

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the nine months period ended September 30, 2009.

Financial Performance

The financial results of the Bank are summarized below:	(Rs. in '000)
Profit after tax	<u>10,572,705</u>
Earnings per share rupees (Basic & Diluted)	<u>11.61</u>

The global economy is still trying to recover from the crisis of the past year; Pakistan has been deeply impacted by this crisis. In addition the country continues to battle internally with concerns relating to security. A combination of these factors have resulted in a major constraint on economic growth and the GDP growth has been limited to 2% during 2009. The manufacturing and finance & insurance sectors, which grew by 7.6 % and 12.9% in 2008, recorded a negative growth of 3.3% and 1.2% respectively during the current year.

In this challenging environment HBL continues to manage its portfolio prudently, whilst aggressively serving the productive sectors of the economy, which promote sustainable growth. HBL focuses on developing new products and strives to improve service quality so that it is better able to serve its customers. The Bank is committed to maintaining its superior market positioning as it continues to improve its extensive branch network through technology upgrades as well as product innovation; HBL's asset base has increased by 7.5% and its net worth has increased by 16.8%.

HBL is cognizant of the global standards of compliance and ensures that the highest standards of compliance and corporate governance are met and practiced throughout the bank's operations.

We are pleased to inform our shareholders that HBL has been awarded Best Bank, Best Trade Finance Provider and Best Foreign Exchange Provider in Pakistan by Global Finance for 2009, announced during the recent World Bank Annual Meetings, which is a testament to HBL's commitment to its customers.

Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage, our shareholders for their confidence and the staff for their dedication & continued support. HBL's commitment to our customers to ensure greater level of access and better service quality continues.

On behalf of the Board

R. Zakir Mahmood
President & Chief Executive Officer
Karachi: October 24, 2009

**Condensed Interim Unconsolidated
Balance Sheet
As At September 30, 2009**

	Note	(Unaudited) September 30, 2009 (Rupees in '000)	(Audited) December 31, 2008
ASSETS			
Cash and balances with treasury banks		67,586,295	56,359,367
Balances with other banks		40,435,251	32,720,391
Lendings to financial institutions		6,005,851	6,193,787
Investments	6	145,958,323	124,615,444
Advances	7	450,475,456	438,879,970
Other assets		38,245,073	33,510,500
Operating fixed assets		14,538,869	14,567,933
Deferred tax asset		7,988,628	10,454,612
		<u>771,233,746</u>	<u>717,302,004</u>
LIABILITIES			
Bills payable		9,324,078	9,781,077
Borrowings from financial institutions	9	46,852,351	44,022,676
Deposits and other accounts	10	608,044,378	572,399,187
Sub-ordinated loans	11	4,157,410	3,954,925
Liabilities against assets subject to finance lease		-	-
Other liabilities		26,864,062	22,099,728
Deferred tax liability		-	-
		<u>695,242,279</u>	<u>652,257,593</u>
NET ASSETS		<u><u>75,991,467</u></u>	<u><u>65,044,411</u></u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		9,108,000	7,590,000
Reserves		25,443,142	22,882,318
Unappropriated profit		34,724,232	30,818,496
		69,275,374	61,290,814
Surplus on revaluation of assets - net of deferred tax	12	6,716,093	3,753,597
		<u>75,991,467</u>	<u>65,044,411</u>
CONTINGENCIES AND COMMITMENTS	13		

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

President and Chief Executive Officer

Director

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**Condensed Interim Unconsolidated
Profit And Loss Account - (Unaudited)
For The Nine Months Ended September 30, 2009**

