Insurance	–	–	559,539	0.49	–	–
Investment Banks / Scheduled Banks	641,744	0.81	842,658	0.73	–	–
Iron and Steel	1,983,686	2.50	449,722	0.39	2,245,380	4.75
Modarabas	652,395	0.82	53,032	0.05	–	–
Oil Refinery	59,543	0.07	2,504,955	2.18	134,791	0.28
Paper and Board	69,672	0.09	55,593	0.05	385,744	0.82
Plastic products	320,245	0.40	95,392	0.08	463,002	0.98
Production and Transmission of Energy	1,350,388	1.70	104,544	0.09	1,568,386	3.31
Ready-made garments	1,802,782	2.27	57,073	0.05	487,075	1.03
Real estate/Construction	2,214,185	2.79	1,257,915	1.10	1,760,131	3.72
Services (other than financial)	844,226	1.06	1,284,798	1.12	222,128	0.47
Shoes and Leather garments	1,049,115	1.32	128,470	0.11	93,810	0.20
Sugar	2,707,421	3.41	163,920	0.14	175,853	0.37
Surgical Equipments	162,607	0.20	109,968	0.10	81,547	0.17
Metal Products	510,635	0.64	20,235	0.02	304,241	0.64
Synthetic and Rayon	1,072,647	1.35	17,792	0.02	569,410	1.20
Textile	31,187,311	39.25	1,426,509	1.24	9,229,997	19.52
Spinning	15,915,455	20.03	783,701	0.68	6,275,991	13.26
Weaving	5,687,009	7.16	211,521	0.18	1,067,699	2.27
Composite	9,584,847	12.06	431,287	0.38	1,886,307	3.99
Public/Government	2,854,668	3.59	11,849,211	10.32	10,940,929	23.13
Others	9,802,245	12.34	11,789,341	10.27	3,555,724	7.52
	79,462,375	100.00	114,818,032	100.00	47,317,704	100.00



2006

	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture / Agri business	690,506	0.97	506,574	0.55	216,277	0.75
Automobiles and Transportation						
Equipment	832,219	1.17	3,973,941	4.35	2,136,455	7.42
Cement	1,158,677	1.63	9,079	0.01	677,923	2.35
Chemicals / Pharmaceuticals	1,229,620	1.74	307,328	0.34	998,275	3.47
Commerce and Trade	7,320,531	10.29	3,119,757	3.41	4,995,178	17.34
Electronics and Electrical appliances	654,670	0.92	36,756	0.04	139,718	0.49
Fertilizers	897,838	1.26	704,535	0.77	115,269	0.40
Food and Allied	2,920,000	4.11	316,857	0.35	1,166,479	4.05
Ghee and Edible Oil	344,985	0.49	83,199	0.09	311,786	1.08
Hotels and Restaurants	207,326	0.29	122,036	0.13	3,514	0.01
Individuals	1,366,127	1.92	54,409,869	59.55	90,651	0.31
Insurance	–	–	615,399	0.67	–	–
Investment Banks / Scheduled Banks	911,752	1.28	1,175,227	1.29	–	–
Iron and Steel	1,626,015	2.29	155,196	0.17	1,832,119	6.36
Manufacturing	1,163,229	1.64	618,808	0.68	732,183	2.54
Modarabas	734,648	1.03	14,864	0.02	–	–
Oil Refinery	521,654	0.73	370,281	0.41	1,967,095	6.83
Paper and Board	156,980	0.22	40,768	0.04	123,611	0.43
Plastic products	277,883	0.39	70,541	0.08	335,447	1.16
Production and Transmission of Energy	361,282	0.51	25,015	0.03	103,525	0.36
Ready-made garments	1,416,331	1.99	77,571	0.08	451,703	1.57
Real estate/Construction	1,780,444	2.50	1,071,435	1.17	671,118	2.33
Services (other than financial)	601,487	0.85	2,026,856	2.22	604,380	2.10
Shoes and Leather garments	852,437	1.20	90,022	0.10	116,179	0.40
Sugar	2,021,675	2.84	59,159	0.06	292,551	1.02
Surgical Equipments	163,333	0.23	24,222	0.03	23,954	0.08
Metal Products	490,885	0.69	29,098	0.03	88,378	0.31
Synthetic and Rayon	1,031,559	1.45	58,453	0.06	265,202	0.92
Textile	30,509,311	42.91	1,617,066	1.77	5,473,893	19.00
Spinning	15,958,013	22.44	948,692	1.04	3,401,919	11.81
Weaving	5,742,995	8.08	209,088	0.23	666,571	2.31
Composite	8,808,303	12.39	459,286	0.50	1,405,403	4.88
Telecommunication	597,876	0.84	61,770	0.07	24,517	0.09
Public/Government	3,039,741	4.27	13,270,027	14.52	3,160,776	10.97
Others	5,234,950	7.36	6,310,240	6.91	1,689,567	5.86
	71,115,971	100.00	91,371,949	100.00	28,807,723	100.00



42.1.2 Details of non-performing advances and specific provisions by class of business segment

	2007		2006	
	Classified Advances	Specific Provision held	Classified Advances	Specific Provision held
	(Rupees in '000)			
Automobiles and Transportation				
Equipment	6,656	3,672	–	–
Chemicals/Pharmaceuticals	–	–	826	826
Commerce and Trade	12,117	10,374	–	–
Food and Allied	4,412	4,412	8,800	3,700
Individuals	20,729	8,236	2,201	1,623
Ghee and Edible Oil	2,594	1,297	–	–
Plastic products	38,349	38,349	–	–
Ready-made garments	16,259	10,962	81,281	39,766
Real estate/Construction	43,675	37,969	1,054	1,054
Service (other than financial)	–	–	5,002	2,188
Shoes and Leather garments	–	–	206,326	122,888
Surgical Equipments	–	–	1,000	250
Textile	68,106	67,972	81,773	40,880
Spinning	15,277	15,277	–	–
Weaving	828	828	1,065	266
Composite	52,001	51,867	80,708	40,614
Others	3,731	3,098	–	–
	216,628	186,341	388,263	213,175

42.1.3 Segment by sector

	2007					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,854,668	3.59	11,849,211	10.32	10,940,929	23.12
Private	76,607,707	96.41	102,968,821	89.68	36,376,775	76.88
	79,462,375	100.00	114,818,032	100.00	47,317,704	100.00
	2006					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	3,039,741	4.27	13,270,027	14.52	3,160,776	10.97
Private	68,076,230	95.73	78,101,922	85.48	25,646,947	89.03
	71,115,971	100.00	91,371,949	100.00	28,807,723	100.00



42.1.4 Details of non-performing advances and specific provisions by sector

	2007		2006	
	Classified Advances	Specific Provision held	Classified Advances	Specific Provision held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	216,628	186,341	388,263	213,175
	<u>216,628</u>	<u>186,341</u>	<u>388,263</u>	<u>213,175</u>

42.2 GEOGRAPHICAL SEGMENT ANALYSIS

	2007			
	Profit before taxation	Total assets employed	Net Assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	3,055,343	138,506,549	8,410,939	46,772,841
Middle East	(6,735)	2,831,686	2,481	544,863
	<u>3,048,608</u>	<u>141,338,235</u>	<u>8,413,420</u>	<u>47,317,704</u>
	2006			
	Profit before taxation	Total assets employed	Net Assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	2,734,217	114,522,431	6,647,382	28,580,741
Middle East	(27,832)	737,885	(27,832)	226,982
	<u>2,706,385</u>	<u>115,260,316</u>	<u>6,619,550</u>	<u>28,807,723</u>

42.3 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

Market risk is managed through the Market Risk Management Policy approved by the Board; approval of counterparty and dealer limits; specific senior management approval for each investment; and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of market risk management is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO; the Settlements Department which confirms and settles the aforesaid deals; and the Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides supervision and guidance in managing the Group's market risk.

