

Auditors Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Habib Bank Limited as at December 31, 2008 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 82 branches, which have been audited by us and 37 branches audited by auditors abroad. The financial statements of subsidiary HBL Stock Fund were reviewed in accordance with the International Standard on Review Engagements 2410 by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary, is based solely on the report of other auditor.

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 Habib Bank Limited as at December 31, 2008 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.

Date:

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Bank Limited
Consolidated Balance Sheet
As at December 31, 2008

2008 (US \$ in '000)	2007		Note	2008 (Rupees in '000)	2007 (Rupees in '000)
ASSETS					
714,718	701,501	Cash and balances with treasury banks	5	56,533,134	55,487,664
496,941	341,608	Balances with other banks	6	39,307,321	27,020,704
78,305	20,584	Lendings to financial institutions	7	6,193,787	1,628,130
1,746,502	2,249,629	Investments	8	138,145,692	177,942,251
5,769,458	4,831,605	Advances	9	456,355,507	382,172,734
447,787	345,722	Other assets	10	35,419,252	27,346,111
186,492	174,220	Operating fixed assets	11	14,751,252	13,780,555
141,879	83,609	Deferred tax asset	12	11,222,444	6,613,372
9,582,082	8,748,478			757,928,389	691,991,521
LIABILITIES					
125,720	194,924	Bills payable	13	9,944,257	15,418,230
592,236	745,837	Borrowings from financial institutions	14	46,844,990	58,994,609
7,548,696	6,706,110	Deposits and other accounts	15	597,090,545	531,298,127
50,000	50,000	Sub-ordinated loans	16	3,954,925	3,100,000
-	-	Liabilities against assets subject to finance lease		-	-
314,964	252,130	Other liabilities	17	24,913,236	19,943,126
-	-	Deferred tax liability		-	-
8,631,616	7,949,001			682,747,953	628,754,092
950,466	799,477	NET ASSETS		75,180,436	63,237,429
REPRESENTED BY:					
Shareholders' equity					
95,956	87,233	Share capital	18	7,590,000	6,900,000
306,486	250,592	Reserves		24,243,254	19,821,455
498,724	358,309	Unappropriated profit		39,447,648	28,341,670
901,166	696,134	Total equity attributable to the equity holders of the Bank		71,280,902	55,063,125
11,255	12,208	Minority interest		890,099	965,642
38,045	91,135	Surplus on revaluation of assets - net of deferred tax	19	3,009,435	7,208,662
950,466	799,477			75,180,436	63,237,429
CONTINGENCIES AND COMMITMENTS					
20					

The annexed notes 1 to 50 and annexures I to III form an integral part of these consolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Consolidated Profit and Loss Account
For the year ended December 31, 2008

2008 (US \$ in '000)	2007		Note	2008 (Rupees in '000)	2007
800,332	638,205	Mark-up / return / interest earned	22	63,305,033	50,481,021
335,348	242,153	Mark-up / return / interest expensed	23	26,525,556	19,153,957
464,984	396,052	Net mark-up / interest income		36,779,477	31,327,064
87,295	104,151	Provision against non-performing loans and advances - net	9.4 / 9.4.1	6,904,919	8,238,227
4,711	(691)	Charge / (reversal) against off-balance sheet obligations	17.1	372,598	(54,626)
24,146	(1,066)	Charge / (reversal) of provision against diminution in the value of investments	8.8	1,909,887	(84,310)
-	-	Bad debts written off directly		-	-
116,152	102,394			9,187,404	8,099,291
348,832	293,658	Net mark-up / interest income after provisions		27,592,073	23,227,773
Non mark-up / interest income					
57,124	43,238	Fee, commission and brokerage income		4,518,408	3,420,051
29,953	31,261	Income / gain on investments	24	2,369,233	2,472,663
30,017	18,804	Income from dealing in foreign currencies		2,374,318	1,487,374
50,574	-	Gain on investments in associate	8.5.1	4,000,330	-
39,401	33,415	Other income	25	3,116,522	2,643,076
207,069	126,718	Total non-mark-up / interest income		16,378,811	10,023,164
555,901	420,376			43,970,884	33,250,937
Non mark-up / interest expense					
269,892	231,323	Administrative expenses	26	21,348,016	18,297,279
2,531	(3,491)	Other provisions / write offs - net		200,163	(276,111)
819	1,077	Other charges	27	64,751	85,152
4,091	-	Workers welfare fund	28	323,575	-
277,333	228,909	Total non mark-up / interest expenses		21,936,505	18,106,320
278,568	191,467	Profit before taxation		22,034,379	15,144,617
Taxation					
109,498	91,288	- current	29	8,661,150	7,220,717
2,947	21,095	- prior years		233,100	1,668,562
(31,276)	(48,404)	- deferred		(2,473,891)	(3,828,699)
81,169	63,979			6,420,359	5,060,580
197,399	127,488	Profit after taxation		15,614,020	10,084,037
Attributable to:					
196,400	126,428	Equity holders of the Bank		15,535,011	10,000,231
999	1,060	Minority interest		79,009	83,806
197,400	127,488			15,614,020	10,084,037
0.259	0.167	Basic and diluted earnings per share	30	20.47	13.18

The annexed notes 1 to 50 and annexures I to III form an integral part of these consolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Consolidated Statement of Changes in Equity
For the year ended December 31, 2008

	Attributable to shareholders of the Group						Sub Total	Minority interest	Total
	Share capital	Exchange translation reserve	Reserves		Unappropriated profit				
			Statutory requirement of joint venture and subsidiaries	Bank					
------(Rupees in '000)-----									
Balance as at December 31, 2006	6,900,000	2,381,560	132,505	9,214,707	6,073,812	20,475,080	45,177,664	913,317	46,090,981
Profit for the year ended December 31, 2007	-	-	-	-	-	10,000,231	10,000,231	83,806	10,084,037
Exchange translation released on disposal of investment	-	(229,620)	-	-	-	-	(229,620)	-	(229,620)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	73,766	73,766	-	73,766
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,421,084	-	-	-	-	1,421,084	14,166	1,435,250
Total recognised income and expense for the year	-	1,191,464	-	-	-	10,073,997	11,265,461	97,972	11,363,433
Transferred to statutory reserve	-	-	23,265	804,142	-	(827,407)	-	-	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	-	(1,380,000)	(1,380,000)	-	(1,380,000)
Cash dividend paid at Rs. 1.3 per certificate by modaraba	-	-	-	-	-	-	-	(46,457)	(46,457)
Minority share of surplus on revaluation of securities of Modaraba	-	-	-	-	-	-	-	810	810
Balance as at December 31, 2007	6,900,000	3,573,024	155,770	10,018,849	6,073,812	28,341,670	55,063,125	965,642	56,028,767
Profit for the year ended December 31, 2008	-	-	-	-	-	15,535,011	15,535,011	79,009	15,614,020
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	54,634	54,634	-	54,634
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	3,388,132	-	-	-	-	3,388,132	(41,000)	3,347,132
Total recognised income and expense for the year	-	3,388,132	-	-	-	15,589,645	18,977,777	38,009	19,015,786
Transferred to statutory reserve	-	-	33,569	1,000,098	-	(1,033,667)	-	-	-
Cash dividend paid at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Issue of bonus shares	690,000	-	-	-	-	(690,000)	-	-	-
Cash dividend paid at Rs. 0.50 per certificate by modaraba	-	-	-	-	-	-	-	(17,868)	(17,868)
Minority share of deficit on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(95,684)	(95,684)
Balance as at December 31, 2008	7,590,000	6,961,156	189,339	11,018,947	6,073,812	39,447,648	71,280,902	890,099	72,171,001

The annexed notes 1 to 50 and annexures I to III form an integral part of these consolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

Habib Bank Limited
Consolidated Cash Flow Statement
For the year ended December 31, 2008

2008	2007		Note	2008	2007
(US \$ in '000)				(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
278,568	191,467	Profit before taxation		22,034,379	15,144,617
(27,580)	(27,442)	Dividend income and share of profit of associates and joint venture company		(2,181,535)	(2,170,631)
(2,373)	(3,818)	Gain on sale of investments - net		(187,698)	(302,032)
(29,953)	(31,260)			(2,369,233)	(2,472,663)
248,615	160,207			19,665,146	12,671,954
Adjustment for:					
20,556	14,877	Depreciation / amortisation / adjustments		1,625,943	1,176,762
24,146	(1,066)	Charge / (reversal) against diminution in the value of investments		1,909,887	(84,310)
87,295	104,151	Provision against non-performing loans and advances - net of reversals		6,904,919	8,238,227
10,808	-	Exchange loss on sub-ordinated loans		854,925	-
(529)	(656)	Gain on sale of property and equipment - net		(41,840)	(51,913)
7,241	(4,181)	Miscellaneous provisions		572,761	(330,737)
149,517	113,125			11,826,595	8,948,029
398,132	273,332			31,491,741	21,619,983
(Increase) / decrease in operating assets					
(57,721)	62,226	Lendings to financial institutions		(4,565,657)	4,921,998
(1,025,148)	(518,066)	Loans and advances		(81,087,692)	(40,978,276)
(67,089)	(91,219)	Other assets - net		(5,306,665)	(7,215,251)
(1,149,958)	(547,059)			(90,960,014)	(43,271,529)
Increase / (decrease) in operating liabilities					
831,778	912,254	Deposits and other accounts		65,792,418	72,157,929
(153,601)	32,900	Borrowings from financial institutions		(12,149,619)	2,602,339
(69,205)	74,724	Bills payable		(5,473,973)	5,910,593
63,479	50,155	Other liabilities - net		5,021,099	3,967,219
672,451	1,070,033			53,189,925	84,638,080
(79,375)	796,306			(6,278,348)	62,986,534
(151,120)	(85,494)	Income tax paid - net		(11,953,329)	(6,762,469)
(230,495)	710,812	Net cash flows (used in) / from operating activities		(18,231,677)	56,224,065
CASH FLOWS FROM INVESTING ACTIVITIES					
426,693	(713,051)	Net investments in securities, associates and joint ventures company		33,750,772	(56,401,273)
(1,714)	6,088	Dividend income received		(135,537)	481,567
(33,665)	(38,703)	Fixed capital expenditure		(2,662,833)	(3,061,361)
1,366	1,401	Proceeds from sale of fixed assets		108,033	110,853
42,834	15,063	Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates		3,388,132	1,191,472
435,514	(729,202)	Net cash flow from / (used in) investing activities		34,448,567	(57,678,742)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	39,192	Sub-ordinated loans		-	3,100,000
(226)	(587)	Dividend paid to minority interest by Modaraba		(17,868)	(46,457)
(518)	179	Minority interest impact of exchange adjustment on translation of balances in subsidiaries etc.		(41,000)	14,166
(1,210)	10	Minority share of deficit on revaluation of securities of subsidiaries / modaraba		(95,684)	810
(34,515)	(17,459)	Dividend paid		(2,730,251)	(1,381,000)
(36,469)	21,335	Net cash flows (used in) / from financing activities		(2,884,803)	1,687,519
168,550	2,945	Increase in cash and cash equivalents during the year		13,332,087	232,842
950,436	1,011,353	Cash and cash equivalents at beginning of the year		75,178,048	79,996,643
92,673	28,811	Effects of exchange rate changes on cash and cash equivalents		7,330,320	2,278,883
1,043,109	1,040,164			82,508,368	82,275,526
1,211,659	1,043,109	Cash and cash equivalents at end of the year	31	95,840,455	82,508,368

The annexed notes 1 to 50 and annexures I to III form an integral part of these consolidated financial statements.

HABIB BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan. The Bank operates 1,468 (2007: 1,449) branches inside Pakistan and 40 (2007: 40) outside the country. The Group comprises of:

Holding company

Habib Bank Limited, Pakistan

Subsidiaries

- Habib Allied International Bank Plc., United Kingdom – shareholding at 90.5%
- Habib Finance International Limited, Hong Kong – wholly owned
- Habib Bank Financial Services (Private) Limited, Pakistan – wholly owned
- Habib Currency Exchange (Private) Limited, Pakistan – wholly owned
- HBL Asset Management Limited, Pakistan – wholly owned
- First Habib Bank Modaraba, Pakistan
- HBL Stock Fund – shareholding 74.90%

The subsidiary company of the Bank, Habib Bank Financial Services (Private) Limited exercises control over Habib Bank Modaraba as its management company and also has a direct economic interest in it. The Bank has consolidated the financial statements of the modaraba as the ultimate holding company.

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 include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales 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 mark-up thereon.
- The US Dollar amounts shown in the financial statements are stated solely for information convenience. For the purpose of translation to US Dollars, the rate of Rs. 79.0985 per US Dollar has been used for both December 31, 2008 and 2007.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts less accumulated depreciation, trading and available for sale investments and derivative financial instruments are measured at fair value.

The consolidated financial statements are presented in Pakistan Rupees, which is Bank's functional currency. The amounts are rounded to nearest thousand.

2.2 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading" the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as "held-to-maturity" the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as held for trading or held to maturity are classified as available for sale.

ii) Provision against non performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Group follows, the general provision requirement set out in Prudential Regulations.

iii) Valuation and 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. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated 27 January 2009. The market value of the portfolio does not show any further impairment till the signing of accounts.

iv) Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

During 2007, a new schedule was introduced for taxation for banks in Pakistan and this schedule would be applicable for taxation of bank's income for the year ended December 31, 2008. According to the provisions of this schedule, provision for doubtful loans and advances falling under the category of "doubtful" or "loss" were to be allowed as a deduction in the year in which the provision is made. However, through amendments in Finance Act, the allowance for bad debts has been restricted to actual write offs. In case of consumer advances provision equivalent to 3% of consumer revenue would continue to apply. The schedule does not contain transitory provisions with respect to leases and other provisions treated differently before the applicability of the new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the bank's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assume that such transitory rules will be made and the bank would be able to get the benefit of the asset so recognised.

v) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the rates contracted.

vi) Fixed assets, depreciation and amortisation

The Group carries its land and buildings at their respective fair values. The fair values are determined by independent valuation experts and such valuations are carried out with sufficient regularity that the valuation at year end is close to their fair values.

In view of the current market volatility, the bank requested independent valuation experts to make an assessment that the value of major properties owned by bank has not changed significantly from their carrying value. Based on these reports the bank has concluded that there is no significant variation in the fair value of land and buildings. In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of investments in associates and subsidiaries

The Group determined that a significant or prolonged decline in the fair value of its investments in associates and subsidiaries below their cost is an objective evidence of impairment. The impairment loss is recognized when the higher of fair value less cost to sell and value in use exceed the carrying value.

3 STATEMENT OF COMPLIANCE

- 3.1** 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 (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP 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 Islamic Financial Accounting Standard (IFAS) 1 - Murabaha and IFAS 2 - Ijara issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006 and IFAS 2 was effective for leases entered into after July 1, 2007. These standards have not been adopted by stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and Securities and Exchange Commission of Pakistan.

During the year, IFRIC 9 - Reassessment of embedded derivatives, IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangements, IFRIC 14, IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their interaction, become effective, the application of these standards did not have material effect on the Group's consolidated financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) 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 the Group's financial statements.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Group's financial statements.
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Group's financial statements.
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Group's financial statements.
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group's financial statements.
- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The standard would be applied when IAS 39 – Financial Instruments – Recognition and Measurement becomes applicable for Banks and would require significant increase in disclosures.
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have a material effect on the Group's financial statements.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation, an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not likely to have an effect the Group's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements. These amendments are unlikely to have an impact on the Group's financial statements.
- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Group's financial statements.
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.
- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Group's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue recognition

Advances and investments

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining maturity, using the effective yield method.

Interest or mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of State Bank of Pakistan or overseas regulatory authorities of countries where the branches / companies operate, except where in the opinion of the management it would not be prudent to do so.

Dividend income from investments (other than those which are accounted for under the equity method) is recognized when the right to receive it is established.

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned 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.

Unrealized lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis. Repossessed vehicles on account of loan default are recorded in memorandum account.

Letters of credit and guarantees

Commission on letters of credit and guarantees etc. is recognized on time proportion basis.

4.2 Taxation

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

Current

Current taxation is the tax payable on taxable income earned from local as well as foreign operations for the year using tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4.3 Investments

The Group classifies its investment portfolio into the following categories:

Held-for-trading

These are securities, which are either acquired for generating a profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

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

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments, including those referred to in para above, are accounted for as follows:

- Quoted securities are carried at fair value.
- Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.
- Securities classified as held-to-maturity are carried at amortised cost.

Investments other than those categorised as held for trading includes transaction costs associated with the investments. In case of investments classified as held for trading, transaction costs are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investments.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulation issued by the State Bank of Pakistan.

Any unrealized surplus / deficit arising on revaluation of investment classified as 'held-for-trading' are taken to the profit and loss account and unrealized surplus / deficit arising on revaluation of investment classified as 'available-for-sale' is taken directly to "surplus / deficit on revaluation of securities" in the balance sheet.

Associates as defined under local statutes but not under IAS are accounted for as ordinary investments.

4.4 Basis of consolidation

- Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain economic benefits from its activities.
- The consolidated financial statements incorporate the financial statements of Habib Bank Limited and the financial statements of subsidiary companies from the date that control commences until the date that control ceases. The financial statements of such subsidiary companies are incorporated on a line-by-line basis and the investments held by the Bank is eliminated against the corresponding share capital of subsidiaries in the consolidated financial statements.
- Material intra-group balances and transactions are eliminated.
- Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method. The consolidated financial statements include Groups' share of the results of the associates and joint venture.