Note	Nine months ended		Quarter ended		
	January 01 to September 30, 2009	January 01 to September 30, 2008	July 01 to September 30, 2009	July 01 to September 30, 2008	
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	55,331,131	43,911,113	18,626,486	16,344,629
Mark-up / return / interest expensed	15	24,205,114	17,946,541	8,341,522	6,902,534
Net mark-up / interest income		31,126,017	25,964,572	10,284,964	9,442,095
Provision against non-performing loans and advances - net	7.2 / 7.4	6,444,176	2,709,179	1,254,520	1,601,178
Reversal against off-balance sheet obligations		(123,110)	-	-	-
Reversal against diminution in value of investments	6.2	(1,007,574)	(10,170)	(143,226)	(21,949)
Bad debts written off directly		-	-	-	-
		5,313,492	2,699,009	1,111,294	1,579,229
Net mark-up / interest income after provisions		25,812,525	23,265,563	9,173,670	7,862,866
Non mark-up / interest income					
Fee, commission and brokerage income		3,434,953	3,247,046	1,115,306	1,414,862
Income / gain on investments	16	253,995	710,670	163,105	59,355
Income from dealing in foreign currencies		1,242,890	1,632,511	481,501	654,513
Other income		2,264,844	1,704,753	741,462	641,535
Total non-mark-up / interest income		7,196,682	7,294,980	2,501,374	2,770,265
		33,009,207	30,560,543	11,675,044	10,633,131
Non mark-up / interest expense					
Administrative expenses		16,081,685	14,674,453	5,352,239	5,377,644
Other provisions / write offs - net		14,334	200,112	42,842	87,157
Other charges		1,926	1,157	1,053	120
Workers welfare fund		338,225	313,751	125,578	103,419
Total non mark-up / interest expenses		16,436,170	15,189,473	5,521,712	5,568,340
Profit before taxation		16,573,037	15,371,070	6,153,332	5,064,791
Taxation - current		6,089,405	6,323,553	2,167,780	2,370,432
- prior		(1,054,853)	1,062,330	(1,443,355)	-
- deferred		965,780	(1,630,666)	1,410,370	(564,901)
		6,000,332	5,755,217	2,134,795	1,805,531
Profit after taxation		10,572,705	9,615,853	4,018,537	3,259,260
------(Rupees)-----					
Basic and diluted earnings per share		11.61	10.56	4.41	3.58

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

President and Chief Executive Officer

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**Condensed Interim Unconsolidated
Statement Of Changes In Equity - (Unaudited)
For The Nine Months Ended September 30, 2009**

	RESERVES				Total	
	Share capital	Exchange translation reserve	Statutory	General		Unappropriated profit
(Rupees in '000)						
Balance as at December 31, 2007	6,900,000	2,535,923	10,018,849	6,073,812	25,212,980	50,741,564
Total comprehensive income for the period	-	3,816,929	-	-	9,615,853	13,432,782
Transferred from surplus on revaluation of fixed assets	-	-	-	-	40,044	40,044
Transferred to statutory reserves	-	-	961,585	-	(961,585)	-
Cash dividend at Rs. 4 per share	-	-	-	-	(2,760,000)	(2,760,000)
Issued as bonus shares	690,000	-	-	-	(690,000)	-
Balance as at September 30, 2008	7,590,000	6,352,852	10,980,434	6,073,812	30,457,292	61,454,390
Total comprehensive income for the period	-	(563,293)	-	-	385,127	(178,166)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	14,590	14,590
Transferred to statutory reserves	-	-	38,513	-	(38,513)	-
Balance as at December 31, 2008	7,590,000	5,789,559	11,018,947	6,073,812	30,818,496	61,290,814
Total comprehensive income for the period	-	1,503,553	-	-	10,572,705	12,076,258
Transferred from surplus on revaluation of fixed assets	-	-	-	-	82,802	82,802
Transferred to statutory reserves	-	-	1,057,271	-	(1,057,271)	-
Cash dividend at Rs. 5.50 per share	-	-	-	-	(4,174,500)	(4,174,500)
Issued as bonus shares	1,518,000	-	-	-	(1,518,000)	-
Balance as at September 30, 2009	9,108,000	7,293,112	12,076,218	6,073,812	34,724,232	69,275,374

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

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**Condensed Interim Unconsolidated
Statement Of Comprehensive Income - (Unaudited)
For The Nine Months Ended September 30, 2009**

	September 30, 2009	September 30, 2008
	(Rupees in '000)	
Profit for the period	10,572,705	9,615,853
Other comprehensive income		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	1,503,553	3,816,929
Comprehensive income transferred to equity	12,076,258	13,432,782
Components of comprehensive income not reflected in equity		
Surplus / (deficit) on revaluation of investments	4,545,504	(4,539,333)
Deferred tax on revaluation of investments	(1,500,206)	1,586,665
Total comprehensive income	15,121,556	10,480,114