Dealing activities of the Group include investment in government securities, term finance certificates, and shares and mutual funds; money market transactions; and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and/or the Middle Office is reported to senior management and ALCO.



42.4 Foreign Exchange Risk

	2007			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	125,876,883	116,796,225	(1,094,689)	7,985,969
United States Dollar	14,318,884	13,698,878	(141,657)	478,349
Great Britain Pound	336,629	1,524,958	1,151,709	(36,620)
Japanese Yen	22	6,115	6,107	14
Euro	740,462	831,356	77,462	(13,432)
Other currencies	65,355	67,283	1,068	(860)
	141,338,235	132,924,815	-	8,413,420

	2006			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	100,531,660	97,672,344	3,662,047	6,521,363
United States Dollar	13,928,150	9,090,193	(4,743,646)	94,311
Great Britain Pound	234,319	1,063,552	829,529	296
Japanese Yen	20	7,515	7,495	-
Euro	523,255	793,122	273,324	3,457
Other currencies	42,912	14,040	(28,749)	123
	115,260,316	108,640,766	-	6,619,550

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Group's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, and foreign currency placements with the State Bank of Pakistan and other banks. Focus of the Group's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Group are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Group itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impacts of adverse changes in foreign exchange rates.

42.5 Equity Price Risk

Equity price risk is the risk of loss from adverse movements in equity prices. The Group's policy is to acquire shares for investment purposes and not to run a trading book for buying and selling of shares.

Equity price risk of the Group is controlled through equity desk/dealer limits, broker limits, equity portfolio limits, future contracts limits, and Continuous Funding System (CFS) limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Group itself. Stress testing for equity price risk is carried out regularly to estimate the impacts of decline in stock prices.



42.6 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

		2007										
		Exposed to Yield / Interest rate risk										Non interest
Effective Yield/ Interest Rate	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	bearing financial instruments	
On-balance sheet financial Instruments												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	4.23%	13,766,513	582,091	-	-	-	-	-	-	-	13,184,422	
Balances with other banks	4.12%	615,031	372,473	-	-	2,500	-	-	-	-	240,058	
Lendings to financial institutions	9.32%	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-	
Investments - net	9.16%	35,277,864	1,435,544	9,087,441	17,047,358	2,674,935	525,312	42,283	2,505,412	465,936	1,493,643	
Advances - net	10.04%	79,240,057	37,230,220	11,718,689	8,434,798	1,602,543	1,960,726	2,258,327	6,811,866	2,719,332	431,790	
Other assets - net	-	1,859,641	-	-	-	-	-	-	-	-	1,859,641	
		134,871,535	42,008,774	22,530,113	25,482,156	4,279,978	2,486,038	2,300,610	9,317,278	3,185,268	431,790	
Liabilities												
Bills payable	-	2,394,482	-	-	-	-	-	-	-	-	2,394,482	
Borrowings	5.85%	9,826,525	2,077,069	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	11,853	
Deposits and other accounts*	6.32%	114,818,032	51,035,089	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,931	5,440	35,519,490	
Sub-ordinated loan - TFCs	11.13%	2,848,080	270	1,499,700	-	270	540	540	1,080	1,345,680	-	
Liabilities against assets subject to finance lease	11.51%	646,557	25,991	52,356	79,803	157,690	226,363	77,027	27,327	-	-	
Other Liabilities	-	1,309,516	-	-	-	-	-	-	-	-	1,309,516	
		131,843,192	53,138,419	14,064,274	7,727,409	8,183,205	1,799,658	1,879,358	3,824,454	1,991,074	-	
On-balance sheet gap		3,028,343	(11,129,645)	8,465,839	17,754,747	(3,903,227)	686,380	421,252	5,492,824	1,194,194	431,790	
Total yield / interest risk sensitivity gap			(11,129,645)	8,465,839	17,754,747	(3,903,227)	686,380	421,252	5,492,824	1,194,194	431,790	
Cumulative yield / interest risk sensitivity gap			(11,129,645)	(2,663,806)	15,090,941	11,187,714	11,874,094	12,295,346	17,788,170	18,982,364	19,414,154	
Off-balance sheet financial Instruments												

*Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



2006

	Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years		
(Rupees in '000)												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	0.72%	9,346,444	1,491,027	-	-	-	-	-	-	-	-	7,855,417
Balances with other banks	5.50%	1,233,948	535,367	-	-	2,500	-	-	-	-	-	696,081
Lendings to financial institutions	9.31%	6,578,800	4,993,683	1,585,117	-	-	-	-	-	-	-	-
Investments - net	7.92%	21,008,556	3,391,237	4,038,212	6,284,169	2,200,435	1,310,357	91,876	1,597,786	1,033,865	24,180	1,036,439
Advances - net	8.84%	70,875,727	4,300,046	15,098,562	15,090,089	17,789,688	1,845,867	2,636,029	7,027,736	1,472,598	341,763	5,273,349
Other assets - net	-	1,791,566	-	-	-	-	-	-	-	-	-	1,791,566
		110,835,041	14,711,360	20,721,891	21,374,258	19,992,623	3,156,224	2,727,905	8,625,522	2,506,463	365,943	16,652,852
Liabilities												
Bills payable	-	1,390,613	-	-	-	-	-	-	-	-	-	1,390,613
Borrowings	7.02%	10,788,554	2,970,779	3,691,902	2,712,218	100,210	183,062	189,064	242,902	652,522	-	45,895
Deposits and other accounts*	4.00%	91,371,949	39,060,348	8,440,231	2,804,970	7,453,231	454,705	1,810,488	1,845,488	76	-	29,502,412
Sub-ordinated loan - TFCs	10.00%	2,087,920	270	-	-	418	836	836	450,233	1,635,327	-	-
Liabilities against assets subject to finance lease	11.02%	712,975	27,296	54,463	61,014	125,998	245,328	149,495	49,381	-	-	-
Other Liabilities	-	1,069,278	-	-	-	-	-	-	-	-	-	1,069,278
		107,421,289	42,058,693	12,186,596	5,578,202	7,679,857	883,931	2,149,883	2,588,004	2,287,925	-	32,008,198
On-balance sheet gap		3,413,752	(27,347,333)	8,535,295	15,796,056	12,312,766	2,272,293	578,022	6,037,518	218,538	365,943	(15,355,346)
Total yield / interest risk sensitivity gap			(27,347,333)	8,535,295	15,796,056	12,312,766	2,272,293	578,022	6,037,518	218,538	365,943	
Cumulative yield / interest risk sensitivity gap				(18,812,038)	(3,015,982)	9,296,784	11,569,077	12,147,099	18,184,617	18,403,155	18,769,098	
Off-balance sheet financial Instruments												

* Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



42.7 Yield / Interest rate risk

Interest rate risk is the risk of loss from adverse movements in interest rates. The asset liability management committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group arising from fluctuation in the market interest and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Group's interest rate exposure is calculated by categorizing its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the bank are controlled through dealer limits, counter party exposure limits and when necessary type of instrument limits. Duration and modified duration of various types of debt securities as well as their entire portfolio is also calculated, and the impacts of adverse change in interest rates on the market value of the securities is estimated. In addition, stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

42.8 Liquidity Risk

Liquidity risk is the risk of loss to a Group arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the Liquidity Risk Policy approved by the Board; careful monitoring of daily liquidity position by the Treasury Division and the Middle Office; and regular review and monitoring of the liquidity position by the Asset and Liability Management Committee (ALCO). Risk Management Committee of the Board provides supervision and guidance in managing the Group's liquidity risk.