4.5 Lendings to / borrowings from financial institutions

Where securities are sold subject to a commitment to re-purchase them at a pre-determined price, they remain on the balance sheet and a liability is recorded in respect of the consideration received in "borrowings from financial institutions". Conversely, securities purchased under analogous commitments to resell are not recognized on the balance sheet and the consideration paid is recorded in "lendings to financial institutions".

The difference between the sale and purchase price is recognized as mark-up / return expensed or earned on time proportion basis as the case may be.

4.6 Advances

Loans and advances

Loans and advances and net investment in finance lease are stated net of provision for loan losses. Provision for loan losses of Pakistan operations including general provision is made in accordance with the requirements of the prudential regulations issued by the State Bank of Pakistan. Provision for loan losses of overseas branches and subsidiary companies are made as per the requirements of the respective central banks. Advances are written off when there are no realistic prospects of recovery.

Finance lease receivables

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.

4.7 Operating fixed assets and depreciation

4.7.1 Tangible

Fixed assets and capital work-in-progress, are stated at cost, except for land and building which are carried at revalued amount less accumulated depreciation, where applicable, and accumulated impairment losses (if any).

Cost of fixed assets of foreign branches and subsidiary companies include exchange differences arising on translation at year-end rates. Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provision of the Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Group to un-appropriated profits (net of deferred tax).

All operating assets are being depreciated over their expected economic lives using the straight-line method from the date the assets are available for use.

Depreciation is calculated so as to write-off the assets over their expected economic lives at the rates specified in note 11.3 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on addition and deletion of tangible assets during the year is charged in proportion to the period of use.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, renewals are capitalized.

Gains or losses arising on the disposal of fixed assets are included in income currently. Surplus on revaluation of fixed assets (net of deferred tax) realized during the year is transferred directly to un-appropriated profit.

4.7.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. Amortization is charged at the rate stated in note 11.2. Amortization on additions and deletions of intangible asset during the year is charged in proportion to the period of use. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost.

4.8 Employee benefits

The Bank operates the following post retirement schemes for its employees:

- i) For those who did not opt for the pension scheme of 1977 and for new employees, the Bank operates:
 - Approved funded provident fund (defined contribution scheme)
 - Approved funded gratuity scheme (defined benefit scheme)

Liability under the gratuity scheme is determined on the basis of actuarial advice under the Projected Unit Credit method.

- ii) For those who opted for the pension scheme introduced in 1977, Bank operates:
 - Approved funded pension scheme (defined benefit scheme) for services up to March 31, 2005
 - Contributory gratuity and provident fund schemes in lieu of pension fund for services subsequent to March 31, 2005 (defined contribution scheme).

Liability under the pension scheme is determined on the basis of actuarial advice using the Projected Unit Credit method.

Post retirement medical benefits

The Bank also provides post retirement medical benefits to its clerical employees and pensioners retiring before December 31, 2005. Provision is made in the financial statements for this benefit based on actuarial advice using the Projected Unit Credit method.

Other post retirement benefits

The Bank provide cash benefit on retirement which are estimated as per the actuarial advice.

Employees' compensated absences

The Bank also makes provision in the financial statements for its liabilities towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

Benevolent fund

The Bank operates funded benevolent schemes for its executives / officers and clerical / non-clerical employees. Under this scheme, the employees of the Bank are entitled to receive defined grants during their service and after retirement. The benevolent fund plan covers all the employees of the Bank.

Surplus / deficit on retirement funds / schemes

Any surplus / deficit arising on actuarial valuation of these schemes (including actuarial gains / losses) available to / payable by the Group is recognized in the year in which it arises.

Other schemes

Employee benefits offered by subsidiary companies are as follows:

Habib Allied International Bank Plc. United Kingdom	Defined Contribution Pension scheme
Habib Finance International Limited, Hong Kong	Provident fund and long service payment scheme

4.9 Foreign currency**Foreign currency transactions**

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on 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. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

Foreign operations

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

Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign operations (foreign branches, subsidiaries, joint ventures or associates) which are taken to equity under "Exchange Translation Reserve" and on disposal are recognized in profit or loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash and balances with banks in current and deposit accounts.

4.11 Off setting

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

4.12 Impairment

The carrying amount of the Groups' assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant 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. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.13 Provision for guarantee claim

Provision for guarantee claim is recognized when intimated and reasonable certainty exists that the Group will settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net of expected recoveries.

4.14 Other provisions

Other provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that 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.

4.15 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.

4.16 Dividend distribution

Declarations of dividend to holders of the equity instruments of the Group are recognised as liability in the period in which it is declared.

4.17 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 risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

Business segments

- *Retail Banking*
Consist of retail lending, deposits and banking services to private individuals and small businesses.
- *Corporate / Commercial Banking*
Consist of Corporate customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatizations and securitization.
- *Treasury*
Involves the businesses of proprietary trading, fixed income, equity and foreign exchanges.
- *International Banking Group*
It represents Group's operations in 25 countries and is considered a separate segment for monitoring purposes.
- *Head Office*
This includes balances held at Head Office level for regulatory requirements or other operational reasons and includes some non performing loans (not managed by other business segments), statutory liquidity and shareholders equity related balances and their associated cost / income.

Geographical segments

The group operates in five geographic regions, being:

- Pakistan
- Asia Pacific (including South Asia)
- Europe
- North America
- Middle East
- Others

	<i>Note</i>	2008	2007
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand including National Prize Bonds			
Local currency		8,023,934	6,957,481
Foreign currency		2,055,913	1,448,749
		10,079,847	8,406,230
With State Bank of Pakistan in			
Local currency current account		19,971,514	27,099,656
Foreign currency deposit account		8,266,160	3,274,440
		28,237,674	30,374,096
With other Central Banks in	<i>5.1</i>		
Foreign currency current account		10,230,919	7,489,037
Foreign currency deposit account		3,331,897	6,075,877
		13,562,816	13,564,914
With National Bank of Pakistan in			
Local currency current account		4,652,797	3,142,424
		56,533,134	55,487,664

The above balances include remunerative accounts amounting to Rs. 11,387.516 million (2007: Rs. 9,399.919 million).

- 5.1** This includes balances held with the Central Banks of the respective countries in accordance with the requirements of the local statutory / Central Bank regulations.

	<i>Note</i>	2008	2007
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		372,264	385,765
Outside Pakistan			
On current account	<i>6.1</i>	3,124,812	3,769,629
On deposit account		35,810,245	22,865,310
		38,935,057	26,634,939
		39,307,321	27,020,704

- 6.1** This includes remunerative current account balance amounting to Rs. 153.545 million (2007: Rs. 117.541 million).

	<i>Note</i>	2008	2007
		(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
7.1 In local currency			
Call money lendings		1,850,000	700,000
Repurchase agreement lendings (reverse repo)	<i>7.2</i>	4,343,787	928,130
		6,193,787	1,628,130

7.2 Securities held as collateral against lendings to financial institutions	2008			2007		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
----- (Rupees in '000) -----						
Market treasury bills	3,786,863	556,924	4,343,787	928,130	-	928,130
	<u>3,786,863</u>	<u>556,924</u>	<u>4,343,787</u>	<u>928,130</u>	<u>-</u>	<u>928,130</u>

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2008 amounted to Rs. 4,385 million (2007: Rs. 938.552 million)

8. INVESTMENTS	Note	2008			2007		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
8.1 Investments by type							
Held-to-Maturity Securities (HTM)	8.3						
<i>Federal Government Securities</i>							
- Pakistan investment bonds	8.9 / 8.11	9,865,095	-	9,865,095	12,164,051	-	12,164,051
<i>Overseas Government securities</i>		74,604	-	74,604	58,951	-	58,951
<i>Debentures and Corporate Debt Instruments</i>		48,182	-	48,182	-	-	-
		<u>9,987,881</u>	<u>-</u>	<u>9,987,881</u>	<u>12,223,002</u>	<u>-</u>	<u>12,223,002</u>
<i>Available-for-Sale Securities (AFS)</i>							
<i>Federal Government Securities</i>							
- Market treasury bills	8.9 / 8.11	49,465,602	8,754,798	58,220,400	72,497,871	28,556,867	101,054,738
- Pakistan investment bonds		9,021,042	-	9,021,042	9,823,565	-	9,823,565
- Government of Pakistan guaranteed bonds		6,598,710	-	6,598,710	6,420,732	-	6,420,732
- Government of Pakistan bonds / Sukuk / (US Dollar / Euro)		4,718,958	-	4,718,958	5,559,665	-	5,559,665
<i>Overseas Government Securities</i>		8,153,876	-	8,153,876	9,496,982	-	9,496,982
<i>Fully paid-up ordinary shares</i>							
- Listed companies		766,194	-	766,194	854,140	-	854,140
- Unlisted companies		437,657	-	437,657	416,177	-	416,177
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		2,227,518	-	2,227,518	1,044,923	-	1,044,923
- Unlisted securities	8.9	23,687,951	-	23,687,951	21,570,060	-	21,570,060
<i>NIT Units</i>	8.12	23,948	-	23,948	44,338	-	44,338
<i>Preference shares</i>		181,700	-	181,700	200,000	-	200,000
<i>Other investments</i>		782,003	-	782,003	1,815,817	-	1,815,817
		<u>106,065,159</u>	<u>8,754,798</u>	<u>114,819,957</u>	<u>129,744,270</u>	<u>28,556,867</u>	<u>158,301,137</u>
Investment in associates and joint venture company	8.4	13,337,854	-	13,337,854	7,418,112	-	7,418,112
		<u>129,390,894</u>	<u>8,754,798</u>	<u>138,145,692</u>	<u>149,385,384</u>	<u>28,556,867</u>	<u>177,942,251</u>

8.2 Investments by segments	Note	2008	2007
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		58,280,986	101,297,420
- Pakistan investment bonds		21,158,414	22,166,836
- Government of Pakistan guaranteed bonds		6,900,442	6,447,110
- Government of Pakistan bonds (US Dollar / Euro)		7,112,356	5,559,665
Overseas Government Securities		8,124,611	9,555,933
Fully paid-up Ordinary Shares			
- Listed companies		1,994,800	818,646
- Unlisted companies		471,853	449,354
Debentures and Corporate Debt Instruments			
- Listed securities		2,303,140	1,038,270
- Unlisted securities		24,878,702	21,886,744
Preference shares		200,000	200,000
NIT units		11,529	11,529
Other investments		1,736,669	1,614,125
Investment in associates and joint venture company		13,495,437	7,418,112
		<u>146,668,939</u>	<u>178,463,744</u>
Less: Provision for diminution in the value of investments	8.8	<u>(2,143,709)</u>	<u>(421,729)</u>
Net investment		<u>144,525,230</u>	<u>178,042,015</u>
Deficit on revaluation of available for sale securities	19.2	<u>(6,379,538)</u>	<u>(99,764)</u>
		<u>138,145,692</u>	<u>177,942,251</u>

8.3 The market value of securities classified as "held-to-maturity" as at December 31, 2008 amounted to Rs. 7,370.797 million (2007: Rs 10,573.095 million).

8.4 Investment in associates and joint venture company	Note	2008	2007
		(Rupees in '000)	
Platinum Habib Bank Plc., - Holding, 6.28% (2007: 15.29%) - Listed			
Opening balance		3,954,543	2,682,640
Investment during the year		329,257	-
Share of profit for the year - net of tax		1,095,381	1,126,709
Exchange translation reserve for the year		351,114	236,096
Dividend received during the year		(664,541)	(90,902)
Dilution gain	8.5.1	4,000,330	-
		<u>9,066,084</u>	<u>3,954,543</u>
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2007: 18%) - Unlisted			
Opening balance		139,995	-
Investment during the year		-	139,995
Share of profit for the year - net of tax		41,199	-
Exchange translation reserve for the year		54,241	-
		<u>235,435</u>	<u>139,995</u>
Diamond Trust Bank Limited, Kenya - Holding 10% (2007: 9.72%) - Listed	8.5		
Opening balance		1,001,782	227,568
Investment during the year		42,749	752,567
Share of profit for the year - net of tax		107,049	16,951
Exchange translation reserve for the year		9,758	9,349
Dividend received during the year		(22,216)	(4,653)
		<u>1,139,122</u>	<u>1,001,782</u>
Himalayan Bank Limited, Nepal, - Holding 20% (2007: 20%) - Listed			
Opening balance		488,750	368,450
Share of profit for the year - net of tax		162,509	119,509
Exchange translation reserve for the year		27,166	41,035
Dividend received during the year		(17,431)	(40,244)
		<u>660,994</u>	<u>488,750</u>
New Jubilee Insurance Company Limited, - Holding 9.64% (2007: 9.64%) - Listed	8.5		
Opening balance		1,097,086	-
Investment during the year		-	1,092,225
Share of profit for the year - net of tax		25,176	9,625
Dividend received during the year		(7,945)	(4,764)
		<u>1,114,317</u>	<u>1,097,086</u>

	<i>Note</i>	2008	2007
		(Rupees in '000)	
New Jubilee Life Insurance Company Limited, Holding 8.91% (2007: 8.91%) - Listed	8.5		
Opening balance		216,659	-
Investment during the year		-	213,633
Share of profit for the year - net of tax		9,986	3,026
Dividend received during the year		(2,795)	-
		223,850	216,659
HBL Income Fund, Holding 27.48% (2007: 4.39%) - Unlisted			
Opening balance		268,322	-
Investment during the year		475,000	250,000
Share of profit for the year		57,800	18,322
Loss on revaluation of investments		(68,898)	-
		732,224	268,322
HBL Multi Asset Fund, Holding 35.59% (2007: 39.03%) - Unlisted			
Opening balance		250,975	-
Investment during the year		-	250,000
Share of profit for the year		3,540	975
Loss on revaluation of investments		(88,687)	-
		165,828	250,975
		13,337,854	7,418,112

- 8.4.1** The market value of shares of above investments in listed associates at December 31, 2008 amounted to Rs. 12,995 million (2007: Rs. 19,510)
- 8.5** The Group has significant influence in Diamond Trust Bank Limited, Kyrgyz Investment and Credit Bank, New Jubilee Insurance Company Limited and New Jubilee Life Insurance Company Limited because of Aga Khan Fund for Economic Development's holding (parent of Group).
- 8.5.1** During last quarter of 2007, PHB made an initial public offer of 5 billion ordinary shares of 50 Kobo each at Naira 17 per share with a green shoe option of 25% of the oversubscribed portion. The offer was oversubscribed and after obtaining necessary statutory approvals, PHB accepted offers of 7.11 billion shares at Naira 17 per share and the shares were issued in 2008 and reflected in Annual Financial Statements of PHB for the year ended June 30, 2008. PHB had also accepted applications for further issuance of 5 billion shares; the exercise was completed during half year ended December 31, 2008 and as a result shareholding of the Bank has diluted to 6.28%. Issue of share at premium has increased the proportionate interest of the Bank in net assets of PHB. This increase when compared with carrying value of investment in the Bank prior to this transaction has resulted in dilution gain of Rs. 4 billion, which has been recorded in profit and loss account as per requirement of International Accounting Standard - 28.
- 8.5.2** The recoverable amount of the investment in New Jubilee Insurance Company Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections based on the budget and forecasts approved by management covering 2 years. These are then extrapolated for a period of 5 years using a steady long term expected growth of insurance business of 15% and terminal value determined based on long term earning multiples. The cash flows are discounted using a pre-tax discount rate of 20%. The management believes that any reasonable possible change in the key assumptions would not cause the carrying amount to exceed investment's recoverable amount.

8.6 Summary of financial information on associates and joint venture company

	Based on the financial statements as on	2008				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
		------(Rupees in '000)-----				
PlatinumHabib Bank Plc., Nigeria	June 30, 2008	604,536,998	506,862,507	97,674,491	50,895,806	11,438,697
Diamond Trust Bank Limited, Kenya	September 30, 2008	47,434,250	41,200,618	6,233,632	3,256,330	790,715
Himalayan Bank Limited, Nepal	July 15, 2008	37,199,300	34,615,190	2,584,110	1,988,389	1,056,874
Kyrgyz Investment and Credit Bank	December 31, 2007	6,608,284	5,345,793	1,262,491	525,305	211,782
New Jubilee Life Insurance Co. Ltd.	September 30, 2008	5,888,878	5,422,938	465,940	16,231	27,068
New Jubilee Insurance Co. Ltd.	September 30, 2008	6,506,983	3,925,893	2,581,090	578,009	97,237
HBL Income Fund	September 30, 2008	4,483,422	18,525	4,464,897	548,699	454,423
HBL Multi Asset Fund	September 30, 2008	631,924	3,674	628,250	36,080	22,828
	Based on the financial statements as on	2007				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
		------(Rupees in '000)-----				
PlatinumHabib Bank Plc., Nigeria	June 30, 2007	198,758,913	179,810,015	18,948,898	18,666,556	7,370,667
Diamond Trust Bank Limited, Kenya	September 30, 2007	26,677,207	23,825,328	2,851,879	1,434,627	444,067
Himalayan Bank Limited, Nepal	December 31, 2007	33,851,739	31,678,073	2,173,666	1,377,398	522,350
Kyrgyz Investment and Credit Bank	September 30, 2007	4,395,885	3,695,619	700,266	383,052	113,971
New Jubilee Life Insurance Co. Ltd.	September 30, 2007	5,579,493	5,174,208	405,285	14,054	49,513
New Jubilee Insurance Co. Ltd.	September 30, 2007	5,575,939	3,337,525	2,238,414	1,747,660	415,205
HBL Income Fund	December 31, 2007	6,461,862	353,811	6,108,051	346,910	259,335
HBL Multi Asset Fund	December 31, 2007	644,742	1,746	642,996	4,042	3,450

8.7 Investment in associated undertakings - as per statute

	2008		2007	
	Cost (Rupees in '000)	Holding %	Cost (Rupees in '000)	Holding %
First Women Bank Limited	63,300	26.78%	63,300	26.78%
Khushali Bank	300,000	17.60%	300,000	17.60%
	<u>363,300</u>		<u>363,300</u>	

8.7.1 The Group does not have significant influence over these entities due to influence of the Government / major shareholders. Accordingly these investments are accounted for as normal investments.