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**Condensed Interim Unconsolidated
Cash Flow Statement - (Unaudited)
For The Nine Months Ended September 30, 2009**

	September 30, 2009	September 30, 2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,573,037	15,371,070
Dividend income	(230,431)	(550,693)
Gain on sale of securities - net	(23,564)	(159,977)
	(253,995)	(710,670)
	16,319,042	14,660,400
Adjustment for:		
Depreciation / amortisation / adjustments	1,135,420	1,150,519
Provision against diminution in value of investments	(1,007,574)	(10,170)
Provision against non-performing loans and advances - net of reversals	6,444,176	2,709,179
Exchange loss on sub-ordinated loans	202,485	807,805
Gain on sale of property and equipment - net	(15,041)	(31,578)
Miscellaneous provisions	(108,776)	200,112
	6,650,690	4,825,867
	22,969,732	19,486,267
(Increase) / decrease in operating assets		
Lendings to financial institutions	187,936	(11,315,648)
Loans and advances	(18,039,662)	(50,531,194)
Other assets - net	(1,214,832)	(64,489)
	(19,066,558)	(61,911,331)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	35,645,191	49,754,292
Borrowings from financial institutions	2,829,675	(14,604,869)
Bills payable	(456,999)	(5,945,901)
Other liabilities - net	4,884,784	4,943,801
	42,902,651	34,147,323
	46,805,825	(8,277,741)
Income tax paid - net	(8,874,899)	(8,699,615)
Net cash flows from / (used in) operating activities	37,930,926	(16,977,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture company	(15,766,237)	44,928,343
Dividend income received	536,701	512,545
Fixed capital expenditure	(1,178,848)	(2,163,834)
Proceeds from sale of fixed assets	87,533	39,025
Exchange adjustment on translation of balances in foreign branches	1,503,553	3,816,929
Net cash flows (used in) / from investing activities	(14,817,298)	47,133,008
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,171,840)	(2,725,580)
Net cash flows used in financing activities	(4,171,840)	(2,725,580)
Increase in cash and cash equivalents during the period	18,941,788	27,430,072
Cash and cash equivalents at beginning of the period	85,097,735	66,585,809
Effects of exchange rate changes on cash and cash equivalents	3,982,023	8,334,055
	89,079,758	74,919,864
Cash and cash equivalents at end of the period	108,021,546	102,349,936

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

President and Chief Executive Officer

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Notes to the Condensed Interim Unconsolidated Financial Statements - (Unaudited) For The Nine Months Ended September 30, 2009

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan.

2 BASIS OF PREPARATION

These financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These condensed Interim Financial Statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the bank for the year ended December 31, 2008, except for the policies given below:

IJARAH - IFAS - 2

Pursuant to IBD circular no. 1 dated January 27, 2009 the Bank has adopted IFAS 2 - "Ijarah" for all Ijarah contracts entered on or after January 01, 2009. The policy adopted by the Bank is as follows:

Assets given on lease, after taking into account the estimated residual value, are depreciated using straight line method over the life of the lease. Impairment evaluation of loss on sale expected from the unilateral commitment given by the customer to purchase the asset at the expiry of the lease term and the Bank's policy to accept the offer is carried out by comparing the Written Down Value to the Net Present Value of the expected cash flows at the balance sheet date. Impairment losses evaluated, are booked in the Profit and Loss as and when occurred. The residual value of the lease asset is the estimated amount that Bank could obtain from disposal of assets as defined in para 6 of IAS 16 - Property, plant and equipment. This has been estimated on the basis that all assets given on lease have an economic life of ten years and if the assets were depreciated over this life the written down value at end of lease term would represent the residual value.

These leases are shown as financing against lease under advances and further analysis is provided in the note of Islamic Banking activities (note 19).

CUSTOMER LOYALTY PROGRAMMES - IFRIC - 13

During the period IFRIC 13 Customer Loyalty Programmes issued by the International Financial Reporting Interpretations Committee became effective. The revenue from award credits for loyalty points earned on use of various products of the Bank is measured by reference to their fair value and is recognised when award credits are redeemed. Due to current size of the program the effect of change is not estimated to be material and therefore previous year figures have not been restated.