Key elements of the Group's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Group's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating, as borrowing costs and ability to raise funds are directly affected by credit rating.
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

In short, the Group's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the marketplace. Stress testing for liquidity risk is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.



42.9 **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

Operational risk is managed through the Operational Risk Policy and audit policy approved by the Board, along with the policies on prevention of frauds and forgeries and compliance with “Know Your Customer” and “Anti Money Laundering” requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Group’s operational risks.

The Group’s operational risk management framework, as laid down in the Operational Risk Policy, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank.

The Group places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Statement of Ethics & Business Practices, which is required to be signed by all employees.

Internal controls are an essential feature of risk reduction in operational risk management. The Group has sought the assistance of external consultants to further improve the effectiveness and efficiency of its internal controls.



43. MATURITIES OF ASSETS AND LIABILITIES

	2007									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury bank	13,766,513	13,766,513	-	-	-	-	-	-	-	-
Balances with other banks	615,031	612,531	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-
Investments	35,277,864	3,320	8,561,931	16,666,210	2,763,714	900,657	446,285	3,258,656	1,692,022	985,069
Advances - net	79,240,057	12,170,391	17,599,697	17,201,190	17,833,311	2,178,286	2,293,925	6,811,866	2,719,332	432,059
Other assets	2,473,693	1,686,323	330,890	152,139	102,485	53,217	21,772	19,651	63,737	43,479
Operating fixed assets	5,852,648	47,883	239,293	480,414	200,051	453,711	377,355	348,289	608,410	3,097,242
	141,338,235	30,675,407	28,455,794	34,499,953	20,902,061	3,585,871	3,139,337	10,438,462	5,083,501	4,557,849
Liabilities										
Bills payable	2,394,482	2,394,482	-	-	-	-	-	-	-	-
Borrowings	9,826,525	2,088,922	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	-
Deposits and other accounts*	114,818,032	86,554,579	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,930	5,441	-
Sub-ordinated loan - TFCs	2,848,080	270	300	-	570	1,140	1,140	2,280	2,842,380	-
Liabilities against assets subject to finance lease	646,557	25,993	52,356	79,803	157,690	226,363	77,027	27,325	-	-
Other Liabilities	1,830,648	1,394,327	2,807	-	222,762	-	-	162,087	48,665	-
Deferred tax liabilities	560,491	-	-	-	3,902	3,352	61,516	84,390	107,788	299,543
	132,924,815	92,458,573	12,567,681	7,727,409	8,410,169	1,803,610	1,941,474	4,072,128	3,644,228	299,543
	8,413,420	(61,783,166)	15,888,113	26,772,544	12,491,892	1,782,261	1,197,863	6,366,334	1,439,273	4,258,306
Net assets										
Share capital	3,681,068									
Reserves	2,527,949									
Unappropriated profit	1,788,270									
Minority Interest	104,870									
Surplus/(deficit) on revaluation of assets	311,263									
	8,413,420									

* Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



2006

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury bank	9,346,444	9,346,444	-	-	-	-	-	-	-	-
Balances with other banks	1,233,948	1,231,448	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	6,578,800	4,993,683	1,585,117	-	-	-	-	-	-	-
Investments	21,008,556	3,418,238	4,038,212	6,284,169	2,962,356	1,310,357	91,876	1,597,786	1,033,865	271,697
Advances - net	70,875,727	9,263,161	15,098,562	15,090,089	17,711,659	1,845,867	2,636,029	7,027,736	1,472,598	730,026
Other assets	2,238,362	1,531,584	190,126	220,428	96,903	52,548	36,403	44,871	42,276	23,223
Operating fixed assets	3,978,479	23,937	340,645	96,737	225,390	291,889	276,403	406,223	472,185	1,845,070
	115,260,316	29,808,495	21,252,662	21,691,423	20,998,808	3,500,661	3,040,711	9,076,616	3,020,924	2,870,016
Liabilities										
Bills payable	1,390,613	1,390,613	-	-	-	-	-	-	-	-
Borrowings	10,788,554	3,016,674	3,691,902	2,712,218	100,210	183,062	189,064	242,902	652,522	-
Deposits and other accounts*	91,371,949	68,562,760	8,440,231	2,804,970	7,453,231	454,705	1,810,488	1,845,488	76	-
Sub-ordinated loan - TFCs	2,087,920	270	-	-	418	836	836	450,233	1,635,327	-
Liabilities against assets subject to finance lease	712,975	22,531	59,228	61,014	125,998	245,328	149,495	49,381	-	-
Other Liabilities	1,916,895	641,600	56,845	341,959	815,398	27,898	12,674	-	20,521	-
Deferred tax liabilities	371,860	-	-	-	-	-	-	371,860	-	-
	108,640,766	73,634,448	12,248,206	5,920,161	8,495,255	911,829	2,162,557	2,959,864	2,308,446	-
	6,619,550	(43,825,953)	9,004,456	15,771,262	12,503,553	2,588,832	878,154	6,116,752	712,478	2,870,016
Net assets										
Share capital	2,629,334									
Reserves	2,082,561									
Unappropriated profit	1,472,490									
Minority Interest	99,109									
Surplus/(deficit) on revaluation of assets	336,056									
	6,619,550									

* Savings deposits, treasurers' call and current deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



44. ISLAMIC BANKING BUSINESS

The Group is operating with four Islamic Banking branches at the end of current year as compared to three Islamic Banking branches last year.

	2007	2006
	(Rupees in 000)	
ASSETS		
Cash and balance with treasury banks	93,520	117,143
Balances with and due from financial institutions	15	110,000
Investments	375,875	25,000
Financing and receivables		
– Murabaha	1,007,878	454,865
– Ijara	639,852	402,819
– Diminishing Musharika	233,423	–
Other assets	191,994	26,216
	2,542,557	1,136,043
LIABILITIES		
Bills payable	6,799	4,122
Deposits and other accounts		
– Current accounts	121,998	36,945
– Saving accounts	105,238	84,734
– Term deposits	558,221	808,950
– Deposits from financial institutions - remunerative	243	1,000
– Deposits from financial institutions - Non remunerative	50,025	–
Due to Head Office	1,322,230	19,351
Other liabilities	88,233	51,937
	2,252,987	1,007,039
NET ASSETS	289,570	129,004
REPRESENTED BY		
Islamic Banking Fund	250,000	100,000
Reserves	–	–
Unappropriated / unremitted profit	38,695	29,004
	288,695	129,004
Surplus / (deficit) on revaluation of assets	875	–
	289,570	129,004
Remuneration to Shariah Advisor / Board	1,015	929
CHARITY FUND		
Opening balance	–	–
Additions during the period	14	121
Payments / utilisation during the period	–	(121)
Closing balance	14	–



45. ACCOUNTING ESTIMATES AND JUDGEMENTS

Provision against non-performing loans and advances

The Group reviews its loan portfolios to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. The provision is made in accordance with the Prudential Regulations issued by the State Bank of Pakistan.

Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

During the year, a new schedule has been introduced for taxation of banks in Pakistan. The schedule is applicable for the financial year ending 31 December 2008. The current and deferred tax calculations may require change based on the revised schedule and transitory provisions, which are currently being discussed by Pakistan Banks Association with Federal Board of Revenue.

Held to maturity investment

The Group has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Group reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment. Land and building are carried at revalued amount and would be effected by the movement in market price.

Intangible assets

The Group reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Impairment of available for sale equity investments

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.