8.8 Particulars of provision held against diminution in value of investments

The balances disclosed in note 8.1 are stated net of specific provision held. The analysis of total provision held is as follows:

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Opening balance		421,729	518,932
Charge / (reversal) - net		483,327	(84,310)
Impairment loss on listed securities	8.8.1	1,426,560	-
Amount written off		(187,907)	(12,893)
Closing balance		<u>2,143,709</u>	<u>421,729</u>

8.8.1 This represents impairment loss recorded in respect of available for sale securities in accordance with the basis described in note 2.2 (iii).

8.8.2 Particulars of provision in respect of type and segment**Available-for-sale securities (AFS)***Fully paid-up ordinary shares*

- Listed companies	1,228,247	71,868
- Unlisted companies	34,196	33,177
<i>Preference shares</i>	18,300	-
<i>Debentures and corporate debt instruments</i>	562,993	316,684
<i>Units</i>	299,973	-
	<u>2,143,709</u>	<u>421,729</u>

8.9 Investments held for maintaining the liquidity requirements of the State Bank of Pakistan amounted to Rs. 87,384.669 million as at December 31, 2008 (2007: Rs. 127,384.655 million).

8.10 Investments include Rs. 483.990 million as at December 31, 2008 (2007: Rs. 510.795 million) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

8.11 Investments include Rs. 9.800 million as at December 31, 2008 (2007: Rs. 9.695 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the bank.

8.12 NIT units of Rs. 16.675 million as at December 31, 2008 (2007: Rs. 30.750 million) are pledged with Multan High Court.

8.13 Information relating to investments including credit ratings in shares of listed and unlisted companies, redeemable capital and bonds, required to be disclosed as part of the financial statements by the State Bank of Pakistan, is given in Annexure "I" and is an integral part of these financial statements.

9. ADVANCES	<i>Note</i>	2008 (Rupees in '000)	2007
Loans, cash credits, running finances, etc.			
In Pakistan		367,769,370	310,370,832
Outside Pakistan		<u>73,166,782</u>	<u>55,501,503</u>
		<u>440,936,152</u>	<u>365,872,335</u>
Net investment in finance lease - in Pakistan	9.1.3	<u>4,537,980</u>	<u>8,719,113</u>
- outside Pakistan		-	-
		<u>4,537,980</u>	<u>8,719,113</u>
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		<u>12,227,536</u>	<u>6,387,872</u>
Payable outside Pakistan		<u>26,750,236</u>	<u>22,499,580</u>
		<u>38,977,772</u>	<u>28,887,452</u>
Provision against non-performing advances	9.4	<u>(28,096,397)</u>	<u>(21,306,166)</u>
		<u>456,355,507</u>	<u>382,172,734</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		<u>11,976,479</u>	<u>11,909,930</u>
Outside Pakistan		-	-
		<u>11,976,479</u>	<u>11,909,930</u>
Provision	9.4.1	<u>(11,976,479)</u>	<u>(11,909,930)</u>
		-	-
9.1 Particulars of advances			
9.1.1 In local currency		365,200,732	306,416,866
In foreign currency including foreign currency financing by domestic branches amounting to Rs. 14,603.966 million (2007: Rs. 15,158 million)		<u>91,154,775</u>	<u>75,755,868</u>
		<u>456,355,507</u>	<u>382,172,734</u>
9.1.2 Short term (for upto one year)		347,684,398	266,849,580
Long term (for over one year)		<u>108,671,109</u>	<u>115,323,154</u>
		<u>456,355,507</u>	<u>382,172,734</u>

9.1.3 Net investment in finance lease

	2008			2007		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	----- (Rupees in '000) -----					
Lease rentals receivable	1,298,779	3,711,539	5,010,318	868,731	6,937,838	7,806,569
Residual value	13,292	67,096	80,388	145,371	1,829,306	1,974,677
Gross investment in finance lease	1,312,071	3,778,635	5,090,706	1,014,102	8,767,144	9,781,246
Unearned finance income	40,681	512,045	552,726	43,907	1,018,226	1,062,133
Net investment in finance lease	1,271,390	3,266,590	4,537,980	970,195	7,748,918	8,719,113

9.2 Advances include Rs. 40,053.222 million (2007: Rs. 27,692.769 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years which have been placed in separate category as referred to in note 9.4, as detailed below:

Category of classification	2008								
	Non-performing advances			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Specific provision									
Other assets especially mentioned	1,200,357	-	1,200,357	-	-	-	1,200,357	-	1,200,357
Substandard	6,271,877	1,003,359	7,275,236	1,507,622	213,364	1,720,986	4,764,255	789,995	5,554,250
Doubtful	9,825,144	564,337	10,389,481	5,063,114	398,206	5,461,320	4,762,030	166,131	4,928,161
Loss	11,539,436	9,648,712	21,188,148	10,465,720	9,578,922	20,044,642	1,073,716	69,790	1,143,506
	28,836,814	11,216,408	40,053,222	17,036,456	10,190,492	27,226,948	11,800,358	1,025,916	12,826,274
General provision	-	-	-	452,211	417,238	869,449	-	-	-
	28,836,814	11,216,408	40,053,222	17,488,667	10,607,730	28,096,397	11,800,358	1,025,916	12,826,274
	----- (Rupees in '000) -----								
	2007								
	----- (Rupees in '000) -----								
Specific provision									
Other assets especially mentioned	799,714	-	799,714	-	-	-	799,714	-	799,714
Substandard	6,630,170	607,870	7,238,040	1,635,158	89,387	1,724,545	4,995,012	518,483	5,513,495
Doubtful	2,157,113	92,555	2,249,668	1,078,557	57,088	1,135,645	1,078,556	35,467	1,114,023
Loss	9,029,355	8,375,992	17,405,347	9,029,355	8,365,987	17,395,342	-	10,005	10,005
	18,616,352	9,076,417	27,692,769	11,743,070	8,512,462	20,255,532	6,873,282	563,955	7,437,237
General provision	-	-	-	771,668	278,966	1,050,634	-	-	-
	18,616,352	9,076,417	27,692,769	12,514,738	8,791,428	21,306,166	6,873,282	563,955	7,437,237

9.2.1 Loss category includes Government of Pakistan Guaranteed Debt of Rs. 1,065.740 million, which is overdue but provision is not required.

9.2.2 Classification of overseas non-performing advances and provision there against has been made in accordance with the accounting policy as referred in note 4.6.

9.3 The Group monitors non-performing loans classified as loss for more than five years and fully provided as a separate category as shown in note 9.4.1. This category is not included in note 9.2 and in analytical break-up of other notes

9.4 Particulars of provision against non-performing advances

	Note	2008			2007		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----					
Opening balance		20,255,532	1,050,634	21,306,166	20,518,688	1,413,165	21,931,853
Exchange adjustment		1,978,245	39,297	2,017,542	308,226	(6,899)	301,327
Charge for the year		7,753,566	85,455	7,839,021	9,205,663	81,096	9,286,759
Reversals		(144,702)	(305,937)	(450,639)	(185,137)	(436,728)	(621,865)
		7,608,864	(220,482)	7,388,382	9,020,526	(355,632)	8,664,894
Amounts written off	9.5	(1,053,510)	-	(1,053,510)	(3,614,928)	-	(3,614,928)
Transferred to / from over 5 years category	9.4.1	(1,562,183)	-	(1,562,183)	(5,976,980)	-	(5,976,980)
Closing balance		27,226,948	869,449	28,096,397	20,255,532	1,050,634	21,306,166
In local currency		17,036,456	452,211	17,488,667	11,743,070	771,668	12,514,738
In foreign currency		10,190,492	417,238	10,607,730	8,512,462	278,966	8,791,428
		27,226,948	869,449	28,096,397	20,255,532	1,050,634	21,306,166

	<i>Note</i>	2008	2007
		(Rupees in '000)	
9.4.1 Particulars of provision against fully provided non-performing advances classified as loss for more than five years			
Opening balance		11,909,930	7,116,335
Reversal		(483,463)	(426,667)
Transferred from / to during the year	9.4	1,562,183	5,976,980
Write off	9.5	(1,012,171)	(756,718)
		<u>11,976,479</u>	<u>11,909,930</u>
9.5 Particulars of write-offs			
9.5.1 Against provisions		<u>2,065,681</u>	<u>4,371,646</u>
9.5.2 Analysis of write-offs			
Rs. 500,000 and above in Pakistan (Note 9.6)		1,030,120	1,133,635
Below Rs. 500,000 in Pakistan and overseas		1,035,561	3,238,011
		<u>2,065,681</u>	<u>4,371,646</u>
9.6 Details of loan write-off of Rs. 500,000 and above			

The statement required under sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 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 December 31, 2008 is given in Annexure II.

9.7 Particulars of loans and advances to directors, associated companies, etc.	2008				2007			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding ***	Limit sanctioned during the year	Loan repaid during the year	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
	----- (Rupees in '000) -----							
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	1,005,576	1,039,416	341,604	33,840	697,812	731,164	477,300	33,352
- in respect of key management personnel	428,670	439,388	128,284	10,718	311,104	326,962	142,535	15,858
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members	891,631	894,419	15,295,761	15,737,463	1,333,333	1,533,333	-	200,000
Debts due by:								
- Retirement benefit funds	-	1,033,720	-	1,033,720	1,033,720	1,389,612	-	355,892

The disclosure of the year-end balance, limit / amount sanctioned and the highest amount outstanding during the year is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

* (These represent staff loans given by the Group to its executives as per their terms of employment)

** (Maximum amount has been arrived at by reference to month end balance)

	<i>Note</i>	2008	2007
		(Rupees in '000)	
10. OTHER ASSETS			
Income / mark-up accrued in local currency		12,982,966	8,221,654
Income / mark-up accrued in foreign currency		1,236,730	990,054
Advances, deposits, advance rent and other prepayments		1,851,689	1,271,674
Advance taxation (payments less provisions)		2,605,743	-
Receivable from defined benefit plans		6,572,013	5,193,448
Stationery and stamps on hand		199,447	216,513
Accrued fee income		39,360	187,500
Due from Government of Pakistan	10.2	295,353	295,356
Unrealised gain on forward foreign exchange contract		19,994	49,043
Non-banking assets acquired in satisfaction of claims		30,000	30,000
Receivable from National Savings Centre / Clearing in transit		7,465,756	7,796,273
Assets held for sale	10.3	838,852	1,574,696
Dividend receivable		374,809	13,913
Others		906,540	1,505,987
		<u>35,419,252</u>	<u>27,346,111</u>

	2008	2007
	(Rupees in '000)	
10.1 Provision against other assets		
Opening balance	504,654	1,195,308
Charge / (reversal)	134,824	(264,542)
Write off	(287,039)	(433,734)
Exchange adjustment	49,566	7,622
Closing balance	<u>402,005</u>	<u>504,654</u>

10.2 This represents residual amount recoverable from the Government of Pakistan on account of payments made to retrenched employees under the Voluntary Separation Scheme (VSS) offered by Habib Bank Limited (HBL) during 2001. All payments made under this scheme are recoverable from the Government of Pakistan as grant to HBL.

10.3 In 2007, the Group subscribed for units of HBL Stock Fund and due to its initial investment the holding is higher than 50%. Management had an intent to sell the units last year and accordingly its assets and liabilities were classified as held for sale. Subsequently, current financial and economic crises restricted the Group to dispose of the units. However, the management is still committed to reduce its holding next year.

	Note	2008	2007
		(Rupees in '000)	
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	830,551	539,449
Intangible assets	11.2	447,898	651,315
Tangible fixed assets	11.3	13,472,803	12,589,791
		<u>14,751,252</u>	<u>13,780,555</u>
11.1 Capital work-in-progress			
Civil works		613,474	410,717
Equipment		-	1,421
Others		217,077	127,311
		<u>830,551</u>	<u>539,449</u>

11.2 Intangible assets

2008										
Description	COST			AMORTISATION			Book value as at December 31, 2008	Rate of amortization %		
	As at January 1, 2008	Additions / (deletions) during the year	Adjustments	As at December 31, 2008	As at January 1, 2008	Charge for the year / (Amortisation on deletions)			Adjustments	
Computer software	1,240,392	163,555 (1,542)	-	1,402,405	589,077	366,965 (1,535)	-	954,507	447,898	33.33
----- Rupees in 000 -----										
2007										
Description	COST			AMORTISATION			Book value as at December 31, 2007	Rate of amortization %		
	As at January 1, 2007	Additions / (deletions) during the year	Adjustments	As at December 31, 2007	As at January 1, 2007	Charge for the year / (Amortisation on deletions)			Adjustments	
Computer software	788,517	450,978 (886)	1,783	1,240,392	353,300	234,900 (886)	1,763	589,077	651,315	33.33

11.3 Tangible fixed assets

2008										
Description	COST / REVALUATION			DEPRECIATION			Book value as at December 31, 2008	Rate of depreciation %		
	As at January 1, 2008	Additions / (deletions) / Adjustment during the year	Surplus / (deficit) on revaluation during the year	As at December 31, 2008	As at January 1, 2008	Charge for the year / (depreciation on deletions) / adjustments			Surplus / (deficit) on revaluation reversed during the year	
Land	7,058,566	496,730 (3,960) 41,357	-	7,592,693	-	-	-	-	7,592,693	-
Building including related machinery	3,873,831	155,972 (3,432) 48,909	-	4,075,280	923,485	195,903 (329) 41,568	-	1,160,627	2,914,653	2.5-10
Furniture, fixture and office equipment	6,536,957	1,318,542 (431,011) 213,827	-	7,638,315	4,028,913	1,016,048 (372,370) 146,113	-	4,818,704	2,819,611	20-33
Vehicles	269,047	112,123 (41,808) 20,839	-	360,201	196,212	47,027 (41,326) 12,442	-	214,355	145,846	20
	17,738,401	2,083,367 (480,211) 324,932	-	19,666,489	5,148,610	1,258,978 (414,025) 200,123	-	6,193,686	13,472,803	

2007

Description	COST / REVALUATION				DEPRECIATION				Book value as at December 31, 2007	Rate of depreciation %
	As at January 1, 2007	Additions / (deletions) / Adjustments during the year	Surplus / (deficit) on revaluation during the year	As at December 31, 2007	As at January 1, 2007	Charge for the year / (depreciation on deletions) / Adjustments	Surplus / (deficit) on revaluation reversed during the year	As at December 31, 2007		
Rupees in '000										
Land	6,682,994	387,244 (15,546) 3,874	-	7,058,566	-	-	-	-	7,058,566	-
Building including related machinery	3,583,565	288,722 (29,784) 31,328	-	3,873,831	747,266	183,504 (6,327) (958)	-	923,485	2,950,346	2.5-10
Furniture, fixture and office equipment	5,025,133	1,710,249 (257,384) 58,959	-	6,536,957	3,525,070	724,324 (251,769) 31,288	-	4,028,913	2,508,044	20-33
Vehicles	329,791	14,428 (76,966) 1,794	-	269,047	224,932	34,034 (62,644) (110)	-	196,212	72,835	20
	15,621,483	2,400,643 (379,680) 95,955	-	17,738,401	4,497,268	941,862 (320,740) 30,220	-	5,148,610	12,589,791	

- 11.4 Habib Bank Limited's (HBL) domestic properties were revalued by independent professional valuers as on December 31, 2004. These properties were revalued by Iqbal A. Nanjee & Co., professional valuers on the basis of market value. The revaluation has resulted in increasing the surplus on revaluation of fixed assets by Rs. 4,055.522 million. HBL properties of Srilanka and Singapore branches were revalued on August 10, 2005 and September 5, 2006 by A. Y. Daniel & Son and CB Richard Ellis (Pte) Ltd. respectively, licensed valuers, on market value basis. These revaluations have resulted in a surplus of Rs. 140.834 million and the same has been recorded in the books in 2006. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

(Rupees in '000)

Land	3,022,358
Building including related machinery	1,515,155

The movement in surplus on revaluation of properties is given in note 19.1 to these financial statements.

11.5 Details of disposal of fixed assets

The information relating to disposal of fixed assets in aggregate having book value exceeding Rs. 250,000 or cost exceeding Rs. 1 million (whichever is lower), is required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure III and is an integral part of these financial statements.