Furthermore, International Accounting Standard 1 (Revised) Presentation of financial statements and IFRS 8 Operating Segments became effective for financial periods beginning on or after January 01, 2009. The application of these standards has resulted in certain increased disclosures.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2008.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2008.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

6 INVESTMENTS

Note	September 30, 2009			December 31, 2008			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
------(Rupees in '000)-----							
Held-for-trading securities (HFT)							
- Pakistan Investment Bonds	48,679	-	48,679	-	-	-	
Held-to-maturity securities (HTM)							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds	6.1	8,424,640	-	8,424,640	9,865,095	-	9,865,095
Overseas Government Securities		78,342	-	78,342	74,604	-	74,604
Debentures and Corporate Debt Instruments		48,182	-	48,182	48,182	-	48,182
		8,599,843	-	8,599,843	9,987,881	-	9,987,881
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
- Market Treasury Bills		67,953,548	6,025,693	73,979,241	49,410,871	8,754,798	58,165,669
- Pakistan Investment Bonds		8,893,032	-	8,893,032	9,021,042	-	9,021,042
- Government of Pakistan Guaranteed Bonds		5,614,766	-	5,614,766	5,862,598	-	5,862,598
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		5,934,257	-	5,934,257	4,718,958	-	4,718,958
Overseas Government Securities		11,190,275	-	11,190,275	8,153,876	-	8,153,876
<i>Fully paid-up ordinary shares</i>							
- Listed companies		1,384,393	-	1,384,393	762,671	-	762,671
- Unlisted companies		730,214	-	730,214	437,657	-	437,657
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		2,420,924	-	2,420,924	2,227,518	-	2,227,518
- Unlisted securities	6.3	15,427,228	-	15,427,228	14,726,554	-	14,726,554
NIT Units		20,676	-	20,676	22,463	-	22,463
Preference Shares		147,000	-	147,000	181,700	-	181,700
Other Investments		1,490,790	-	1,490,790	782,003	-	782,003
		121,207,103	6,025,693	127,232,796	96,307,911	8,754,798	105,062,709
Investment in Subsidiary Companies		4,004,845	-	4,004,845	3,517,617	-	3,517,617
Investment in associates and Joint Venture	6.1	6,120,839	-	6,120,839	6,047,237	-	6,047,237
		139,932,630	6,025,693	145,958,323	115,860,646	8,754,798	124,615,444

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

	September 30, 2009		December 31, 2008	
	Cost	Market value	Cost	Market value
------(Rupees in '000)-----				
- Investment classified as held-to-maturity	8,502,982	6,954,207	9,939,699	7,370,797
- Investment in listed associates and joint venture	5,087,251	8,297,853	5,087,251	12,994,610

6.2 Particulars of provision held against diminution in value of investments

The balances above are stated net of specific provision held. The analysis of total provision held are as follows:

	September 30, 2009	December 31, 2008
	(Rupees in '000)	
Opening balance	2,409,942	421,729
Charge for the period / year	174,805	139,189
Impairment loss / (reversal) due to disposal of impaired shares or change in value of associates / subsidiary	(1,182,379)	2,036,931
Other movement	(100,000)	-
Write offs	(78,116)	(187,907)
Closing balance	1,224,252	2,409,942

6.3 Given the nature of some of Term Finance Certificates (TFCs) issued by companies, the Group has changed its policy and now classifies TFCs which are unlisted and not eligible for statutory liquidity requirements of the State Bank of Pakistan as loans and advances and not investments. The TFCs reclassified as at December 31, 2008 amounts to Rs. 3,171.310 million.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

7	ADVANCES	Note	September 30,	December 31,
			2009	2008
			(Rupees in '000)	
Loans, cash credits, running finances, etc:				
In Pakistan			355,671,089	367,897,038
Outside Pakistan			50,896,364	54,993,653
			<u>406,567,453</u>	<u>422,890,691</u>
Net investment in finance lease - in Pakistan			3,000,152	3,506,812
Unlisted Term Finance Certificates			46,232,779	3,171,310
Bills discounted and purchased (excluding Government treasury bills):				
Payable in Pakistan			9,704,471	12,227,536
Payable outside Pakistan			14,750,350	21,619,633
			24,454,821	33,847,169
Provision against non-performing advances			7.2	(29,779,749)
			<u>450,475,456</u>	<u>438,879,970</u>
Fully provided non-performing advances classified as loss for more than five years				
In Pakistan			13,106,824	11,976,479
Provision			7.4	(13,106,824)
			-	-