Retirement benefits

The Group contributes to the staff gratuity fund on the basis of actuarial valuation which takes into account certain assumptions regarding interest rate, increase in salary and inflation rate etc. Any change in these estimates in future years might effect the Group's liability with corresponding effect on the charge for the retirement benefits plan.

46. GENERAL

46.1 Comparatives

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparative and to conform with changes in presentation in current year.

47. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on February 21, 2008.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

IMTIAZ ALAM HANFI
Director



Annexure-1

**Statement showing written-off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended December 31, 2007**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	M/s. NASCO Corporation (Pvt.) Limited Plot Nos. 555,556,557 & 558 Sector 7-A, Korangi Industrial Area, Karachi.	Mr. Mosaddaq Saleem Qureshi (Chairman) (CNIC No. 42301-3388822-5) Mr. Mohammad Arshad Khan (Director) (CNIC No. 42201-0458852-7) Mrs. Nosheen Asghar (Director) (CNIC No. 42301-7744475-6)	Mr. Saleem Qureshi Mr. Ahsan Sher Khan Mr. Asghar Ali	206,326	5,257	-	211,583	109,131	5,257	-	114,388
2.	M/s. Onaiza Ali 214, Business Arcade, Shahrah-e-Faisal, Karachi.	Syed Ali Shamim (Sole Proprietor) (CNIC No. 501-77-647364)	Mr. Shamim Uddin Ahmed Askari	500	-	-	500	500	-	-	500
3.	M. Raza Jaffar Room No. 11, 4th Floor, Bank Arcade Building, Serai Road, Karachi.	Mr. M. Raza Jaffar (Individual) (CNIC No. 511-91-097189)	Mr. Jaffar Ali Ambarni	804	-	-	804	804	-	-	804
			Total	207,630	5,257	-	212,887	110,435	5,257	-	115,692

Note 1: The amount of principal written off was against the specific provision held by the Group.

Note 2: Interest / mark-up written off was against suspended mark-up.



Branch Network

KARACHI

1 MAIN BRANCH

Mackinnons Building, I.I. Chundrigar Road.
Phones : (92-21) 2412986 & 111-786-110
Fax : (92-21) 2412028

2 CLOTH MARKET BRANCH

Ground Floor, Lotus Manzil, BR-2,
New Neham Road, Cloth Market.
Phones : (92-21) 2401301-4
Fax : (92-21) 2401300

3 JODIA BAZAR BRANCH

MR-1/16, Ram Bharti Street,
Market Quarter, Jodia Bazar.
Phones : (92-21) 2446451-5
Fax : (92-21) 2473390

4 NORTH NAPIER ROAD BRANCH

2-A, Ground Floor, Yousufi Manzil,
North Napier Road.
Phones : (92-21) 2731496, 2771321 & 2771218
Fax : (92-21) 2771187

5 NEW CHALLI BRANCH

Haji Adam Chambers,
Altaf Hussain Road.
Phones : (92-21) 2410526, 2410876 & 2410917
Fax : (92-21) 2411048

6 PAKISTAN CHOWK BRANCH

Shop No. 1, Chandna Manzil,
Kutchery Road.
Phones : (92-21) 2212352-54
Fax : (92-21) 2212350

7 KEAMARI BRANCH

Plot No. 20, Locality No. II,
Group Jungle Shah.
Phones : (92-21) 2859723-26
Fax : (92-21) 2859727

8 KARACHI STOCK EXCHANGE BRANCH

Room No. 4-6, Stock Exchange Building,
Stock Exchange Road.
Phones : (92-21) 2401516-19
Fax : (92-21) 2401520

9 KHARADAR BRANCH

Shop No. 7 & 8 Hemani Centre,
Ghulam Hussain Kassim Quarters.
Phones : (92-21) 2205572-74
Fax : (92-21) 2205575

10 NAYABAD BRANCH

Plot No. 121, Nayabad, Lyari Quarter,
Shah Waliullah Road.
Phones : (92-21) 2514854-55, 2513953
Fax : (92-21) 2513445

11 LEA MARKET BRANCH

Shop No. 1, Plot No. N.P 6/30-31,
Zulikha Mansion, Napier Town Quarters.
Phones : (92-21) 2540846-47, 2520684
Fax : (92-21) 2540848

12 BOULTON MARKET BRANCH

Plot No. 2/2, Lotia House Building,
M.A. Jinnah Road.
Phones : (92-21) 2419805-07, 2419893
Fax : (92-21) 2419802

13 TIMBER MARKET BRANCH

Plot No. E-III-2, S-34, Siddiq Wahab Road,
Phones : (92-21) 2762776, 2762778 & 2762784
Fax : (92-21) 2762730

14 STEEL MARKET BRANCH

Plot No. 5, Shop No. 6 & 7,
Ranchore Quarters,
Baba-e-Urdu Road.
Phones : (92-21) 2732061, 2737367-68
Fax : (92-21) 2731798

15 BOHRA PIR BRANCH

Plot No. 5/7, Tota Ram Building,
Ranchore Quarters, Karachi.
Phones : (92-21) 2745713-14, 2745540-41
Fax : (92-21) 2745821

16 M. A. JINNAH ROAD BRANCH

Godrej Kandawalla Building,
M. A. Jinnah Road.
Phones : (92-21) 2228494, 2228458
Fax : (92-21) 2228450

17 EIDGAH BRANCH

Plot No. 57, Shop No. 18, Jahangir Mansion
M.A. Jinnah Road.
Phones : (92-21) 2771204, 2771235
Fax : (92-21) 2771195

18 SADDAR BRANCH

Saddar Bazar Shop No. 4-6, Bukhara
Centre, Raja Ghazanfar Ali Khan
Road, Saddar.
Phones : (92-21) 5658032-35
Fax : (92-21) 5658030

19 SOLDIER BAZAR BRANCH

Plot No. 17/I, Sol-B-2, Soldier Bazar.
Phones : (92-21) 2241711-5
Fax : (92-21) 2241716

20 GARDEN BRANCH

Nishtar Road, Plot No. 281
Shop No. 1, Green Garden, Garden West.
Phones : (92-21) 2241530-33
Fax : (92-21) 2241535

21 FATIMA JINNAH COLONY BRANCH

6, Ruby Appartments, Jamshed Quarters,
Phones : (92-21) 4854529, 4854548
Fax : (92-21) 4854542

22 P.I.B. COLONY BRANCH

Plot No. 286, P.I.B. Colony.
Phones : (92-21) 4134352, 4134356-57
Fax : (92-21) 4134349

23 ALLAMA IQBAL ROAD BRANCH

86-S, Block-2, Raja Terrace,
P.E.C.H.S.
Phones : (92-21) 4384661-4
Fax : (92-21) 4384665

24 TARIQ ROAD BRANCH

Shop No. 1 & 2, Plot No. 277-278
Ahmed Chamber, Main Tariq Road,
P.E.C.H.S.
Phones : (92-21) 4397631-34
Fax : (92-21) 4397635

25 BAHADURABAD BRANCH

Central Commercial Area, B.C.H.S.,
Bahadurabad.
Phones : (92-21) 4915803-5
Fax : (92-21) 4915802

26 MUHAMMAD ALI HOUSING SOCIETY BRANCH

Block No. 7 & 8, Plot No. Z-130-131,
Kathiawar Co-Operative Housing Society,
Adamjee Nagar, Karachi.
Phones : (92-21) 4533620-22
Fax : (92-21) 4533618

27 DHORAJI COLONY BRANCH

Plot No. 35/354, Block 7 & 8,
C.P. & Berar Cop. Housing Society,
Phones : (92-21) 4860881-84
Fax : (92-21) 4860885

28 SHAHRAH-E-FAISAL BRANCH

19-1-A, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal.
Phones : (92-21) 4544383-87
Fax : (92-21) 4530143