- 11.6 At December 31, 2008 carrying value of properties and equipment retired from active service and held for disposal purposes amounted to Rs. 127.979 million (2007: Rs. 79.139 million). The cost / valuation of fully depreciated properties and equipment that are still in the Group's use, as at the above date, amounted to Rs. 2,405.655 million (2007: Rs. 1,878.476 million).

12. DEFERRED TAX ASSET

Note 2008 2007
(Rupees in '000)

Deductible temporary differences on

- recognised tax losses	12.2	551,103	551,103
- provision against investments		419,518	110,504
- provision against doubtful debts		7,098,785	5,362,476
- provision against others		1,580,550	1,181,437
- Provision against off balance sheet obligations		139,413	-
- revaluation of investments	19.2	2,173,027	38,612
		11,962,396	7,244,132

Taxable temporary differences on

- fixed assets		(641,764)	(577,373)
- others		(98,188)	(53,387)
		(739,952)	(630,760)

Net deferred tax asset recognised by the Group

11,222,444 **6,613,372**

12.1 Movement in temporary differences during the year

	Balance As at January 1, 2007	Recognised in profit or loss	Recognised in equity	Balance As at December 31, 2007	Recognised in profit or loss	Recognised in equity	Balance As at December 31, 2008
(Rupees in '000)							
Deductible temporary differences on							
- Recognised tax losses	-	551,103	-	551,103	-	-	551,103
- Provision against investment:	127,886	(17,382)	-	110,504	309,014	-	419,518
- Provision against doubtful debts	2,886,696	2,475,780	-	5,362,476	1,736,309	-	7,098,785
- Provision against others	247,175	934,262	-	1,181,437	399,113	-	1,580,550
- Provision against off balance sheet obligations	-	-	-	-	139,413	-	139,413
- On revaluation of investments	(11,733)	-	50,345	38,612	-	2,134,415	2,173,027
Taxable temporary differences on							
- fixed assets	(488,995)	(97,220)	8,842	(577,373)	(65,157)	766	(641,764)
- others	(35,543)	(17,844)	-	(53,387)	(44,801)	-	(98,188)
	2,725,486	3,828,699	59,187	6,613,372	2,473,891	2,135,181	11,222,444

12.2 Movement in unrecognised deferred tax assets and liabilities during the year

	Balance As at January 1, 2007	Additions	Recognised	Balance As at December 31, 2007	Additions	Recognised	Balance As at December 31, 2008
(Rupees in '000)							
Tax losses	4,177,253	-	551,103	3,626,150	-	-	3,626,150

13. BILLS PAYABLE	<i>Note</i>	2008	2007
		(Rupees in '000)	
In Pakistan		9,142,162	14,847,417
Outside Pakistan		<u>802,095</u>	<u>570,813</u>
		<u><u>9,944,257</u></u>	<u><u>15,418,230</u></u>
14. BORROWINGS FROM FINANCIAL INSTITUTIONS			
In Pakistan		30,290,684	46,944,634
Outside Pakistan		<u>16,554,306</u>	<u>12,049,975</u>
		<u><u>46,844,990</u></u>	<u><u>58,994,609</u></u>
14.1 Particulars of borrowings from financial institutions			
In local currency		30,290,684	46,944,634
In foreign currency		<u>16,554,306</u>	<u>12,049,975</u>
		<u><u>46,844,990</u></u>	<u><u>58,994,609</u></u>
14.2 Details of borrowings from financial institutions			
Secured			
Borrowings from State Bank of Pakistan under:			
- Export refinance scheme	} 14.3	15,620,296	10,783,073
- Locally manufactured machinery refinance scheme		-	6,747
- Long term finance - export oriented projects		5,756,790	7,376,449
Repurchase agreement borrowings		<u>8,684,350</u>	<u>28,370,002</u>
		<u><u>30,061,436</u></u>	<u><u>46,536,271</u></u>
Unsecured			
In Pakistan			
- Interbank call money borrowing including borrowing by domestic subsidiaries		229,248	408,363
Outside Pakistan			
- Overdrawn nostro accounts		982,783	462,495
- Borrowings of overseas branches		<u>15,571,523</u>	<u>11,587,480</u>
		<u><u>16,554,306</u></u>	<u><u>12,049,975</u></u>
		<u><u>16,783,554</u></u>	<u><u>12,458,338</u></u>
		<u><u>46,844,990</u></u>	<u><u>58,994,609</u></u>
14.3 Borrowings from State Bank of Pakistan (SBP) under the export, locally manufactured machinery and export oriented projects refinance schemes of SBP are secured by the bank's cash and security balances held by SBP.			
		2008	2007
		(Rupees in '000)	
15. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		186,206,978	142,718,688
Savings chequing account		198,303,889	194,299,616
Other savings account		72,936,177	72,663,620
Current accounts - remunerative		2,739,417	1,672,810
Current accounts - non-remunerative		<u>130,326,871</u>	<u>109,089,044</u>
		<u><u>590,513,332</u></u>	<u><u>520,443,778</u></u>
Financial institutions			
Remunerative deposits		2,368,970	6,477,822
Non-remunerative deposits		<u>4,208,243</u>	<u>4,376,527</u>
		<u><u>6,577,213</u></u>	<u><u>10,854,349</u></u>
		<u><u>597,090,545</u></u>	<u><u>531,298,127</u></u>
15.1 Particulars of deposits			
In local currency		463,802,118	414,109,941
In foreign currency {including foreign currency deposits of domestic branches of Rs. 42,887.922 million (2007: Rs. 36,985.653 million)}		<u>133,288,427</u>	<u>117,188,186</u>
		<u><u>597,090,545</u></u>	<u><u>531,298,127</u></u>
16 SUB-ORDINATED LOAN			

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2007: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at market rates. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

17. OTHER LIABILITIES	<i>Note</i>	2008	2007
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		8,536,457	5,525,931
Mark-up / return / interest payable in foreign currency		867,959	779,996
Security deposits against leases		80,388	1,974,677
Accrued expenses		2,117,703	1,647,064
Unrealised loss on forward foreign exchange contracts - net		84,345	-
Unclaimed dividends		45,029	15,280
Provision for employees' compensated absences	33.2.9	1,450,272	1,261,152
Provision for post retirement medical benefits	33.2.4	2,349,341	1,517,413
Provision against off-balance sheet obligations	17.1	792,429	419,831
Provision for contingencies	17.2	658,432	740,834
Branch adjustment account		3,929,655	2,655,502
Provision for staff retirement benefits		838,381	554,921
Provision for taxation - net of payments		-	453,336
Liabilities held for sale	10.3	9,498	147,451
Amounts due to investors in fund consolidated by HBL		272,645	471,959
Provision for workers welfare fund		323,575	-
Others		2,557,127	1,777,779
		<u>24,913,236</u>	<u>19,943,126</u>

17.1 Provision against off-balance sheet obligations	2008	2007
	(Rupees in '000)	
Opening balance	419,831	474,457
Charge / (reversal) for the year	<u>372,598</u>	<u>(54,626)</u>
Closing balance	<u>792,429</u>	<u>419,831</u>

17.2 Provision for contingencies	2008	2007
Opening balance	740,834	807,754
Reversal for the year	(129,080)	(26,150)
Write off	(600)	(43,784)
Exchange adjustment	47,278	3,014
Closing balance	<u>658,432</u>	<u>740,834</u>

18. SHARE CAPITAL

18.1 Authorised capital

2008	2007		2008	2007
Number of shares in '000			(Rupees in '000)	
<u>1,380,000</u>	<u>1,380,000</u>	Ordinary shares of Rs. 10 each	<u>13,800,000</u>	<u>13,800,000</u>

18.2 Issued, subscribed and paid-up capital

2008	2007		2008	2007
Number of shares in '000			(Rupees in '000)	
		Ordinary shares of Rs. 10 each		
690,000	690,000	Fully paid in cash	6,900,000	6,900,000
69,000	-	Issued as bonus shares	690,000	-
<u>759,000</u>	<u>690,000</u>		<u>7,590,000</u>	<u>6,900,000</u>

18.3 Exchange translation reserve

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

18.4 Statutory reserves

Every banking company incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the holding company are to be transferred to this reserve.

18.5 Dividends	<i>Note</i>	2008 (Rupees in '000)	2007 (Rupees in '000)
The following dividends and bonus shares were declared and paid / issued by the Group:			
Rs. 4 per share (2007: Rs. 2 per share) in cash		<u>2,760,000</u>	<u>1,380,000</u>
Bonus shares : 1 share for every 10 shares held		<u>690,000</u>	<u>-</u>
After December 31, 2008 the following dividends were proposed by the Directors for 2008. The dividends have not been provided for and, there are no income tax consequences.			
Cash dividend: Rs. 5.50 per share		<u>4,174,500</u>	
Bonus share: 2 shares for every 10 shares held		<u>1,518,000</u>	
19. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax	<i>Note</i>	2008 (Rupees in '000)	2007 (Rupees in '000)
Surplus arising on revaluation of:			
- fixed assets	19.1	7,215,946	7,269,814
- investments	19.2	<u>(4,206,511)</u>	<u>(61,152)</u>
Surplus on revaluation of assets - net of deferred tax		<u>3,009,435</u>	<u>7,208,662</u>
19.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		7,889,744	7,989,613
Surplus realised on disposal of revalued properties during the year		(6,168)	(25,288)
Transferred to accumulated profit in respect of incremental depreciation charged during the year - net of deferred tax		(48,466)	(48,478)
Related deferred tax liability of incremental depreciation charged during the year		<u>(26,097)</u>	<u>(26,103)</u>
Surplus on revaluation of fixed assets as at December 31		<u>7,809,013</u>	<u>7,889,744</u>
Less: related deferred tax liability on			
- revaluation as at January 1		619,930	654,884
- Surplus realised on disposal of revalued properties during the year		(766)	(8,851)
- incremental depreciation charged during the year transferred to profit and loss account		<u>(26,097)</u>	<u>(26,103)</u>
		<u>593,067</u>	<u>619,930</u>
		<u>7,215,946</u>	<u>7,269,814</u>
19.2 Surplus / (deficit) on revaluation of investments			
Market treasury bills		(60,586)	(242,682)
Pakistan investment bonds		(2,272,277)	(179,220)
Sukuk and euro bonds		(2,393,398)	-
Listed securities		(49,072)	205,991
NIT units		12,419	32,809
Other investments		<u>(1,616,624)</u>	<u>83,338</u>
		<u>(6,379,538)</u>	<u>(99,764)</u>
Add: related deferred tax asset		<u>2,173,027</u>	<u>38,612</u>
		<u>(4,206,511)</u>	<u>(61,152)</u>

	2008	2007
	(Rupees in '000)	
20. CONTINGENCIES AND COMMITMENTS		
20.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	5,960,958	14,055,599
- Financial institutions	137,947	1,026,389
- Others	38,699,414	25,080,587
	<u>44,798,319</u>	<u>40,162,575</u>
20.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	3,537,882	2,500,419
- Financial institutions	167,196	352,392
- Others	14,854,247	11,976,067
	<u>18,559,325</u>	<u>14,828,878</u>
20.3 Trade-related commitments		
Credit cash	100,355,497	116,310,413
Credit documentary acceptances	11,319,117	12,439,668
Credit acceptances	20,281,662	24,069,290
	<u>131,956,276</u>	<u>152,819,371</u>
20.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>46,865,521</u>	<u>45,864,219</u>
20.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
20.6 Commitments in respect of forward foreign and local exchange contracts	2008	2007
	(Rupees in '000)	
Purchase	26,840,479	39,324,335
Sale	26,722,359	42,960,952
The above commitments have maturities falling within one year		
Commitments in respect of foreign currency swaps / options		
Purchase	123,241	2,171,290
Sale	123,241	2,171,290
Commitments in respect of local currency interest rate swaps		
Purchase	35,000	-
Sale	35,000	-
20.7 Commitments for acquisition of operating fixed assets / intangibles	761,514	682,435

21 DERIVATIVE INSTRUMENTS

21.1 Product Analysis

Counterparties	Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for				
Hedging	-	-	-	-
Market Making	1	35,000	4	64,762
With FIs other than banks for				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	1	35,000	4	64,762
Total				
Hedging	-	-	-	-
Market Making	2	70,000	8	129,524

* At the exchange rate prevailing at the end of the reporting period

21.2 Maturity Analysis

Remaining Maturity	No. of Contracts	Notional Principal (Rupees in '000)	Client / Counterparty	Mark to Market		
				Negative	Positive	Net
2 to 3 years	1	35,000	Hospital Supply Corp	(464)	-	(464)
2 to 3 years	1	35,000	United Bank Ltd	-	562	562
	2	70,000		(464)	562	98

22. MARK-UP / RETURN / INTEREST EARNED

	2008	2007
	(Rupees in '000)	
<i>On loans and advances to</i>		
- Customers	46,916,618	36,030,674
- Financial institutions	257,623	231,011
<i>On investments</i>		
- Available-for-sale	13,210,987	11,072,401
- Held-to-maturity	627,927	739,749
On deposits with financial institutions	1,681,796	1,808,199
On lendings to financial institutions	610,082	598,987
	63,305,033	50,481,021

23. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	22,836,362	16,767,617
Securities sold under repurchase agreement borrowings	1,829,627	752,141
Other short term borrowings	1,367,513	1,426,300
Long term borrowings	492,054	207,899
	26,525,556	19,153,957

24. INCOME / GAIN ON INVESTMENTS

24.1 GAIN / (LOSS) ON SALE OF SECURITIES

<i>Federal Government Securities</i>		
- Market treasury bills	31,039	6,257
- Pakistan investment bonds	3,458	5,664
- Other securities	1,152	-
<i>Shares</i>		
- Listed	152,049	289,926
- Unlisted	-	185
	187,698	302,032

24.2 INCOME ON INVESTMENTS

Dividend income	225,359	474,319
Share of profit of associates and joint venture	1,956,176	1,696,312
	2,181,535	2,170,631
	2,369,233	2,472,663

25. OTHER INCOME

Incidental charges	1,022,397	910,064
Rent on lockers	149,215	100,867
Gain on sale of property and equipment	41,840	51,913
Rent on property	111,782	90,987
Miscellaneous earnings	1,791,288	1,489,245
	3,116,522	2,643,076

26. ADMINISTRATIVE EXPENSES	Note	2008	2007
		(Rupees in '000)	
Salaries, allowances, etc.	26.3	11,793,597	10,363,787
Charge for defined benefit / contribution plan and other benefits		470,304	210,283
Non-executive directors' fees, allowances and other expenses		11,200	1,038
Brokerage and commission		13,476	14,008
Rent, taxes, insurance, electricity, etc		1,919,993	1,316,042
Legal and professional charges		763,018	634,933
Communications		417,599	434,598
Repairs and maintenance		728,718	547,029
Stationery and printing		413,739	268,802
Auditors' remuneration	26.1	92,494	80,267
Advertisement and publicity		696,203	884,365
Amortisation	11.2	366,965	234,900
Depreciation	11.3	1,258,978	941,862
Entertainment		92,201	76,633
Travelling		322,307	403,116
Conveyance and motor car		93,070	68,286
Training		168,784	126,581
Security charges		351,894	335,924
Remittance charges		88,877	201,601
Donations	26.4	27,330	2,552
Others		1,257,269	1,150,672
		<u>21,348,016</u>	<u>18,297,279</u>

26.1 Auditors' remuneration

Audit fee	2,910	2,645
Fee for interim audit	2,648	2,461
Fee for audit of local branches of Habib Bank Limited	6,446	5,860
Special certifications / examinations and sundry advisory services	1,330	897
Tax services	5,186	2,895
Out of pocket expenses	2,622	1,725
	<u>21,142</u>	<u>16,483</u>
Overseas subsidiaries / branches and domestic subsidiaries	71,352	63,784
	<u>92,494</u>	<u>80,267</u>

26.2 The Bank operates a short term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to all Executives and for the Key Management Personnel of the Bank amounted to Rs. 528.584 million (2007: Rs. 613.113 million) and Rs. 402.124 million (2007: Rs. 505.328 million) respectively.

26.3 During the year 571 (2007: 777) employees were retrenched. The bank has paid in addition to payments under the staff retirement funds, an amount of Rs. 561.868 million (2007: Rs. 569.700 million) under the scheme.

26.4 Details of the donations given in excess of Rupees 100,000 are given as below:

	2008	2007
	(Rupees in '000)	
Aga Khan Hospital & Medical College Foundation	6,000	1,650
Al-Noor	-	250
Child Aid Association	-	250
Government of NWFP for victims of Bajaur Agency	1,000	-
Hashoo Foundation Sahara Fund	1,000	-
Patient fund Civil Hospital	5,000	-
Abbasi Shaheed Hospital	5,000	-
General Welfare & Amenities	8,000	-
Marie Adelaide Leprosy Centre	500	-
The Kidney Centre Post Graduate Training Institute	250	-
The Oxford & Cambridge Society	450	-
	<u>27,200</u>	<u>2,150</u>

	2008	2007
	(Rupees in '000)	
27. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	<u>64,751</u>	<u>85,152</u>

28 WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

	2008	2007
	(Rupees in '000)	
29. TAXATION		
For Pakistan - for the year - current	7,221,777	5,816,302
- deferred	(1,245,956)	(2,579,964)
For Pakistan - prior year - current	261,895	1,667,787
- deferred	(1,227,935)	(697,632)
For Overseas - for the year - current	1,439,373	1,404,415
- deferred	-	(551,103)
For Overseas - prior year - current	(28,795)	775
	<u>6,420,359</u>	<u>5,060,580</u>

For the purpose of taxation overseas include Habib Bank Limited's branches in Azad Jammu & Kashmir region.

29.1 Relationship between tax expense and accounting profit

Accounting profit for the current year	<u>22,034,379</u>	<u>15,144,617</u>
Tax on income @ 35% (2007: 35%)	7,712,033	5,300,616
- Exempted income	(1,400,116)	(167,512)
- Reduced rate income	(58,320)	(193,596)
- Others	166,762	121,072
Tax charge for the current year	<u>6,420,359</u>	<u>5,060,580</u>

29.2 Taxation

The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2007. The tax authorities have concluded the audit of years 2002 through 2006 and audit of year 2007 is in process.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs. 1,025 million.

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

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

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

30. BASIC AND DILUTED EARNINGS PER SHARE

<i>Note</i>	2008	2007
	(Rupees in '000)	
Profit for the year attributable to equityholders of the Bank	<u>15,535,011</u>	<u>10,000,231</u>
	(Number)	
Weighted average number of ordinary shares	<u>759,000,000</u>	<u>759,000,000</u>
	(Rupees)	
Basic and diluted earnings per share	<u>20.47</u>	<u>13.18</u>

31. CASH AND CASH EQUIVALENTS

		2008	2007
		(Rupees in '000)	
Cash and balance with treasury banks	5	56,533,134	55,487,664
Balance with other banks	6	39,307,321	27,020,704
		<u>95,840,455</u>	<u>82,508,368</u>

32. STAFF STRENGTH

	(Number)
Permanent	14,105
Others	18
Total Staff Strength	<u>14,123</u>

33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

33.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2008 using the Projected Unit Credit Actuarial Cost Method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	Per Annum
Valuation discount rate	14.00%
Expected rate of increase in salary level	12.00%
Expected rate of return on funds invested	14.00%

33.2 Pension, gratuity and benevolent fund schemes

33.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2008 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2008	2007	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----							
Fair value of plan assets	10,235,607	9,968,349	651,072	602,376	1,276,397	1,341,979	-	-
Present value of defined benefit obligation	(3,958,503)	(5,086,147)	(357,163)	(325,663)	(1,249,439)	(1,515,402)	-	-
Surplus / (deficit)	6,277,104	4,882,202	293,909	276,713	26,958	(173,423)	-	-
Present value of unfunded obligation	-	-	-	-	-	-	(2,422,945)	(1,609,418)
Unrecognised past service cost	-	-	-	-	166,364	207,956	73,604	92,006
Asset / (provision) recognised in the balance sheet	6,277,104	4,882,202	293,909	276,713	193,322	34,533	(2,349,341)	(1,517,412)

33.2.2 The surplus on benevolent fund has not been accounted for as this is a contributory scheme with contributions both from the employees and the Bank.

33.2.3 The following amounts have been charged / (credited) to the profit and loss account in respect of the above-referred schemes:

	Note	Pension		Gratuity		Benevolent		Post-employment medical benefits	
		2008	2007	2008	2007	2008	2007	2008	2007
		----- (Rupees in '000) -----							
Current service cost		50,844	24,128	118	46	23,556	23,856	21,064	20,484
Mark-up cost		506,890	510,594	30,600	46,758	149,391	161,528	159,072	177,048
Expected return on plan assets		(1,113,460)	(1,106,662)	(60,238)	(73,153)	(134,198)	(134,996)	-	-
Other movements	33.2.3.1	(839,176)	261,841	65,811	57,356	(164,586)	3,124	865,126	(64,186)
Contributions - employees		-	-	-	-	(16,476)	(15,508)	-	-
Charge / (reversal) for the year		(1,394,902)	(310,099)	36,291	31,007	(142,313)	38,004	1,045,262	133,346

Charge for the year is included in administrative expenses (note 26 to the financial statements) under 'Charge for defined benefit plans and other benefits' account head. A sensitivity analysis to estimate the impact of increase in medical costs has not been carried out and is not likely to have a material impact on Group's financial statements.

33.2.3.1 It represents net impact of actuarial gain / (loss), past service cost, curtailment gain and assets recognized in current period.

33.2.4 Movement in amounts (receivable from) / payable to defined benefit plans

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2008	2007	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----							
Opening balance	(4,882,202)	(4,571,068)	(276,713)	(263,949)	(34,533)	15,769	1,517,413	1,660,083
Charge / (credit) for the year	(1,394,902)	(310,099)	36,291	31,007	(142,313)	38,004	1,045,262	133,346
Contributions during the year	-	(1,035)	(53,487)	(43,771)	(16,476)	(88,306)	-	-
Benefits paid	-	-	-	-	-	-	(213,334)	(276,016)
Closing balance	(6,277,104)	(4,882,202)	(293,909)	(276,713)	(193,322)	(34,533)	2,349,341	1,517,413

33.2.5 The significant portion of the assets comprises of debt securities.

33.2.6 Movement of present value of defined benefit obligation

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2008	2007	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----							
Opening balance	(5,086,147)	(5,105,937)	(325,663)	(467,581)	(1,515,402)	(1,615,281)	(1,609,418)	(1,770,489)
Current service cost	(50,844)	(24,128)	(118)	(46)	(23,556)	(23,856)	(21,064)	(20,484)
Interest cost	(506,890)	(510,594)	(30,600)	(46,758)	(149,391)	(161,528)	(159,072)	(177,048)
Benefits paid	552,109	301,970	53,487	205,905	196,046	227,737	213,334	276,016
Other movements	1,133,269	252,542	(54,269)	(17,183)	242,864	57,526	(846,725)	82,587
Closing balance	(3,958,503)	(5,086,147)	(357,163)	(325,663)	(1,249,439)	(1,515,402)	(2,422,945)	(1,609,418)

33.2.7 Movement of fair value of plan assets

	Pension		Gratuity		Benevolent	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----					
Opening balance	9,968,349	9,677,005	602,376	731,530	1,341,979	1,349,964
Expected return on plan assets	1,113,460	1,106,662	60,238	73,153	134,198	134,996
Interest cost on overdraft	-	(118,118)	-	-	-	-
Employer contributions	-	1,035	53,487	43,771	16,476	88,306
Employee contributions	-	-	-	-	16,476	15,508
Benefits paid	(552,109)	(301,970)	(53,487)	(205,905)	(196,046)	(227,737)
Actuarial gain / (loss) on plan assets	(294,093)	(396,265)	(11,542)	(40,173)	(36,686)	(19,058)
Closing balance	<u>10,235,607</u>	<u>9,968,349</u>	<u>651,072</u>	<u>602,376</u>	<u>1,276,397</u>	<u>1,341,979</u>

33.2.8 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----					
Expected return on plan assets	1,113,460	1,106,662	60,238	73,153	134,198	134,996
Interest cost on overdraft	-	(118,118)	-	-	-	-
Actuarial gain / (loss) on plan assets	(294,093)	(396,265)	(11,542)	(40,173)	(36,686)	(19,058)
Actual return on plan assets	<u>819,367</u>	<u>592,279</u>	<u>48,696</u>	<u>32,980</u>	<u>97,512</u>	<u>115,938</u>

33.2.9 Other benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2008, amounted to Rs. 1,450.272 million (2007: Rs. 1,261.152 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 299.883 million (2007: Rs. 168.644 million) is included in administrative expenses (note 26 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head.

34. DEFINED CONTRIBUTION PLAN**HABIB BANK LIMITED (BANK)****34.1 Provident Fund**

For new employees and for those employees who did not opt for the Bank's pension scheme introduced in 1977, the bank operates an approved provident fund under which both the Bank and employees contribute at 5% of basic salary. The staff who are covered by the Bank's pension plan (now closed) are also eligible to join the provident fund by contributing 5% of their basic pay. However, the Bank does not contribute for these employees.

The total assets of the Fund were Rs. 6,559.024 million as at December 31, 2006 (2005: Rs. 6,559.024 million) as per latest available audited financial statements.

34.2 Subsidiary companies**34.2.1 Habib Finance International Limited, Hongkong**

Habib Finance International Limited, Hong Kong is maintaining the following two schemes for its employees.

Provident Fund

The company is required to contribute at 5% of salary of all of its employees, subject to a maximum contribution of HK \$ 1,000. Employees who earn HK \$ 5,000 or more per month are also required to contribute the same amount. Those who earn less than HK \$ 5,000 per month have an option to contribute to the fund.

Long Service Payment

The company is required to pay long service payment at 2/3rd of employee's last month's full wages or 2/3rd of HK \$ 22,500 whichever is lower, for every year of service. The maximum payment is the total amount of wages earned during the last 12 months or HK \$ 390,000 whichever is lower.

34.2.2 Habib Allied International Bank plc., United Kingdom

Habib Allied International Bank Plc (HAIB) is maintaining a defined contribution pension scheme for its employees. Employer's contribution is 6% of basic salary, whereas contribution from the employee is voluntary. HAIB also makes defined contribution towards personal pension plans of some of the staff members as per their terms of employment.

35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Group President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----					
Fees	-	-	11,200	1,038	-	-
Others	-	-	957	4,559	-	-
Managerial remuneration (including allowances)	10,320	10,320	-	-	2,006,787	1,304,997
Contribution to provident and benevolent fund	900	900	-	-	48,702	38,289
Medical	178	137	-	-	77,270	32,626
House maintenance	261	183	-	-	-	-
Utilities	233	220	-	-	-	-
Conveyance	397	312	-	-	-	-
	<u>12,289</u>	<u>12,072</u>	<u>12,157</u>	<u>5,597</u>	<u>2,132,759</u>	<u>1,375,912</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>6</u>	<u>987</u>	<u>518</u>

The Chief Executive Officer and certain Executives are provided with free club membership and the Chairman / Chief Executive Officer are also provided with free use of the Group's maintained cars in accordance with their entitlement.

In addition to the above, all executives, including Chief Executive Officer of the Group are also entitled to certain short term employee benefits which are disclosed in note 26.2 to these financial statements.

36. RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The Group has related party relationship with its associated undertakings, joint venture companies (refer note 8.4), employee benefit plans (refer note 4.8) of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors and Executive officers.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of loans and advances to related parties are given in note 9.7 to these financial statements.

Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment.

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

	Note	2008	2007
		(Rupees in '000)	
Balances outstanding as at the year end			
- Borrowings / Deposits from			
- Joint venture and associates		4,429,970	4,790,355
- Retirement benefit funds		145,404	107,135
- Companies in which directors are interested		1,679,139	515,020
- Receivable from defined benefit plan	10	6,572,013	5,193,448
- Receivable from associates		541	-
- Payable to associates and joint venture		3,105,223	2,659,687
- Acceptances during the year		-	2,767
- Placements with associates		228,752	335,764
- Overdrawn nostro balances with associates and joint venture		617,255	-
Profit / expense for the year			
- Interest paid			
- Joint venture and associates		98,452	137,746
- Retirement benefit funds		5,216	5,627
- Companies in which Directors are interested		45,399	189,624
- Premium paid to companies in which directors are interested		225,641	183,937
- Interest income			
- Joint Venture and associates		15,144	-
- Retirement benefit funds		36,112	73,068
- Companies in which Directors are interested		36,594	103,188
- Insurance claim received against branch damages		62,561	-
- Other income from associates		141,965	-
- Share of profit of associates and joint venture company - net of tax		5,502,970	1,295,117

36.1 Key Management Personnel

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

	2008	2007
	(Rupees in '000)	
Managerial remuneration (including allowances)	909,128	721,925
Contribution to provident and benevolent fund	18,099	18,163
Medical	26,038	13,155
	<u>953,265</u>	<u>753,243</u>
Number of persons	<u>145</u>	<u>154</u>

In addition Key Management Personnel are paid short-term employee benefits which are disclosed in note 26.2.

37. RISK MANAGEMENT FRAMEWORK

Risk taking is central to banking activity. The Group evaluates business opportunities in terms of the risk-reward relationship. The risks that Group takes are reasonable, controlled, within its financial resources and credit competence.

The diversity of our business requires us to identify, measure and manage our risks effectively. At the Group, the risk is managed through a framework, organisational structure, risk management and monitoring processes that are closely aligned with the activities of the Group and in line with the guidelines given by the State Bank of Pakistan (SBP).

Risk Management Principles

The following key principles form part of our approach to risk management:

- The Board, through its subcommittee, oversees risk management, reviews and approves risk policies and tolerance limits wherever required.
- Various committees at functional level oversee the implementation of risk management policies.
- Market and Liquidity risks are managed by a well-represented Assets and Liabilities Committee (ALCO), whose members are President and CEO, heads of business groups, Chief Risk Officer, Chief Financial Officer and Head of Market risk.
- Risk Management group is headed by Chief Risk Officer, who is the secretary of the Board subcommittee on risk management.
- Credit policy committee and Operational risk committee are responsible for defining and implementation of respective policies.
- The Management Risk Committee represented by Heads of various risk groups allows the Group to manage Credit, Market and Operational risk
- The structure of Risk Management group is closely aligned with the structure of Group's business segments.
- The risk management function is independent of business groups / divisions.
- Independent risk review function is conducted by our Business risk review department operating under Internal Audit function which reports directly to The Board Audit committee.

Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms.

Credit risk makes up the largest part of Group's risk exposures. The Group's credit process is guided by centrally established credit policies, rules and guidelines continuing a close-to-the market approach with an aim to maintain a well-diversified portfolio of credit risk which produces a reliable and consistent return.

Credit risk policies are established by the Credit Policy Committee and approved by the Board through its Risk Management Committee. The Group has a system of checks and balances in place around the extension of credit that are:

- an independent risk management function
- multiple credit approvers
- an independent audit and risk review function.

The Credit Risk Strategy reflects Group's tolerance for risk i.e. credit risk appetite and the level of expected profitability. This, as a minimum, reflects Group's strategy to grant credit based on various products, economic sectors, client segments etc., target markets giving due consideration to risks specific to each target market.

Salient features of our Risk approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the predefined level of authority.
- All Business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate / pre-defined level.
- Credit approval authority is assigned to individuals according to their qualifications and experience.

Certain groups of exposures /facilities are managed under product programs which are approved by various level of approving authorities as defined in the credit policy manual. Each product program contains detailed credit criteria, regulatory, compliance and documentation requirement.

The Group uses risk rating system to supplement the credit risk measurement procedure for exposures exceeding a certain threshold. Risk rating of counterparties is an essential requirement of credit approval process. Risk management group validates the individual risk rating. The Group is currently involved with external consultants to introduce more effective Risk Rating methodology that will align closely with the Basel II IRB guidelines.

Stress testing on the credit portfolio is performed according to the guidelines issued by SBP at defined frequency.

The disbursement, administration and monitoring of credit facilities are managed by Credit Administration Departments (CAD) linked to various business units and operates under the Risk Management Group. CAD is also responsible for collateral/documents management.

The Group monitors its credit portfolio on continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problem loans is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposure. The bank has an established Asset Remedial Division to focus on expediting recoveries from problem credits. The division negotiates with problem borrowers and recommends restructuring and rescheduling of stuck up loans to the senior management. Cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated .

The Group follows the guidelines of SBP or the Regulators under which it is operating in other countries for the classification / write off procedures relating to problem loans.

Country risk

The Group has established limits for Cross Border Transfer Risk (CBTR) based on the ratings assigned by internationally recognised rating agencies. The limit utilization is controlled at Head office level and Country risk exposures are reported to Board Risk Management Committee at defined frequency. CBTR arises from exposure to counterparties in Countries other than the country where exposure is located. We define transfer risk as arising where an otherwise solvent and willing debtor is unable to meet its obligation due to the imposition of governmental or regulatory controls restricting its ability to perform under its obligation toward its foreign liabilities.

Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by Treasury and Investments/ structural positions housed in banking book.

Market risk at Group is managed by the Risk Management Group under the supervision of ALCO supported by Treasury Middle Office (TMO).

The Group carries a limited amount of Market risk, the bulk is located in the banking book stemming from the mismatches in structural assets and liabilities positions.

Tolerance limits for market risk are approved by the Board. The limit is further allocated to banking and trading book that is monitored at pre defined frequencies. Risk measurement is currently based on sensitivity analysis and stress testing. Going forward the Group intends to use more sophisticated models and is currently evaluating various tools which would allow it to use Value at Risk (VAR) methodologies.

- Derivatives

SBP has granted permission to financial institutions for dealing in Derivatives. Transactions currently permitted include Foreign Currency Options (FXCO), Forward Rate Agreements (FRA), Interest Rate Swaps (IRS) and Cross Currency Interest Rate Swaps (CCIRS). At present the Group is dealing in FXCO CCIRS and IRS on a very limited scale on purely back to back basis without carrying any open position in its books. Policies in line with SBP instructions have been formulated and are operative.

- Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates i.e. the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

Substantial part of the Group's assets and liabilities are subject to floating rates hence are re-priced simultaneously. However, the Group is exposed to interest rate risk as a result of mismatches on a relatively small portion of its assets and liabilities. The major portion related to this risk is reflected in the banking book owing to the retail activities and investments qualifying for statutory reserve requirements. The overall potential impact of the mismatches on the earnings in short term and economic value of the portfolio in the long term is not material and is being managed with in the tolerance limits approved by the Board.