29 CITI TOWERS BRANCH

Plot No. 33-A, Citi Towers, Block-6,
P.E.C.H.S. Main Shara-e-Faisal.
Phones : (92-21) 4373150-53
Fax : (92-21) 4373154

Registered Office and Head Office

126-C, Old Bahawalpur Road, Multan. Phones: (92-61) 4580314-16, & 111-786-110

Fax: (92-61) 4582471



Branch Network

- 30 BALOCH COLONY BRANCH**
Plot No. SA/14, Block-3,
Karachi Administration Co. Housing
Society.
Phones: (92-21) 4301202-05
Fax : (92-21) 4301206
- 31 SHAH FAISAL COLONY BRANCH**
Plot No. H-6 & H-7, Block-4,
Shah Faisal Colony.
Phones: (92-21) 4604583-84-86-87
Fax : (92-21) 4604588
- 32 MALIR HALT BRANCH**
Plot No. 157, Malir Halt,
Opp. Malir Halt Railway Station,
Shahrah-e-Faisal.
Phones: (92-21) 4599591-3 & 4599611
Fax : (92-21) 4599613
- 33 SAUDABAD BRANCH**
Plot No. LS-35, Sub Sector Street-32,
Sector No. 4, Liaquat Market,
Malir Colony.
Phones: (92-21) 4117772-75
Fax : (92-21) 4117776
- 34 LANDHI BRANCH**
Plot No. C-4/A, Scheme No. 3,
Landhi Town Ship.
Phones: (92-21) 5028991-95
Fax : (92-21) 5028996
- 35 GULSHAN-E-HADEED BRANCH**
Plot No. C-29, Phase-I, Bin Qasim.
Phones: (92-21) 4717475, 4721502-04
Fax : (92-21) 4712604
- 36 PORT QASIM BRANCH**
Plot No. CP-2/14, Commercial Area,
Port Qasim Authority.
Phones: (92-21) 4720273-78
Fax : (92-21) 4720275
- 37 PAKISTAN STEEL MILLS BRANCH**
Pipri Bin Qasim.
Phones: (92-21) 4750617-4200666
Fax : (92-21) 4750618
- 38 CLIFTON BRANCH**
Shaheen Centre, Block-7, K.D.A.
Scheme No. 5, Clifton.
Phones: (92-21) 5821882-4
Fax : (92-21) 5821885
- 39 ZAMZAMA BRANCH**
16-C, Commercial Lane 3, Phase V,
Zamzama Boulevard, D.H.A.
Phones: (92-21) 5302230-37
Fax : (92-21) 5302223
- 40 KHAYABAN-E-SHAMSHEER BRANCH**
Plot No. 2-C, Stadium Lane No. 4,
Phase V, Defence Housing Authority.
Phones: (92-21) 5846277-79
Fax : (92-21) 5846179
- 41 KHAYABAN-E-HAFIZ BRANCH**
Plot No. 23-C, Shehbaz Lane No. 1,
Phase-VI, Pakistan
Defence Housing Authority.
Phones: (92-21) 5340513, 5340175
Fax : (92-21) 5341043
- 42 KHAYABAN-E-RAHAT BRANCH**
Plot No. 14-C, Lane-3, Phase VI, DHA.
Phones: (92-21) 5349787-89, 5349779
Fax : (92-21) 5349778
- 43 BADAR COMMERCIAL AREA BRANCH**
Plot No. 7-C, Street No. 1, Phase V,
Defence Housing Authority.
Phones: (92-21) 5245402-05
Fax : (92-21) 5245406
- 44 BILAWAL CHOWK BRANCH**
Shop No. C1 & 2, Beach Blessing
Block-2, KDA Scheme No. 5, Clifton.
Phones: (92-21) 5877901-04
Fax : (92-21) 5877906
- 45 GIZRI BRANCH**
Plot No. 1, Shop No. 10,
Mustafa Centre, Upper Gizri.
Phones: (92-21) 5831862-3, 5831866
Fax : (92-21) 5831941
- 46 DEHLI COLONY BRANCH**
Plot No. A-20/5, Shop No. 4 & 5,
Bazar Area, Delhi Colony Clifton.
Phones: (92-21) 5364993-6
Fax : (92-21) 5364997
- 47 9TH COMMERCIAL STREET BRANCH**
Plot No. 113, Phase IV,
9th Commercial Street,
Defence Housing Authority.
Phones: (92-21) 5397781-4
Fax : (92-21) 5397785
- 48 KORANGI ROAD BRANCH**
Speedy Towers Plot No. 131/1
Phase-I, Defence Housing Authority.
Phones: (92-21) 5386797-99
Fax : (92-21) 5386796
- 49 KORANGI INDUSTRIAL AREA BRANCH**
Plot No. ST 2/2, Sector-23,
Korangi Town Ship.
Phones: (92-21) 5114992-5
Fax : (92-21) 5114996
- 50 S.I.T.E., BRANCH**
B/76, S. S. Chambers, S.I.T.E.,
Phones: (92-21) 2571710 -11 & 2571521
Fax : (92-21) 2571522
- 51 METROVILLE BRANCH**
Plot No. E-8, Block-1,
S.I.T.E., Metroville-1.
Phones: (92-21) 6750370-73
Fax : (92-21) 6751215
- 52 ORANGI TOWN BRANCH**
Plot No. 15 & 16, Sector 6/E,
Orangi Township.
Phones: (92-21) 6699291-6661309
Fax : (92-21) 6657854
- 53 SAEEDABAD BRANCH**
Plot No. 602/1, Sector No. 5-J,
Saeedabad, Baldia Township.
Phones: (92-21) 2891687-88, 2891690-91
Fax : (92-21) 2890343
- 54 SHERSHAH BRANCH**
Shop No. 27-30, Plot No. D-283,
Shershah, S.I.T.E. Area.
Phones: (92-21) 2586241-44
Fax : (92-21) 2586246
- 55 RIZVIA SOCIETY BRANCH**
D-9, Ishrat Arcade, Rizvia Co-operative
Housing Society, Nazimabad.
Phones: (92-21) 6607992-95
Fax : (92-21) 6607996
- 56 GOLE MARKET BRANCH**
Plot No. 1, Block-III, Mecca Tower,
Nazimabad.
Phones: (92-21) 6708602-05
Fax : (92-21) 6708606



Branch Network

57 PAPOSH NAGAR BRANCH

Plot No. 16, Block-V, Nazimabad.
Phones: (92-21) 6708791-94
Fax : (92-21) 6708795

58 BARKAT-E-HYDARI BRANCH

Al-Burhan Arcade, Block-E,
North Nazimabad.
Phones: (92-21) 6670115, 6631793-94
Fax : (92-21) 6670116

59 BLOCK-G NORTH NAZIMABAD BRANCH

Plot No. SD-6, Saima Flowers,
Block-G, Scheme No. 2,
North Nazimabad.
Phones: (92-21) 6706602-05
Fax : (92-21) 6706606

60 BLOCK-L NORTH NAZIMABAD BRANCH

Plot No. SC-4, Block-L, K.D.A.,
Scheme No. 2, North Nazimabad.
Phones: (92-21) 6706456-59
Fax : (92-21) 6706460

61 BUFFER ZONE BRANCH

Plot No. FL-5, Sector 15-A-1,
Haroon Shopping Emporium,
North Karachi Township.
Phones: (92-21) 6960243-44, 6960298-99
Fax : (92-21) 6960285

62 SINDHI HOTEL BRANCH

Plot No.158/16 & 18,
Sector 5-E, North Karachi Township.
Phones: (92-21) 6990407, 6990036, 6990106
Fax : (92-21) 6990425