The Group uses simulation and duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and Group's economic value.

- Foreign Exchange risk

The Group's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However the Group is obliged to maintain a reasonable open position in various currencies resulting from the sizeable trade related transactions handled across the Group.

Foreign Exchange risks are controlled and monitored through the limits approved by ALCO with in the overall limits advised by SBP. The regulatory limit for foreign exchange is relatively small compared to the size of the Group; hence the risk generated through Foreign exchange activities is insignificant.

End of the day positions are marked to market daily according to the guidelines of SBP and sensitivity is conducted in line with the internal market risk policy of the Group. The intra- day positions are managed by treasury through stop loss / dealers limits. Going forward the Group will adopt VAR approaches to measure and monitor Foreign exchange risk.

Liquidity Risk Management

Liquidity Risk is the risk that the Group will be unable to meet its cash flow obligations as they become due, because of an inability to liquidate assets, or to obtain adequate funding.

ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management function.

The Group follows a comprehensive liquidity risk management policy duly approved by ALCO and Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of Group's liquidity under normal and crisis situation (stress testing). To comply with the policy the Group has also conducted a behavioural study on its open ended deposits to evaluate their stickiness, which may not reflect in their maturity profile. Such evaluation forms part of liquidity management process to realistically project the reliance on such funding sources. As a result of close monitoring and strict policy towards reliance on core deposit, the Group has been able to avoid concentration / reliance on volatile deposit in its books. A comprehensive contingency plan to deal with crisis situation is also in place.

Operational Risk

In line with the approved Operational Risk Management Policy, Group has instituted an Operational Risk Management Department. This department is currently in the process of finalizing a detailed ORM Framework with the support of external consultants in line with the Group's strategic direction to move from the current Basic Indicator Approach (BIA) towards a relatively advanced approach i.e. Alternative Standardized Approach (ASA).

The ORM Framework is expected to address all the significant areas of ORM within the Group including Risk Control Self Assessment (RCSA), Key Risk Indicators, Operational Loss Data Management, Operational Risk Reporting, Capital Calculation etc. As an important tool for operational risk assessment, a detailed RCSA exercise is being conducted within the Group, the results of which will be continually evaluated against the losses and Key Risk Indicators (KRI) data to be collected.

Risk Management alignment with Basel II project

The Group remains fully committed to enhance and improve its Risk Management systems and processes. Basel II implementation is a vital initiative towards strengthening Group's risk management for which it has engaged the services of an International consultant. After completion of diagnostic/gap analysis work, the bank is now in its implementation phase. A lot of effort has already gone into aligning Group's risk management structure, policies and procedures with the requirements of Basel II. In addition several initiatives are underway including data cleansing/ population, probability of default (PD) estimation, and assessment of various systems and tools required to monitor and measure Group's exposure and risk. While these are extensive projects in nature and expected to take considerable time and effort, Group, in line with SBP/regulators guidelines has already adopted standardized approach for credit and market risk and BIA for operational risk and is reporting capital adequacy to SBP under this framework. The Group plans to gradually move to FIRB approach for credit risk and the standardized approach for operational risk.

38. CAPITAL ADEQUACY

The risk weighted assets to capital ratio is calculated in accordance with the State Bank's guidelines on capital adequacy.

	2008	2007
	(Rupees in '000)	
38.1 Regulatory Capital Base		
Tier 1 Capital		
1.1 Fully Paid-up capital / Capital deposited with SBP	7,590,000	6,900,000
1.2 General Reserves as disclosed on the Balance Sheet	17,282,098	16,248,431
1.3 Un-appropriated / un-remitted profits (net of accumulated losses, if any)	39,447,648	28,341,670
1.4 Minority interest	890,099	965,642
	65,209,845	52,455,743
Deductions:		
1.4 Book value of Goodwill and Intangibles	447,898	651,315
1.5 Deficit on account of revaluation of investments held in AFS category	-	-
1.6 Other deductions (50% of the amount) Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	362,147	276,025
	810,045	927,340
Total eligible Tier 1 capital	64,399,800	51,528,403
Supplementary Capital		
Tier 2 Capital		
2.1 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets	869,449	1,050,634
2.2 Revaluation Reserves up to 45%	643,264	3,505,491
2.3 Foreign Exchange Translation Reserves	6,961,156	3,573,024
2.4 Subordinated debt -upto maximum of 50% of Total eligible Tier 1 capita	3,954,925	3,100,000
Total tier 2 Capital	12,428,794	11,229,149
Deductions:		
2.5 Other deductions (50% of the amount as calculated on CAP 2) Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	362,147	276,025
	362,147	276,025
Total eligible Tier 2 Capital	12,066,647	10,953,124
Tier 3 Capital		
Eligible Tier 3 Capital	-	-
Committed Tier II Capital		
Total Eligible Capital (1+2+3)	76,466,447	62,481,527

38.2 Risk-Weighted Exposures

	Note	Capital Requirements		Risk Weighted Assets	
		2008	2007	2008	2007
Credit Risk					
Claims on:					
Other sovereigns, GOP, PG, SBP other than PKR		1,790,761	2,192,558	22,384,507	27,406,970
PSE's		1,343,728	1,363,421	16,796,594	17,042,762
Banks		1,568,042	1,181,697	19,600,523	14,771,211
Corporates		23,887,707	23,431,984	298,596,341	292,899,806
Retail Portfolio		5,110,220	2,734,301	63,877,751	34,178,764
Secured by residential property		178,529	632,009	2,231,614	7,900,109
Past due loans		1,036,946	626,968	12,961,819	7,837,094
Listed Equity investments		1,073,759	677,781	13,421,991	8,472,264
Unlisted equity investments		201,202	202,130	2,515,022	2,526,630
Investments in fixed assets		1,144,268	1,050,339	14,303,354	13,129,241
Other assets		1,904,488	1,319,886	23,806,103	16,498,571
		39,239,650	35,413,074	490,495,619	442,663,423
Market Risk					
Interest Rate Risk		25,102	18,202	313,777	227,530
Foreign Exchange Risk		-	-	-	-
		25,102	18,202	313,777	227,530
Operational Risk					
		5,577,554	4,535,356	69,719,428	56,691,951
		44,842,306	39,966,632	560,528,824	499,582,904
Capital Adequacy Ratio					
Total eligible regulatory capital held	38.1	76,466,447	62,481,527		
Total risk weighted assets	38.2	560,528,824	499,582,904		
Capital adequacy ratio		13.64%	12.51%		

38.3 Types of Exposures and ECAI's used

Exposures	JCR-VIS	PACRA	MOODYs	FITCH	ECA SCORES
PSE's	✓	✓			
Banks	✓	✓	✓	✓	
Corporates	✓	✓			
Sovereigns and GOP other than PKR					✓

38.4 Credit Exposures subject to Standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
------(Rupees in '000)-----				
GOP		105,917,051	5,356,423	100,560,628
PSE	1	15,924,820	8,072,306	7,852,514
Bank	1	40,557,331	9,497,675	31,059,656
Bank	2,3	679,819	63,175	616,644
Corporate	1	1,051,729	5,136	1,046,593
Corporate	2	289,833	8,481	281,352
Corporate	3,4	2,537,374	428,137	2,109,237
Retail		87,740,449	2,570,114	85,170,335
Unrated		392,541,376	69,582,336	322,959,040
		647,239,782	95,583,783	551,655,999

38.5 Capital management

The Group's lead regulator State Bank of Pakistan (SBP) sets and monitors capital requirements for the Bank and the Group as a whole. In addition the Group's branches and subsidiaries outside Pakistan are also required to follow capital requirements applicable in respective countries.

In implementing current capital requirements, SBP requires the Group to maintain a prescribed ratio of 9% total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the methodology provided by SBP which takes account of specific and general market risk, capital charge for interest rate risk and equity price risk using the maturity method.

The Group's regulatory capital is analysed into three tiers:

- Tier I capital, which includes ordinary share capital, capital and other reserves except exchange translation reserve, minority interest, and retained profit.
- Tier II capital includes revaluation surplus, exchange translation reserve, subordinated debt and impairment allowances not kept against identified debts. The revaluation surplus is allowable as tier II capital upto 45% of the reserve. Subordinated debt is limited to 50% of Tier I capital.
- Tier III supplementary capital consists of short term subordinated debt solely for the purpose of meeting a proportion of the Capital requirements for market risks. The bank currently does not have any Tier III capital.

Total of Tier II and III capital is limited to Tier I capital.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk. Ratings for assets are applied using various ECAI's and aligned with appropriate risk buckets. Collaterals if any, are used as an outflow adjustment. Risk weights notified, are applied at net adjusted exposure. Collaterals used include: Government of Pakistan guarantees for advances and investments in PSE / GOP, deposits / margins, lien on deposits, saving certificates and lending of securities (repo & reverse repo).

39. CURRENCY RISK

	2008				2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees '000)-----				------(Rupees '000)-----			
Pakistan Rupee	535,853,566	496,811,885	(118,120)	38,923,561	510,673,651	477,644,110	3,636,618	36,666,159
United States Dollar	93,991,691	85,252,304	(956,953)	7,782,434	82,194,466	67,454,658	(7,883,150)	6,856,658
Great Britain Pound	25,949,471	24,698,306	2,070,277	3,321,442	24,782,398	25,716,950	3,482,159	2,547,607
UAE Dirham	25,867,053	23,584,925	(79,833)	2,202,295	18,643,460	16,451,939	(37,140)	2,154,381
Japanese Yen	234,319	59,454	(21,910)	152,955	326,985	81,073	(119,468)	126,444
Euro	15,510,515	12,947,531	(499,138)	2,063,846	7,667,326	7,181,107	723,114	1,209,333
Other Currencies	60,521,774	39,393,548	(394,323)	20,733,903	47,703,235	34,224,255	197,867	13,676,847
	<u>757,928,389</u>	<u>682,747,953</u>	<u>-</u>	<u>75,180,436</u>	<u>691,991,521</u>	<u>628,754,092</u>	<u>-</u>	<u>63,237,429</u>

40. MATURITIES OF ASSETS AND LIABILITIES

	2008								
	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	------(Rupees in '000)-----								
Total									
Assets									
Cash and balances with treasury banks	56,533,134	56,533,134	-	-	-	-	-	-	-
Balances with other banks	39,307,321	39,307,321	-	-	-	-	-	-	-
Lendings to financial institutions	6,193,787	5,186,863	1,006,924	-	-	-	-	-	-
Investments	138,145,692	46,500,989	10,094,872	11,108,080	4,254,777	8,408,979	6,052,859	29,367,181	7,949,203
Loans and advances	456,355,507	187,450,491	75,418,536	60,030,491	24,784,880	20,909,248	17,928,663	21,725,350	30,610,156
Other assets	35,419,252	23,680,509	1,402,899	3,317,149	7,018,695	-	-	-	-
Operating fixed assets	14,751,252	96,758	193,516	290,275	580,549	1,161,099	1,164,216	985,759	8,635,936
Deferred tax asset	11,222,444	11,860,603	(7,177)	(46,951)	(21,627)	(43,319)	(43,319)	(57,181)	(42,870)
	<u>757,928,389</u>	<u>370,616,668</u>	<u>88,109,570</u>	<u>74,699,044</u>	<u>36,617,274</u>	<u>30,436,007</u>	<u>25,099,347</u>	<u>52,681,566</u>	<u>39,502,248</u>
Liabilities									
Bills payable	9,944,257	9,944,257	-	-	-	-	-	-	-
Borrowings from financial institutions	46,844,990	17,759,927	15,706,061	7,708,875	336,242	1,025,125	1,297,512	1,777,039	1,234,209
Deposits and other accounts - note 40.1	597,090,545	475,446,259	62,253,924	20,824,072	25,984,899	3,072,820	4,159,219	3,179,592	1,521,952
Sub-ordinated loans	3,954,925	-	-	-	-	-	-	-	3,954,925
Other liabilities	24,913,236	18,977,767	2,221	3,331	1,278,437	22,696	30,601	303,004	1,719,372
Deferred tax liability	-	-	-	-	-	-	-	-	-
	<u>682,747,953</u>	<u>522,128,210</u>	<u>77,962,206</u>	<u>28,536,278</u>	<u>27,599,578</u>	<u>4,120,641</u>	<u>5,487,332</u>	<u>5,259,635</u>	<u>8,430,458</u>
Net gap	<u>75,180,436</u>	<u>(151,511,542)</u>	<u>10,147,364</u>	<u>46,162,766</u>	<u>9,017,696</u>	<u>26,315,366</u>	<u>19,612,015</u>	<u>47,421,931</u>	<u>31,071,790</u>
Share capital	7,590,000	-	-	-	-	-	-	-	-
Reserves	24,243,254	-	-	-	-	-	-	-	-
Unappropriated profit	39,447,648	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	3,009,435	-	-	-	-	-	-	-	-
Minority interest	890,099	-	-	-	-	-	-	-	-
	<u>75,180,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

40.1 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs 350.880 billion of deposits representing retail deposit accounts considered by the Group as stable core source of funding of its operations.

	2007								
	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	------(Rupees in '000)-----								
Total									
Assets									
Cash and balances with treasury banks	55,487,664	55,487,664	-	-	-	-	-	-	-
Balances with other banks	27,020,704	27,020,704	-	-	-	-	-	-	-
Lendings to financial institutions	1,628,130	-	700,000	928,130	-	-	-	-	-
Investments	177,942,251	9,807,723	15,187,003	27,843,145	69,835,325	7,019,156	12,125,104	11,637,568	16,767,305
Loans and advances	382,172,734	154,156,363	30,397,039	40,422,682	41,873,496	21,800,837	30,959,422	34,565,012	15,916,159
Other assets	27,346,111	24,377,244	248,031	372,047	2,348,790	-	-	-	-
Operating fixed assets	13,780,555	92,382	184,765	277,147	554,294	1,108,587	1,108,632	1,332,939	1,009,877
Deferred tax asset	6,613,372	7,187,500	(6,455)	(42,241)	(19,457)	(38,973)	(38,973)	(51,444)	(38,569)
	<u>691,991,521</u>	<u>278,129,579</u>	<u>46,710,383</u>	<u>69,800,910</u>	<u>114,592,447</u>	<u>29,889,607</u>	<u>44,154,185</u>	<u>47,484,075</u>	<u>33,654,772</u>
Liabilities									
Bills payable	15,418,230	15,418,230	-	-	-	-	-	-	-
Borrowings from financial institutions	58,994,609	52,816,632	2,123,248	385,632	205,611	646,288	1,192,209	853,441	2,839,491
Deposits and other accounts - note 40.2	531,298,127	431,425,644	43,534,469	19,613,714	15,894,622	4,689,284	6,337,555	6,553,601	409,746
Sub-ordinated loans	3,100,000	-	-	-	-	-	-	-	3,100,000
Other liabilities	19,943,126	16,200,488	24,229	36,343	1,432,930	457,327	457,327	935,645	398,839
Deferred tax liability	-	-	-	-	-	-	-	-	-
	<u>628,754,092</u>	<u>515,860,994</u>	<u>45,681,946</u>	<u>20,035,689</u>	<u>17,533,163</u>	<u>5,792,898</u>	<u>7,566,430</u>	<u>8,681,455</u>	<u>7,191,771</u>
Net gap	<u>63,237,429</u>	<u>(237,731,415)</u>	<u>1,028,438</u>	<u>49,765,221</u>	<u>97,059,284</u>	<u>24,096,709</u>	<u>36,587,756</u>	<u>38,802,620</u>	<u>26,463,001</u>
Share capital	6,900,000	-	-	-	-	-	-	-	-
Reserves	19,821,455	-	-	-	-	-	-	-	-
Unappropriated profit	28,341,670	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	7,208,662	-	-	-	-	-	-	-	-
Minority interest	965,642	-	-	-	-	-	-	-	-
	<u>63,237,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

40.2 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs 290.368 billion of deposits representing retail deposit accounts considered by the Group as stable core source of funding of its operations.

41. YIELD / INTEREST RATE RISK

41.1 Interest rate risk management

A high proportion of loans and advances portfolio of the Group comprises of working capital finances which are re-priced on a three monthly basis. The Group's interest / mark-up rate risk is limited since the majority of customers deposits are retrospectively re-priced on a six monthly basis on the profit and loss sharing principles.

Effective yield / interest rate	Total	2008									Not exposed to yield / interest risk	
		Exposed to yield / interest risk										
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years		
(Rupees in '000)												
On-balance sheet assets												
Financial assets												
Cash and balances with treasury banks	3.04%	56,533,134	10,726,895	538,385	-	93,989	238,788	-	-	-	-	44,935,077
Balances with other banks		39,307,321	29,582,403	5,709,116	280,000	238,724	-	-	-	-	-	3,497,078
Lendings to financial institutions	11.93%	6,193,787	5,186,863	1,006,924	-	-	-	-	-	-	-	-
Investments	10.26%	138,145,692	46,500,989	10,028,778	11,108,080	2,946,607	8,408,979	6,052,859	28,908,331	8,107,878	1,070,901	15,012,290
Advances	12.71%	456,355,507	55,182,285	238,061,213	119,198,845	19,332,302	6,641,683	4,655,520	3,634,222	4,136,744	4,486,778	1,025,915
Other assets		30,961,820	-	-	-	-	-	-	-	-	-	30,961,820
		727,497,261	147,179,435	255,344,416	130,586,925	22,611,622	15,289,450	10,708,379	32,542,553	12,244,622	5,557,679	95,432,180
Financial liabilities												
Bills payable		9,944,257	-	-	-	-	-	-	-	-	-	9,944,257
Borrowings from financial institutions	5.76%	46,844,990	17,759,926	15,706,062	7,708,875	336,242	1,025,125	1,297,512	1,777,039	1,234,209	-	-
Deposits and other accounts	5.21%	597,090,545	83,814,337	77,763,557	274,262,096	40,832,023	3,814,031	4,591,742	30,950,690	15,407,501	14,509,225	51,145,343
Sub-ordinated loans	4.12%	3,954,925	-	-	-	3,954,925	-	-	-	-	-	-
Other liabilities		24,913,236	-	-	-	-	-	-	-	-	-	24,913,236
		682,747,953	101,574,263	93,469,619	281,970,971	45,123,190	4,839,156	5,889,254	32,727,729	16,641,710	14,509,225	86,002,836
On-balance sheet gap		44,749,308	45,605,172	161,874,797	(151,384,046)	(22,511,568)	10,450,294	4,819,125	(185,176)	(4,397,088)	(8,951,546)	9,429,344
Non - financial net assets		30,431,128	-	-	-	-	-	-	-	-	-	-
Total net assets		75,180,436	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Foreign currency forward purchases		26,840,479	13,483,247	5,477,397	6,990,283	889,552	-	-	-	-	-	-
Foreign currency forward sales		(26,722,359)	(14,001,069)	(4,063,364)	(8,000,774)	(657,152)	-	-	-	-	-	-
Interest rate swaps - long position		35,000	-	-	-	-	35,000	-	-	-	-	-
Interest rate swaps - short position		(35,000)	-	-	-	-	(35,000)	-	-	-	-	-
Forward currency options - long position		123,241	-	30,439	85,378	7,424	-	-	-	-	-	-
Forward currency options - short position		(123,241)	-	(30,439)	(85,378)	(7,424)	-	-	-	-	-	-
Off-balance sheet gap		118,120	(517,822)	1,414,033	(1,010,491)	232,400	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			45,087,350	163,288,831	(152,394,537)	(22,279,168)	10,450,294	4,819,125	(185,176)	(4,397,088)	(8,951,546)	9,429,344
Cumulative yield / interest risk sensitivity gap			45,087,350	208,376,181	55,981,644	33,702,476	44,152,770	48,971,895	48,786,719	44,389,630	35,438,084	44,867,428
2007												
Effective yield / interest rate	Total	Exposed to yield / interest risk									Not exposed to yield / interest risk	
		Exposed to yield / interest risk										
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years		
(Rupees in '000)												
On-balance sheet assets												
Financial assets												
Cash and balances with treasury banks	5.54%	55,487,664	8,010,590	1,266,035	-	-	73,692	-	-	-	-	46,137,347
Balances with other banks		27,020,704	18,139,908	4,491,922	196,874	36,606	-	-	-	-	-	4,155,394
Lendings to financial institutions	9.18%	1,628,130	-	700,000	928,130	-	-	-	-	-	-	-
Investments	7.61%	177,942,251	8,359,781	17,119,574	44,303,663	68,011,975	5,337,632	5,423,162	2,465,839	16,745,581	301,810	9,873,234
Advances	10.04%	382,172,734	152,539,502	79,272,950	107,445,924	20,854,838	4,416,789	5,843,005	3,293,983	4,477,926	4,027,817	-
Other assets		26,074,437	-	-	-	-	-	-	-	-	-	26,074,437
		670,325,920	187,049,781	102,850,481	152,874,591	88,903,419	9,828,113	11,266,167	5,759,822	21,223,507	4,329,627	86,240,412
Financial liabilities												
Bills payable		15,418,230	-	-	-	-	-	-	-	-	-	15,418,230
Borrowings from financial institutions	7.18%	58,994,609	49,821,262	5,118,618	385,632	205,611	646,288	771,548	1,192,209	853,441	-	-
Deposits and other accounts	3.28%	531,298,127	88,377,484	57,668,524	268,009,801	26,293,839	5,517,149	7,302,510	28,567,479	13,856,474	11,341,307	24,363,560
Sub-ordinated loans	6.40%	3,100,000	-	-	3,100,000	-	-	-	-	-	-	-
Other liabilities		19,489,790	-	-	-	-	-	-	-	-	-	19,489,790
		628,300,756	138,198,746	62,787,142	271,495,433	26,499,450	6,163,437	8,074,058	29,759,688	14,709,915	11,341,307	59,271,580
On-balance sheet gap		42,025,164	48,851,035	40,063,339	(118,620,842)	62,403,969	3,664,676	3,192,109	(23,999,866)	6,513,592	(7,011,680)	26,968,832
Non - financial net assets		21,212,265	-	-	-	-	-	-	-	-	-	-
Total net assets		63,237,429	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Foreign currency forward purchases		39,324,335	13,347,546	11,755,953	10,631,488	2,629,520	959,828	-	-	-	-	-
Foreign currency forward sales		(42,960,953)	(16,275,724)	(12,860,401)	(12,317,470)	(1,507,358)	-	-	-	-	-	-
Interest rate swaps - long position		-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps - short position		-	-	-	-	-	-	-	-	-	-	-
Forward currency options - long position		263,896	-	-	131,948	131,948	-	-	-	-	-	-
Forward currency options - short position		(263,896)	-	-	(131,948)	(131,948)	-	-	-	-	-	-
Cross currency swaps - long position		1,907,394	-	-	-	-	-	1,603,968	-	303,426	-	-
Cross currency swaps - short position		(1,907,394)	-	-	-	-	-	(1,603,968)	-	(303,426)	-	-
Off-balance sheet gap		(3,636,618)	(2,928,178)	(1,104,448)	(1,685,982)	1,122,162	959,828	-	-	-	-	-
Total yield / interest risk sensitivity gap			45,922,857	38,958,891	(120,306,824)	63,526,131	4,624,504	3,192,109	(23,999,866)	6,513,592	(7,011,680)	26,968,832
Cumulative yield / interest risk sensitivity gap			45,922,857	84,881,748	(35,425,076)	28,101,055	32,725,559	35,917,668	11,917,802	18,431,394	11,419,714	38,388,546

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments are based on quoted market prices and unquoted investments are estimated using the break-up value / cost. Fair value of these investments has been disclosed in note

Fair value of fixed term loan, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 4.6.

The maturity and repricing profile and effective rates are stated in notes 40 and 41 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

43. CONCENTRATION OF CREDIT AND DEPOSITS

43.1 Concentration of credit risk

Out of the total financial assets of Rs 727,497.261 million, financial assets which were subject to credit risk amounted to Rs 717,417.414 million. The Group's major credit risk is concentrated in the textile sector.

The following financial assets are guaranteed by the Federal / overseas Governments or State Bank of Pakistan / other Central Banks and enterprises owned / controlled by the Government:

		2008	
		(Rupees in '000)	
Guaranteed by the Government of Pakistan			
Investments			99,417,286
Loans and advances			54,650,821
Mark-up receivable on government guaranteed financial assets			3,460,738
			157,528,845
Financial assets receivable from enterprises owned / controlled by Government			20,301,767
Guaranteed by overseas Government			8,228,480
Financial assets receivable from State Bank of Pakistan			28,972,825
Financial assets receivable from other Central Bank:			13,562,817
			228,594,734

43.2 Segment by class of business

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	24,873,923	5.13	1,038,671	0.17	8,300,744	4.25
Agribusiness	29,379,882	6.06	6,181,587	1.04	168,140	0.09
Textile	95,683,155	19.75	2,445,739	0.41	20,478,247	10.48
Cement	15,105,085	3.12	324,243	0.05	4,387,811	2.25
Sugar	5,768,216	1.19	432,207	0.07	882,783	0.45
Shoes and leather garments	2,755,605	0.57	179,395	0.03	435,193	0.22
Automobile and transportation equipment	12,332,114	2.55	2,630,089	0.44	2,565,932	1.31
Financial	20,010,068	4.13	6,172,238	1.03	4,027,970	2.06
Insurance	463,412	0.10	2,820,864	0.47	-	-
Electronics and electrical appliances	14,756,854	3.05	203,996	0.03	3,330,738	1.71
Production and transmission of energy	38,910,286	8.03	14,893,202	2.49	19,772,232	10.12
Communication	16,573,949	3.42	-	-	2,823,010	1.45
Food, tobacco and beverages	5,861,079	1.21	640,881	0.11	1,506,554	0.77
Metal and allied	4,473,669	0.92	143,568	0.02	2,485,570	1.27
General traders	24,313,982	5.02	18,742,317	3.14	9,039,579	4.63
Public / Government - note 43.2.1	70,098,737	14.47	97,619,022	16.35	70,618,615	36.16
Individuals	32,109,457	6.63	310,479,692	52.00	4,001,490	2.05
Others	70,982,431	14.64	132,142,834	22.13	40,489,312	20.73
	484,451,904	100.00	597,090,545	100.00	195,313,920	100.00

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	15,808,612	3.92	1,212,611	0.23	13,762,652	6.62
Agribusiness	26,529,983	6.58	8,355,219	1.57	741,427	0.36
Textile	84,870,295	21.03	3,958,130	0.75	13,909,945	6.69
Cement	11,946,461	2.96	291,924	0.05	2,930,183	1.41
Sugar	3,305,601	0.82	577,891	0.11	908,880	0.44
Shoes and leather garments	2,639,371	0.65	173,784	0.03	315,661	0.15
Automobile and transportation equipment	10,210,505	2.53	3,401,600	0.64	3,835,382	1.85
Financial	13,946,049	3.46	7,947,925	1.50	3,811,802	1.83
Insurance	147,375	0.04	885,225	0.17	-	-
Electronics and electrical appliances	11,535,122	2.86	463,688	0.09	4,718,704	2.27
Production and transmission of energy	22,126,554	5.48	5,086,158	0.96	24,883,777	11.97
Communication	12,458,423	3.09	-	-	3,599,307	1.73
Food, tobacco and beverages	5,189,308	1.29	502,545	0.09	2,061,934	0.99
Metal and allied	3,183,021	0.79	863,081	0.16	3,828,934	1.84
General traders	13,757,752	3.41	11,652,829	2.19	6,526,611	3.14
Public / Government - note 43.2.1	50,698,487	12.57	73,524,182	13.84	82,973,235	39.93
Individuals	41,493,764	10.28	273,039,172	51.39	6,399,024	3.08
Others	73,632,217	18.25	139,362,163	26.23	32,603,366	15.69
	403,478,900	100.00	531,298,127	100.00	207,810,824	100.00

43.2.1 Public / Government sector

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	645,427	0.92	171,025	0.18	78,636	0.11
Agribusiness	23,236,852	33.15	349,533	0.36	-	-
Automobile and transportation equipment	11,095,357	15.83	60,349	0.06	16,778	0.02
Financial	-	-	2,235,132	2.29	39,661	0.06
Insurance	-	-	4,367,054	4.47	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Production and transmission of energy	25,173,948	35.91	2,830,656	2.90	8,929,803	12.65
Communication	150,418	0.21	-	-	457,003	0.65
Food, tobacco and beverages	6,043,913	8.62	-	-	-	-
Metal and allied	1,112,946	1.59	-	-	990,952	1.40
General traders	338,715	0.48	-	-	73,830	0.10
Individuals	-	-	-	-	2,325	0.00
Others	2,301,161	3.28	87,605,273	89.74	60,029,627	85.01
	70,098,737	100.00	97,619,022	100.00	70,618,615	100.00

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	1,235,041	2.44	42,293	0.06	-	-
Agribusiness	7,922,601	15.63	133,135	0.18	-	-
Automobile and transportation equipment	9,648,939	19.03	48,725	0.07	28,123	0.03
Financial	310,034	0.61	170,156	0.23	1,951,356	2.35
Insurance	-	-	6,073,766	8.26	-	-
Electronics and electrical appliances	-	-	-	-	2,335	0.00
Production and transmission of energy	24,227,841	47.79	4,055,159	5.52	11,919,995	14.37
Communication	5,772	0.01	-	-	222,395	0.27
Food, tobacco and beverages	4,412,046	8.70	-	-	-	-
Metal and allied	1,761,469	3.47	-	-	1,793,538	2.16
General traders	309,268	0.61	217,550	0.30	101,915	0.12
Individuals	-	-	-	-	-	-
Others	865,476	1.71	62,783,398	85.39	66,953,578	80.69
	50,698,487	100.00	73,524,182	100.00	82,973,235	100.00

43.2.2 Segment by sector	2008					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	70,098,737	14.47	97,619,022	16.35	70,618,615	36.16
Private	414,353,167	85.53	499,471,523	83.65	124,695,305	63.84
	484,451,904	100.00	597,090,545	100.00	195,313,920	100.00

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	50,698,487	12.57	73,524,182	13.84	82,973,235	39.93
Private	352,780,413	87.43	457,773,945	86.16	124,837,589	60.07
	403,478,900	100.00	531,298,127	100.00	207,810,824	100.00

43.2.3 The comparatives of gross advances, deposits and contingencies and commitments have been reclassified.

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

	2008		2007	
	(Rupees in '000)		(Rupees in '000)	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Chemical and pharmaceuticals	240,227	169,633	99,260	91,818
Agribusiness	6,321,708	3,301,697	4,806,013	2,733,967
Textile	11,033,751	5,686,104	8,717,632	6,150,255
Cement	500,000	250,000	15,274	7,682
Sugar	614,506	308,040	322	323
Shoes and leather garments	498,565	410,809	487,167	485,181
Automobile and transportation equipment	934,634	562,216	524,784	331,151
Financial	2,968,659	2,953,747	2,338,069	2,338,069
Electronics and electrical appliances	2,825,126	1,432,366	178,480	152,702
Production and transmission of energy	28,935	27,379	27,123	25,192
Food, tobacco and beverages	686,516	630,567	1,519,436	718,232
Metal and allied	35,994	33,921	117,912	59,331
General traders	1,824,102	1,359,740	1,821,315	1,662,775
Public / Government	1,160,438	94,700	101,417	101,417
Individuals	955,892	641,982	630,400	556,374
Others	9,424,169	9,364,047	6,308,165	4,841,063
	40,053,222	27,226,948	27,692,769	20,255,532

44. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	2008					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest and non-mark-up income	27,796	8,208	2,266	9,078	5,810	53,158
Total expenses including provision	14,579	8,275	425	5,658	2,187	31,124
Net income / (loss)	13,217	(67)	1,841	3,420	3,623	22,034
Segment assets (gross)	94,420	360,475	109,321	151,973	72,380	788,569
Segment non-performing loans	6,733	21,218	-	11,217	885	40,053
Segment provision required including general provision	3,733	12,815	-	10,817	3,276	30,641
Segment liabilities including equity	443,235	101,175	15,011	105,905	92,602	757,928
Segment return on asset %	10.16%	12.22%	9.98%	6.16%	6.17%	-
Segment cost of funds (%)	4.30%	10.08%	9.50%	2.69%	0.44%	-

	2007					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest and non-mark-up income	24,413	6,269	542	7,511	2,615	41,350
Total expenses including provision	13,482	6,617	196	4,004	1,906	26,205
Net income (loss)	10,931	(348)	346	3,507	709	15,145
Segment assets (gross)	107,915	286,718	130,956	135,148	53,338	714,075
Segment non-performing loans	5,061	9,727	-	9,076	3,829	27,693
Segment provision required including general provision	3,136	9,193	106	8,791	857	22,083
Segment liabilities including equity	401,260	77,249	31,146	95,309	87,028	691,992
Segment return on net liability / asset	8.84%	10.67%	8.84%	6.58%	5.27%	-
Segment cost of funds (%)	3.14%	8.58%	8.84%	3.61%	0.24%	-

45. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, Habib Bank Limited acts as security agent for some of the term finance certificates it arranges and distributes on behalf of its customers.

46. GEOGRAPHICAL SEGMENT ANALYSIS

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	13,686,473	595,214,072	39,199,272	165,899,307
Asia Pacific (including South Asia)	824,545	40,000,781	8,554,137	6,597,057
Europe	525,632	49,421,831	7,165,419	10,784,493
North America	28,596	6,817,709	1,396,009	381,279
Middle East	926,205	47,427,850	6,620,073	11,070,674
Others	6,042,928	19,046,146	12,245,526	581,110
	<u>22,034,379</u>	<u>757,928,389</u>	<u>75,180,436</u>	<u>195,313,920</u>

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	10,816,274	556,726,166	36,993,778	179,525,363
Asia Pacific (including South Asia)	823,654	35,540,533	6,017,965	6,211,116
Europe	605,383	43,982,310	7,651,962	12,133,113
North America	132,789	1,683,626	1,069,237	397,406
Middle East	852,431	41,056,874	4,757,011	9,127,133
Others	1,914,086	13,002,012	6,747,476	416,693
	<u>15,144,617</u>	<u>691,991,521</u>	<u>63,237,429</u>	<u>207,810,824</u>

	2008	2007
	(Rupees in '000)	
47. NET ASSETS OF SUBSIDIARY COMPANIES - Share of the Group (before intra-group elimination)		
Habib Allied International Bank Plc., United Kingdom	3,317,261	4,200,476
Habib Finance International Limited, Hong Kong	454,227	380,786
Habib Bank Financial Services (Private) Limited	19,705	46,709
Habib Currency Exchange (Private) Limited	247,102	200,734
First Habib Bank Modaraba	60,691	62,695
HBL Asset Management Limited	146,971	100,731
HBL Stock Fund	813,639	1,351,670
	<u>5,059,596</u>	<u>6,343,801</u>

48. ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

	2008	2007
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	28,754	31,838
Investments - net	62,565	30,191
Murabaha	-	31,540
Ijara	1,354,985	1,025,149
Musharaka	150,000	-
Other assets	21,667	171,779
Operating fixed assets	957	1,279
	<u>1,618,928</u>	<u>1,291,776</u>
LIABILITIES		
Borrowings from financial institutions	256,917	452,352
Deposit and other accounts	18,655	12,396
Other liabilities	579,649	168,017
	<u>855,221</u>	<u>632,765</u>
NET ASSETS	<u>763,707</u>	<u>659,011</u>
REPRESENTED BY		
Islamic Banking Fund / Certificate Capital	497,072	447,072
Reserves	186,968	202,600
Unappropriated profit / (loss)	80,567	(951)
	<u>764,607</u>	<u>648,721</u>
(Deficit) / surplus on revaluation of assets	(900)	10,290
	<u>763,707</u>	<u>659,011</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs 17.402 (2007: Rs. 0.023 million).