63 NORTH KARACHI INDUSTRIAL AREA BRANCH

Nimra Corner, ST-3, Sector 12-A,
North Karachi.
Phones: (92-21) 6954196-98
Fax : (92-21) 6954187

64 U.P. MORE BRANCH

Plot No. L-1, Sector No. 11-B,
North Karachi Town Ship.
Phone : (92-21) 6956534, 6956523
Fax : (92-21) 6956727

65 WATER PUMP BRANCH

C-21, Block-13, Federal "B" Area,
Shahrah-e-Pakistan.
Phones: (92-21) 6369125, 6369114-15
Fax : (92-21) 6369216

66 HUSSAINABAD BRANCH

Plot No. R-479, Shop No. 1 & 2,
Block-2, KDA Scheme No.16, F.B. Area.
Phone : (92-21) 6806791-93
Fax : (92-21) 6806794

67 FEDERAL 'B' AREA BRANCH

ST. 4/A-2, Block-20,
Al-Noor Society, F.B. Area.
Phones: (92-21) 6345611, 6345651
Fax : (92-21) 6349879

68 DASTAGIR COLONY BRANCH

Plot No. R-202, Block-15,
KDA Scheme No. 16, F.B. Area.
Phones: (92-21) 6806382-85
Fax : (92-21) 6370715

69 LIAQUATABAD BRANCH

Plot No. 1 & 2, Shop No. 2 & 3
Block No. 3, Liaquatabad Township.
Phones: (92-21) 4132312, 4133160
Fax : (92-21) 4133479

70 HASSAN SQUARE BRANCH

Plot No. A-12, Shop No. A-1,
Rehman Square, Block 13-D,
Sir Shah M. Suleman Road,
Gulshan-e-Iqbal.
Phones: (92-21) 4827703-04
Fax : (92-21) 4827706

71 GULSHAN-E-IQBAL BRANCH

B-39, Al-Shams Centre,
Block 13-A, University Road,
Gulshan-e-Iqbal.
Phones: (92-21) 4989162-63
Fax : (92-21) 4989164

72 GULSHAN CHOWRANGI BRANCH

Plot No. FL-3, Block No. 3,
KDA Scheme No. 24,
Gulshan-e-Iqbal.
Phones: (92-21) 4811971-3
Fax : (92-21) 4985045

73 GULSHAN BLOCK-1 BRANCH

Plot No. SB-11, Jameel Arcade,
Block 1, Gulshan-e-Iqbal,
K.D.A., Scheme 24.
Phones: (92-21) 4967753, 4800645-46
Fax : (92-21) 4968694

74 GULISTAN-E-JAUHAR BRANCH

Shahlimar Shopping Centre,
Block-17, Gulistan-e-Jauhar.
Phones: (92-21) 4010921-22, 4010961
Fax : (92-21) 4010911

75 UNIVERSITY ROAD BRANCH

SB-13, Sobia Pride, Block-1,
Scheme 36, Gulistan-e-Johar,
Opp. N.E.D. University.
Phones: (92-21) 4029612-15
Fax : (92-21) 4029610

76 ABUL HASSAN ISPHAHANI ROAD BRANCH

Chapal Garden,
Abul Hassan Isphahani Road.
Phones: (92-21) 4657593-96
Fax : (92-21) 4657597

77 GULSHAN-E-MAYMAR BRANCH

Plot No. SB-10, Sector Z, Sub Sector IV,
KDA Scheme-45, Gulshan-e-Maymar.
Phones : (92-21) 6832880-83
Fax : (92-21) 6832879

78 NEW SABZI MANDI BRANCH

Administration Block, New Sabzi Mandi
Super Highway.
Phones : (92-21) 6870841, 6870843, 6870740
Fax : (92-21) 6870844

79 EXPORT PROCESSING ZONE BRANCH

W/1, & 2 Sector B-III,
Export Processing Zone,
Landhi Industrial Area.
Phones : (92-21) 5084832, 5085188
Fax : (92-21) 5084833

80 ISLAMIC BANKING BRANCH

20-A/1, Block-6, Shahrah-e-Faisal,
P.E.C.H.S.,
Phones: (92-21) 4392411-13
Fax : (92-21) 4392443

LAHORE

81 MAIN BRANCH

87, Shahrah-e-Quaid-e-Azam.
Phones: (92-42) 6375821-3 & 111-786-110
Fax : (92-42) 6369037

82 LAHORE STOCK EXCHANGE BRANCH

Room No. 112, 1st Floor,
Stock Exchange Building,
19, Khayaban-e-Iqbal.
Phones: (92-42) 6300125-27
Fax : (92-42) 6300128



Branch Network

- 83 NEW GARDEN TOWN BRANCH**
Awami Complex, 1-4 Usman Block,
Front Block V, New Garden Town.
Phones: (92-42) 5869366-69
Fax : (92-42) 5869370
- 84 GULBERG BRANCH**
23-A/K, Gulberg II.
Phones: (92-42) 5750469 & 5750144
Fax : (92-42) 5750145
- 85 PECO ROAD BRANCH**
897-898, Block-D,
Maulana Shaukat Ali Road,
Faisal Town.
Phones: (92-42) 5175169 & 5175430-31
Fax : (92-42) 5175427
- 86 CAVALRY GROUND BRANCH**
85, Cavalry Ground Extension,
Commercial Area Cantt.
Phones: (92-42) 6603212-16-17
Fax : (92-42) 6671820
- 87 DEFENCE BRANCH**
82-Y Commercial, Phase III, D.H.A.
Phones: (92-42) 5894113-5894116
Fax : (92-42) 5893303
- 88 G-BLOCK DHA BRANCH G-7**
7-G, Commercial Area, Main Road,
Phase-1, Defence, Lahore Cantt.
Phones: (92-42) 5910092-94
Fax : (92-42) 5910095
- 89 ALLAMA IQBAL TOWN BRANCH**
7-Chenab Block, Main Boulevard,
Allama Iqbal Town.
Phones: (92-42) 5430918-20
Fax : (92-42) 5430921
- 90 SHAHALAM MARKET BRANCH**
Hilal-e-Ahmar Health Complex
2, Queens Road, Shahalam Gate.
Phones: (92-42) 7670496 & 7670498
Fax : (92-42) 7670510
- 91 CIRCULAR ROAD BRANCH**
51, S.E. Vohra Building,
Outside Akbari Gate,
Circular Road, Lahore.
Phones: (92-42) 7670671-73
Fax : (92-42) 7670674
- 92 CHOWK SHAH ALAM GATE BRANCH**
R-121, Circular Road.
Chowk Shah Alam Gate.
Phones: (92-42) 7671164-65
Fax : (92-42) 7671180
- 93 AZAM CLOTH MARKET BRANCH**
1-Kamla Centre, Ittehad Bazar,
Punjab Block, Azam Cloth Market.
Phones: (92-42) 7672913-15
Fax : (92-42) 7672916
- 94 NEW ANARKALI BRANCH**
1-A, New Anarkali, First Floor,
Tariq Trade Centre,
Chowk Lohari Gate.
Phones: (92-42) 7674248-50
Fax : (92-42) 7674252
- 95 BRANDRETH ROAD BRANCH**
52, Brandreth Road, Lahore.
Phones: (92-42) 7320253-5, 7311079
Fax : (92-42) 7117288
- 96 MCLEOD ROAD BRANCH**
65-Mcleod Road.
Phones: (92-42) 6278934-35
Fax : (92-42) 6278820
- 97 ICCHRA BRANCH**
144, Main Ferozepur Road, Icchra.
Phones: (92-42) 7569982-3, 7569923
Fax : (92-42) 7569924
- 98 BADAMI BAGH BRANCH**
92-Grain Market, Badami Bagh.
Phones: (92-42) 7708002-4
Fax : (92-42) 7708005
- 99 BILAL GANJ BRANCH**
Sheesh Mahal Park.
Phones: (92-42) 7110461-63
Fax : (92-42) 7110464
- 100 TIMBER MARKET BRANCH**
Timber Market, Ravi Road.
Phones: (92-42) 7720900-7724609-11
Fax : (92-42) 7720901
- 101 GULSHAN-E-RAVI BRANCH**
5-F, Main Boulevard, Gulshan-e-Ravi.
Phones: (92-42) 7467724, 7466624
Fax : (92-42) 7416272
- 102 WAPDA TOWN BRANCH**
Mega Plaza, 191-F, Phase-I
PIA.C.H.S., Wapda Town Chowk.
Phones: (92-42) 5945671, 5945672-3
Fax : (92-42) 5945669
- 103 JOHAR TOWN BRANCH**
13-G, Johar Town.
Phones: (92-42) 5314302-3-4
Fax : (92-42) 5311696
- 104 THOKAR NIAZ BAIG BRANCH**
Jamal Plaza, 1-K.M.
Raiwind Road.
Phones: (92-42) 5314396 -97
Fax : (92-42) 5314398
- 105 BAGHBANPURA BRANCH**
268-B, GT Road, Baghbanpura.
Phones: (92-42) 6824837, 6824796
Fax : (92-42) 6824785
- 106 SHADBAGH BRANCH**
Plot No. 2, 1-Tajpura Chowk,
Mouza Chan Miran.
Phones: (92-42) 7602466, 7602566
Fax : (92-42) 7607366
- 107 ISLAMIC BANKING BRANCH**
3-E, Main Market, Gulberg.
Phones: (92-42) 5754901-02
Fax : (92-42) 5762501
- 108 REGAL CHOWK BRANCH**
63, Shahrah-e-Quaid-e-Azam,
Phones: (92-42) 7352756 & 86
Fax : (92-42) 7314190
- 109 SAMANABAD BRANCH**
891-N, Main Poonch Road.
Phones: (92-42) 7590926-28
Fax : (92-42) 7590929
- 110 ISLAMPURA BRANCH**
10-C, Ghazia Abad,
Main Bazar, Islampura.
Phones: (92-42) 7112628-30
Fax : (92-42) 7112631
- 111 SHADMAN COLONY BRANCH**
Plot No. 120, Shadman Colony No. 1.
Phones: (92-42) 7572906-08
Fax : (92-42) 7572910
- 112 CHOWK YATEEM KHANA BRANCH**
137, Sharif Park, Multan Road,
Chowk Yateem Khana.
Phones: (92-42) 7568110-12
Fax : (92-42) 7568104



Branch Network

MULTAN

113 MAIN BRANCH

126-C, Old Bahawalpur Road.
Phones : (92-61) 4580314-16 & 111-786-110
Fax : (92-61) 4582471

114 HUSSAIN AGAHI BRANCH

Lohari Gate Shopping Centre,
Hussain Agahi Road.
Phones: (92-61) 4513893 & 4513577
Fax : (92-61) 4513793

115 GHALLA MANDI BRANCH

135/C, Ghalla Mandi, Vehari Road.
Phones: (92-61) 4232627-28
Fax : (92-61) 4232629

116 GULGASHT BRANCH

Bosan Road, Multan.
Phones: (92-61) 6752701-03-05
Fax : (92-61) 6752704

117 KHAN BELA BRANCH

Koraja Plaza, KLP Road,
Distt. Rahim Yar Khan.
Phones: (92-68) 5580071, 5580072
Fax : (92-68) 5580073

118 ZAHIR PIR BRANCH

Charchran / KLP Road,
Distt. Rahim Yar Khan.
Phones: (92-68) 5563705, 5563706
Fax : (92-68) 5563707

119 TIBBA SULTANPUR BRANCH

Main Bazar, Saleem Minhas Road,
Distt. Vehari.
Phones: (92-67) 3701001, 3701143
Fax : (92-67) 3701144

120 ISLAMIC BANKING BRANCH

Plot No. 399/400-C, 1st Floor,
Gulgasht Colony, Bosan Road, Multan.
Phones: (92-61) 6511643, 6511641
Fax : (92-61) 6511644

121 QASBA GUJRAT BRANCH

Kot Addu Road, Qasba Gujrat,
Teh: Kot Addu Distt: Muzaffargarh.
Phones: (92-66) 2291905-6
Fax : (92-66) 2291907

SADIQABAD

122 Plot No. 24, Allama Iqbal Road.

Phones: (92-68) 5801101-3
Fax : (92-68) 5801104

RAHIM YAR KHAN

123 Shahi Road.

Phones: (92-68) 5884557 & 5884508-9
Fax : (92-68) 5884503

KHANPUR

124 Plot No. 8/9, Model Town Road,

Distt. Rahim Yar Khan.
Phones: (92-68) 5576702-3
Fax : (92-68) 5576704

BAHAWALPUR

125 Circular Road, Near Chowk Fawara,

Bahawalpur.
Phones: (92-062) 2731262-64
Fax : (92-062) 2731265

126 UCH SHARIF TOWN BRANCH

Tehsil Ahmedpur East
District Bahawalpur.
Phones: (92-062) 2551315
Fax : (92-062) 2551316

D.G. KHAN

127 83-Block-10, New College Road,

Dera Ghazi Khan.
Phones: (92-64) 2468470, 2468471-3
Fax : (92-64) 2468474

BUREWALA

128 67/F Vehari Road, Burewala

Phones: (92-67) 3772531-33
Fax : (92-67) 3772534

FAISALABAD

129 MAIN BRANCH

Bank Square, Outside Kutchery Bazar.
Phones: (92-41) 2637301-3 & 111-786-110
Fax : (92-41) 2614266

130 MILLAT ROAD BRANCH

132-B, Gulistan Colony II,
Millat Road.
Phones: (92-41) 8582115-6
Fax : (92-41) 8582118

131 MADINA TOWN BRANCH

37-X-101, Soosan Road.
Phones: (92-41) 8557691-93
Fax : (92-41) 8737645

KAMALIA SUGAR MILLS

132 Kot Khathran, Kamalia.

Phone : (92-46) 3432479, 3432487
Fax : (92-46) 3432491

SAHIWAL

133 271, Block-2, High Street (Jinnah Road).

Phones: (92-40) 4466021 & 4467021
Fax : (92-40) 4464031

OKARA

134 29, Block-A, Mandi Road, Okara.