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 20, 2009.

50. GENERAL

These financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the State Bank of Pakistan through BSD Circular No. 4 dated February 17, 2006.

DETAIL OF DOMESTIC INVESTMENTS
AS AT DECEMBER 31, 2008
CONSOLIDATED

ANNEXURE I

1.1 Particulars of investments held in listed companies

1.1.1 Ordinary Shares

	Number of shares held	Paid-up value per share (Rupees)	Total paid-up value (Rupees)	Market value (Rupees)	Credit Ratings Short Term (Refer Note)
Allied Bank Of Pakistan Ltd.	220,900.00	10.00	2,209,000.00	6,918,588.00	A1+
Arif Habib Investment Management Ltd	376,920.00	10.00	3,769,200.00	26,375,861.60	A1
Brothers Textile Mills.Ltd	37,652.00	10.00	376,520.00	37,275.48	N/A
D G K Cement Ltd	450,000.00	10.00	4,500,000.00	9,571,500.00	N/A
Dawood Lawrencepur Ltd	34,098.00	10.00	340,980.00	1,699,785.30	N/A
Engro Chemical Ltd	300,300.00	10.00	3,003,000.00	28,966,938.00	A1+
Fauji Fertilizer Company Ltd	1,200,000.00	10.00	12,000,000.00	70,476,000.00	N/A
Fauji Fertilizer Binxd Ltd	400,000.00	10.00	4,000,000.00	5,160,000.00	N/A
Gulistan Textile Mills Ltd	3,630.00	10.00	36,300.00	90,278.10	N/A
Hub Power Company Ltd	17,601,561.00	10.00	176,015,610.00	248,005,994.49	N/A
Hussain Sugar Mills Ltd	7,018.00	10.00	70,180.00	116,218.08	N/A
Lucky Cement Ltd	125,000.00	10.00	1,250,000.00	3,908,750.00	N/A
Mehran Sugar Mills Ltd	19,813.00	10.00	198,130.00	559,717.25	N/A
Muhammad Farooq Textile Mills Ltd	21,342.00	10.00	213,420.00	53,355.00	N/A
National Bank Of Pakistan Ltd	500,000.00	10.00	5,000,000.00	25,160,000.00	A1+
NIB Bank Ltd	7,346,500.00	10.00	73,465,000.00	34,307,155.00	A1
Oil & Gas Development Comapany Ltd	2,477,600.00	10.00	24,776,000.00	123,855,224.00	A1+
Pakistan National Shipping Corporation	1,710.00	10.00	17,100.00	87,295.50	N/A
Pakistan Telecommunication Co. Ltd.	1,200,000.00	10.00	12,000,000.00	20,268,000.00	N/A
Pakistan Oilfields Ltd	432,000.00	10.00	4,320,000.00	44,275,680.00	N/A
Pakistan Petroleum Ltd	825,000.00	10.00	8,250,000.00	83,011,500.00	N/A
Salfi Textile Mills Ltd	270.00	10.00	2,700.00	6,547.50	N/A
Security Paper Ltd	2,527.00	10.00	25,270.00	143,836.84	A1
Sui Northern Gas Company Ltd	612.00	10.00	6,120.00	13,133.52	A1+
TRG Pakistan Ltd	16,017,000.00	10.00	160,170,000.00	28,510,260.00	A2
United Bank Ltd	125,000.00	10.00	1,250,000.00	4,613,750.00	A1+
Wazir Ali Industries Ltd	59.00	10.00	590.00	1,082.65	N/A
			497,265,120.00	766,193,726.31	

1.1.2 Investee

	Number of shares held	Paid-up value per share (Rupees)	Total paid-up value (Rupees)	Market value (Rupees)	Credit Ratings Short Term (Refer Note)
Mutual Funds					
PIIC Investment Fund	11,684,508.00	10.00	116,845,080.00	23,719,551.24	N/A
Meezan Balanced Fund	2,500,000.00	10.00	25,000,000.00	9,928,000.00	*****
First Dawood Mutual Fund.	1,742,250.00	10.00	17,422,500.00	3,763,260.00	****
JS - Growth Fund.	13,381,363.00	10.00	133,813,630.00	39,876,461.74	***
Pakistan Premier Fund	149,514.00	10.00	1,495,140.00	306,018.28	****
PIIC Growth Fund	253,453.00	10.00	2,534,530.00	1,419,802.27	N/A
Pakistan Strategic Allocation Fund	7,500,000.00	10.00	75,000,000.00	17,100,000.00	****
First Habib Income Fund	152,250.00	100.00	15,225,000.00	14,776,817.50	N/A
IGI Income Fund	100,109.00	100.00	10,010,900.00	9,965,850.95	N/A
Askari Asset Allocation Fund	254,955.00	100.00	25,495,500.00	15,720,525.30	N/A
United Islamic Income fund	250,000.00	100.00	25,000,000.00	23,312,500.00	N/A
Nafa Islamic Income Fund	1,500,000.00	10.00	15,000,000.00	12,990,000.00	N/A
Nafa Islamic Multi Asset Fund	2,500,000.00	10.00	25,000,000.00	21,300,000.00	N/A
KASB Balanced Fund	499,201.00	50.00	24,960,050.00	18,794,917.65	N/A
Nafa Income Fund	2,500,000.00	10.00	25,000,000.00	23,475,000.00	N/A
Pakistan Income Fund	510,237.00	50.00	25,511,850.00	24,603,628.14	*****
Meezan Islamic Fund	158,034.00	50.00	7,901,700.00	3,608,335.88	*****
South Asia Regional Fund	5,000.00	562.71	2,813,550.00	279,063.80	N/A
			571,215,880.00	264,939,732.75	

ANNEXURE I

1.1.3 Preference Shares

Investee	Terms of Redemption	Number of Shares Held	Paid-up value per share	Total Paid-up value	Market value	Credit Ratings Short Term
Chenab Ltd (Preference).	Redeemable	10,000,000.00	10.00	100,000,000.00	81,700,000.00	N/A
Masood Textile Mills Ltd (Preference)	Redeemable	10,000,000.00	10.00	100,000,000.00	100,000,000.00	N/A
				200,000,000.00	181,700,000.00	

1.1.4 Units

Investee	Number of units held	Paid-up value per unit (Rupees)	Total paid-up value (Rupees)	Market value (Rupees)	Credit Ratings Short Term
National Investment Trust	716,466.00	10.00	7,164,660.00	23,947,791.10	*****
			7,164,660.00	23,947,791.10	

1.1.5 TFC's

Investee	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value (Rupees)	Market value (Rupees)	Credit Ratings Short Term
Allied Bank Ltd	14,277.00	5,000.00	71,385,000.00	68,688,760.00	N/A
Askari Commercial Bank Ltd	16,990.00	5,000.00	84,950,000.00	85,526,844.00	N/A
Azgard Nine Ltd	7,550.00	3,311.26	25,000,000.00	25,757,500.00	N/A
Bank Al falah Ltd	10,000.00	5,000.00	50,000,000.00	50,162,831.00	N/A
Bank Al Habib Ltd	33,000.00	5,000.00	165,000,000.00	159,091,830.00	N/A
Faysal Bank Ltd	15,000.00	5,000.00	75,000,000.00	76,229,496.00	N/A
United Bank Ltd	41,525.00	5,000.00	207,625,000.00	209,887,652.00	N/A
NIB Bank Ltd	34,950.00	5,000.00	174,750,000.00	161,087,276.00	N/A
Pak Arab Fertilizer Company Ltd	165,080.00	5,000.00	825,400,000.00	786,696,449.00	N/A
Worldcall Telecom Ltd	96,000.00	5,000.00	480,000,000.00	486,624,000.00	N/A
Tele Card Ltd	50,000.00	5,000.00	250,000,000.00	117,765,450.00	N/A
			2,409,110,000.00	2,227,518,088.00	

1.2 Particulars of investment held in unlisted companies

1.2.1 Ordinary shares

Investee	Percentage of holding	Number of Shares / Units Held	Paid-up value per share (Rupees)	Total Paid-up value (Rupees)	Break up value / NAV (Rupees)	Based on accounts as at	Name of Chief Executive	Credit Ratings Short Term
SME Bank Ltd	0.83%	1,987,501	10.00	19,875,010.00	24,001,805.96	December 31, 2007	Mr. R.A. Chughtai	A-3
First Women Bank	26.78%	7,596,000	10.00	75,960,000.00	275,324,136.65	December 31, 2007	Ms. Zarine Aziz	A2
Khushali Bank (Micro Finance Bank)	17.60%	300	1,000,000.00	300,000,000.00	323,680,115.37	December 31, 2007	Mr. M. Ghalib Nishtar	A-1
Pakistan Export Finance Guarantee Agency	10.55%	1,139,916	10.00	11,399,160.00	3,581,493.36	December 31, 2007	Mr. S. M. Zaeem	N/A
N I T Shares	8.33%	52,800	100.00	5,280,000.00	193,085,460.42	June 30, 2008	Mr. Tariq Iqbal Khan	N/A
Equity Participation Fund	1.74%	27,000	100.00	2,700,000.00	17,552,090.32	June 30, 2008	Mr. Naeem Iqbal	N/A
Central Depository Company of Pakistan Ltd	10.50%	3,173,001	10.00	31,730,010.00	145,753,008.41	June 30, 2008	Mr. Muhammad Hanif Jhakura	N/A
National Inst. Facilitation Technologies (PVT) Ltd	9.07%	985,485	10.00	9,854,850.00	46,049,805.11	June 30, 2008	Mr. M. M. Khan	N/A
AKD Venture Fund Ltd (Formerly TMT- PKIC Incubation Fund Ltd)	10.00%	2,500,000.00	10.00	25,000,000.00	26,742,866.70	December 31, 2007	Mr. Kashif Shamim	N/A
				481,799,030.00	1,055,770,782.29			

ANNEXURE I

1.2.2 Term finance certificates

Investee	No. of certificates	Paid-up value per certificate (Rupees)	Total Paid-up value (Rupees)	Name of Chief Executive	Credit Ratings Short Term
Bosicor Pakistan Ltd	50,000	5,000.00	250,000,000.00	Mr. Wasi Khan	N/A
Lahore Electric Supply Company Ltd	40	100,000,000.00	4,000,000,000.00	Mr. Munavar Baseer	N/A
Dewan Cement Ltd	40,000	5,000.00	200,000,000.00	Mr. Dewan M. Yousuf Farooqi	N/A
Islamabad Electric Supply Company Ltd	40	100,000,000.00	4,000,000,000.00	Mr. Raja Abdul Ghafoor	N/A
Kashf Foundation	3,000	5,000.00	15,000,000.00	Ms. Sadafee Abid	N/A
Pak Kuwait Investment Company Ltd	200,000	5,000.00	1,000,000,000.00	Mr. Istaqbal Mahdi	N/A
Kunjah Textile Mills Ltd	1,250	100,000.00	125,000,000.00	Mr. Shafay Hussain	N/A
Pakistan International Airlines	700,000	5,000.00	3,500,000,000.00	Mr. Zafar Ahmed Khan	N/A
			13,090,000,000.00		

Note:

Credit Rating of Funds

*****	Superior
****	Good
***	Average
**	Weak
*	Poor

ANNEXURE I

1.3 Particulars of investments held in bonds and debentures & Government Loans

Bonds and Debentures	Terms of Redemption			Principal (Rupees in '000)	
	Principal	Interest / Profit	Rate of Interest / Profit		
1.3.1 Bonds - denominated in Pak Rupees					
Low Yield Bonds	Repayable in full on maturity	Semi - Annual	9.58%	3,523,940	
Century Paper	Repayable in full on maturity	Semi-Annual	6MK + 135BPS	400,000	
Sitara Energy	Repayable in full on maturity	Semi - Annual	6MK+115 BPS	28,182	
Arzoo Textile	Repayable in full on maturity	Semi - Annual	6MK+200 BPS	20,000	
Quetta Textile	Repayable in full on maturity	Semi - Annual	15.78%	100,000	
Dawood Hercules	Repayable in full on maturity	Semi - Annual	6MK + 120BPS	3,000,000	
				7,072,122	
1.3.2 Government guaranteed bonds- denominated in US Dollars					
Government of Pakistan - GOP Construction Bonds	Annual	Annual	3 Months Libor +1%	1,409,417	
				1,409,417	
1.3.3 Government of Pakistan bonds (US Dollar / Euro)					
Government of Pakistan US Dollar / Euro Bonds	Annual	Semi Annual	6.75%	1,109,221	
Government of Pakistan US Dollar / Euro Bonds	Annual	Semi Annual	6.875%	2,477,349	
Government of Pakistan - Sukuk Bonds	Repayable in full on maturity	Semi Annual	6 Months Libor +2.2%	3,525,786	
				7,112,356	
1.3.4 Debentures - Government Guaranteed	No. of Units	Paid up value per unit (Rupees)	Rate of interest	Total paid up value (Rupees)	Principal out standing (Rupees)
Cold Storage	10	100,000	12.50	1,000,000	1,200,000
Cold Storage	30	10,000	12.50	300,000	924,709
KDA - I	-	-	12.50	-	53,250,000
KDA - II	-	-	15.00	-	102,784,000
				1,300,000	158,158,709

**DETAILS OF DISPOSAL OF OPERATING
FIXED ASSETS** as at December 31, 2008
CONSOLIDATED

ANNEXURE III
Amounts in 000

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Land & Building	7,392	329	7,063	5,316		
	2,160	-	2,160	1,508	Sale	Murhaba Builders, Sukkur
	1,800	-	1,800	1,408	Sale	Murhaba Builders, Sukkur
	3,432	329	3,103	2,400	Sale	Arizona International, Karachi
			17,549			
Furniture & Fixtures	29,620	12,071	17,549	15,826		
	1,246	312	934	832	Insurance Claim	New Jubilee Insurance
	1,008	202	806	808	Insurance Claim	New Jubilee Insurance
	1,241	497	744	796	Insurance Claim	New Jubilee Insurance
	1,901	1,901	-	-	Insurance Claim	New Jubilee Insurance
	1,317	1,214	103	296	Insurance Claim	New Jubilee Insurance
	1,261	294	967	977	Insurance Claim	New Jubilee Insurance
	1,180	1,180	-	-	Insurance Claim	New Jubilee Insurance
	3,382	3,382	-	-	Tender	Haider Kabaria
	1,234	1,234	-	2	Tender	Rana Mukhtar
	836	112	724	670	Insurance Claim	New Jubilee Insurance
	938	110	828	751	Insurance Claim	New Jubilee Insurance
	938	110	828	752	Insurance Claim	New Jubilee Insurance
	938	110	828	752	Insurance Claim	New Jubilee Insurance
	986	691	295	395	Insurance Claim	New Jubilee Insurance
	940	376	564	603	Insurance Claim	New Jubilee Insurance
	426	57	369	341	Insurance Claim	New Jubilee Insurance
	983	82	901	788	Insurance Claim	New Jubilee Insurance
	439	22	417	352	Insurance Claim	New Jubilee Insurance
	574	19	555	460	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	560	10	550	449	Insurance Claim	New Jubilee Insurance
	585	10	575	460	Insurance Claim	New Jubilee Insurance
	624	11	613	500	Insurance Claim	New Jubilee Insurance
	624	11	613	500	Insurance Claim	New Jubilee Insurance
	570	-	570	457	Insurance Claim	New Jubilee Insurance
	570	-	570	454	Insurance Claim	New Jubilee Insurance
	570	-	570	448	Insurance Claim	New Jubilee Insurance
	570	-	570	457	Insurance Claim	New Jubilee Insurance
	379	74	305	281	Insurance Claim	New Jubilee Insurance
Motor Vehicle	3,765	3,765	-	2,450		
	1,293	1,293	-	780	Auction	MR.Mirza Imran Beg
	1,270	1,270	-	855	Auction	MR.Mirza Imran Beg
	1,202	1,202	-	815	Auction	MR.Afzal Ahmed
Assets having cost of less than Rs. 1 million and book value of less than Rs.250,000	440,976	399,395	41,581	84,441		
	481,753	415,560	66,193	108,033		