Phones: (92-44) 2528175-2528241-2523823
Fax : (92-44) 2524789

KASUR

135 Railway Road,

Near Darbar Bullhaysah.
Phones: (92-49) 2764355, 2764366, 2722566
Fax : (92-49) 2765040

SHEIKHUPURA

136 B-IX-64-95/A, Sarghoda Road,

Near Sharif Plaza.
Phones: (92-56) 3612906 & 111-786-110
Fax : (92-56) 3612877

GUJRANWALA

137 Opp: Iqbal High School, G.T. Road,

Gujranwala.
Phones: (92-55) 3846220, 3857220
Fax : (92-55) 3734100

138 PEOPLES COLONY

Premises No. 30-Y-7, Block
Main Central Road, Peoples Colony.
Phones: (92-55) 4292401-3
Fax : (92-55) 4292404

SIALKOT

139 Paris Road.

Phones: (92-52) 4597064 & 111-786-110
Fax : (92-52) 4592747

GUJRAT

140 Ground Floor, Soufi Hotel, G.T. Road.

Phones: (92-53) 3515803 & 111-786-110
Fax : (92-53) 3525628

DINGA (DISTT. GUJRAT)

141 Opp. Civil Hospital.

Phone : (92-53) 7401737
Fax : (92-53) 7402785

ISLAMABAD

142 MAIN BRANCH

90-91, Razia Sharif Plaza,
Jinnah Avenue, Blue Area.
Phones: (92-051) 2270883-4 & 111-786-110
Fax : (92-051) 2270885

143 F-10 MARKAZ BRANCH

F-10 Markaz.
Phones: (92-051) 2297758-2213482
Fax : (92-051) 2296895

144 I-8 MARKAZ BRANCH

Huzafia Centre.
Phones: (92-051) 4862257-9
Fax : (92-051) 4862261

145 BARA KAHU BRANCH

Mozah Kot Hathail Main Murree Road
Bara Kahu Tehsil & District.
Phones: (92-051) 2233604-06
Fax : (92-051) 2231139

RAWALPINDI

146 MAIN BRANCH

40/3, Jhanzeb Centre, Bank Road,
Rawalpindi Cantt.
Phones: (92-51) 5519936-38
Fax : (92-51) 5519939



Branch Network

147 CITY BRANCH

C/30, C/32, Iqbal Road, Trunk Bazar,
Rawalpindi City.
Phones: (92-51) 5553462, 5553664
Fax : (92-51) 5554493

148 MURREE ROAD BRANCH

B-128, Block No. B,
Satellite Town, Murree Road.
Phones: (92-51) 4572019-20
Fax : (92-51) 4572021

149 WAH CANTONMENT BRANCH

A-12, Shahwali Colony,
Opp. Aslam Uppal Chowk, The Mall Road.
Phones: (92-51) 4511705, 4511872
Fax : (92-51) 4511926

150 CHAKLALA SCHEME-III BRANCH

Rahman Plaza, Imran Khan Avenue,
Chaklala-III, Commercial Market,
Rawalpindi.
Phones: (92-51) 5766322-4
Fax : (92-51) 5766011

PESHAWAR

151 MAIN BRANCH

105-106, F.C. Trust Building,
Sonehri Masjid Road.
Phones: (92-91) 5279814 & 111-786-110
Fax : (92-91) 5279861

152 JAMRUD ROAD BRANCH

G.B. Plaza, Jamrud Road,
Hayatabad, Peshawar.
Phones : (92-91) 5815197, 5813294, 5814704
Fax : (92-91) 5814660

153 ASHRAF ROAD BRANCH

Pashtoon Plaza, Ashraf Road,
Peshawar City.
Phones : (92-91) 2580731, 2580732, 2580733
Fax : (92-91) 2580735

154 UNIVERSITY ROAD BRANCH

Malik Plaza, Arbab Chowk,
University Road.
Phones : (92-91) 5711492-94
Fax : (92-91) 5711495

SALEH KHANA

155 Village & P.O. Saleh Khana,
Tehsil & Distt. Nowshera N.W.F.P.
Phone : (92-923) 651456
Fax : (92-923) 651676

MATHANICHANGAN SWABI

156 Village Mathanichangan,
Distt. Swabi. N.W.F.P.
Phones: (92-938) 537337-38 Fax
:(92-938) 537339

MIRPUR (AZAD KASHMIR)

157 82-A/B, Allama Iqbal Road, Sector B-4.
Phone : (92-58610) 45064
Fax : (92-58610) 44766

NAWABSHAH

158 Masjid Road.
Phones: (92-244) 362738 & 362854
Fax : (92-244) 362737

159 QAZI AHMED BRANCH

Waqar Ali Shopping Centre,
Main National Highway,
Qazi Ahmed City, Taluka Doulatpur
District Nawabshah, Sindh.
Phones: (92-244) 321402, 321404
Fax : (92-244) 321403

SHAHPUR CHAKAR

160 Main Bazar, Chowk.
Phones: (92-235) 846131, 846164
Fax : (92-235) 846178

HYDERABAD

161 MAIN BRANCH

Qasre Fatima, 90/1-2 Saddar Bazar,
Cantonment Area.
Phones: (92-22) 2785803
Fax : (92-22) 2781955

162 QASIMABAD BRANCH

Suhrio House, Ground Floor, Main
Shahrah-e-Qasimabad, Hyderabad, Sindh.
Phones: (92-22) 2655551-4
Fax : (92-22) 2655557

163 MARKET ROAD BRANCH

Grain Market, Plot No. C.S. 2773/1
Ward 'A' Market Road.
Phones: (92-22) 2638113-4, 2634554
Fax : (92-22) 2631416

164 NEW SAEEDABAD BRANCH

Plot No. 53 / 236, Ward A-11/16,
Taluka Hala, District Maitari.
Phones: (92-22) 2767550-2
Fax : (92-22) 2767553

SUKKUR

165 B-2555, Shaheed Gunj.
Phone : (92-71) 5622287
Fax : (92-71) 5625749

LARKANA

166 Plot No. 1616/1, 1616/2, 1618, 1622
Pakistan Chowk, Bunder Road.
Phones : (92-74) 4043060, 4042599, 4043199
Fax : (92-74) 4043199

MEHRABPUR

167 Zeeshan Shopping Center,
Thari Road, Mehrabpur.
Phones: (92-242) 430914, 431132
Fax : (92-242) 431538

DAHARKI

168 Daharki Distt. Ghotki
Phone : (92-723) 643822
Fax : (92-723) 643820

QUETTA

169 Mannan Chowk, M.A. Jinnah Road.
Phones: (92-81) 2844125 & 111-786-110
Fax : (92-81) 2842335

170 Islamic Banking Branch

Plot No. 3, Farooq-e-Azam Chowk
Opp. Bus Stand, Satellite Town.
Phones: (92-81) 2449042
Fax : (92-81) 2449036

GAWADAR

171 Plot No. 32/32, Gawadar Palace Hotel,
Air Port Road.
Phone : (92-864) 212204
Fax : (92-864) 212203

FAZILPUR

172 Atta Market, Indus Highway,
Fazilpur, Tehsil & District Rajanpur.
Phone : (92-0604) 680201
Fax : (92-0604) 680202

JHELUM

173 Opposite Rescue 15,
Railway Road.
Phone : (92-0544) 621810, 623110
Fax : (92-0544) 627510

SARGODHA

174 Opposite DIG House,
Khayyam Chowk, University Road.
Phone : (92-048) 3768051-3
Fax : (92-048) 3768054

OVERSEAS OPERATION BAHRAIN

175 1302 Almoayyed Tower,
Al Seef District, P.O. Box 50786
Manama, Kingdom of Bahrain.
Phone : (973) 1756-4044
Fax : (973) 1756-4033

Principal Office
Mackinnons Building, I. I. Chundrigar Road, Karachi. Phones: (92-21) 2412421, 2412986 & 111-786-110
Fax: (92-21) 2419752

SWIFT CODE : BAHLPKKA

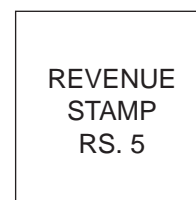
website : www.bankalhabib.com



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____
of _____
a member(s) of Bank AL Habib Limited and holding _____
ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____
hereby appoint _____ Folio No. _____
of _____
or failing him/her _____ Folio No. _____
of _____
another member of the Bank to vote for me/us and on my/our behalf at the Seventeenth Annual General Meeting
of the Bank to be held on Thursday, March 27, 2008 and at any adjournment thereof.
As witness my/our hand this _____ day of _____ 2008.



SIGNATURE OF MEMBER (S)

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted alongwith proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.