7.1 Advances include Rs. 40,581,969 million (2008: Rs. 36,086,044 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years which have been placed in separate category:

Category of classification	September 30, 2009								
	Non-performing loans			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									
	654,828	-	654,828	-	-	-	654,828	-	654,828
Substandard									
	6,613,805	2,190,478	8,804,283	1,663,474	610,072	2,273,546	4,950,331	1,580,406	6,530,737
Doubtful									
	5,573,159	1,318,725	6,891,884	2,786,579	747,071	3,533,650	2,786,580	571,654	3,358,234
Loss									
	17,689,173	6,541,801	24,230,974	16,838,488	6,518,034	23,356,522	850,685	23,767	874,452
	<u>30,530,965</u>	<u>10,051,004</u>	<u>40,581,969</u>	<u>21,288,541</u>	<u>7,875,177</u>	<u>29,163,718</u>	<u>9,242,424</u>	<u>2,175,827</u>	<u>11,418,251</u>
General provision									
	-	-	-	373,388	242,643	616,031	-	-	-
	<u>30,530,965</u>	<u>10,051,004</u>	<u>40,581,969</u>	<u>21,661,929</u>	<u>8,117,820</u>	<u>29,779,749</u>	<u>9,242,424</u>	<u>2,175,827</u>	<u>11,418,251</u>
Category of classification	December 31, 2008								
	Non-performing loans			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									
	1,187,363	-	1,187,363	-	-	-	1,187,363	-	1,187,363
Substandard									
	6,271,877	428,534	6,700,411	1,507,622	151,419	1,659,041	4,764,255	277,115	5,041,370
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									
	11,457,340	6,351,449	17,808,789	10,391,600	6,279,135	16,670,735	1,065,740	72,314	1,138,054
	<u>28,741,724</u>	<u>7,344,320</u>	<u>36,086,044</u>	<u>16,962,336</u>	<u>6,828,760</u>	<u>23,791,096</u>	<u>11,779,388</u>	<u>515,560</u>	<u>12,294,948</u>
General provision									
	-	-	-	460,974	283,942	744,916	-	-	-
	<u>28,741,724</u>	<u>7,344,320</u>	<u>36,086,044</u>	<u>17,423,310</u>	<u>7,112,702</u>	<u>24,536,012</u>	<u>11,779,388</u>	<u>515,560</u>	<u>12,294,948</u>

7.2 Particulars of provision for non-performing financing

	Note	September 30, 2009			December 31, 2008		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		23,791,096	744,916	24,536,012	17,592,094	898,604	18,490,698
Exchange adjustment / other movement		822,220	23,361	845,581	1,341,487	79,216	1,420,703
Charge for the period / year		7,456,341	9,298	7,465,639	7,607,586	73,033	7,680,619
Reversals		(517,627)	(161,544)	(679,171)	(144,702)	(305,937)	(450,639)
		6,938,714	(152,246)	6,786,468	7,462,884	(232,904)	7,229,980
Write offs		(786,551)	-	(786,551)	(1,043,186)	-	(1,043,186)
Transferred to over 5 years category	7.4	(1,601,761)	-	(1,601,761)	(1,562,183)	-	(1,562,183)
Closing balance		<u>29,163,718</u>	<u>616,031</u>	<u>29,779,749</u>	<u>23,791,096</u>	<u>744,916</u>	<u>24,536,012</u>

7.3 Amendments in Prudential Regulations in respect of provisioning against non-performing advances

In accordance with BSD Circular No. 2 dated January 27, 2009 issued by State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at September 30, 2009 would have been lower by approximately Rs 850,685 million. Increase in profit would not be available for the distribution of cash and stock dividend to share holders.

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

	Note	September 30,	December 31,
		2009	2008
		(Rupees in '000)	
Opening balance		11,976,479	11,909,930
Reversal		(342,292)	(483,463)
Transferred during the period / year	7.2	1,601,761	1,562,183
Write offs		(129,124)	(1,012,171)
		<u>13,106,824</u>	<u>11,976,479</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

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

	September 30, 2009				December 31, 2008			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
------(Rupees in '000)-----								
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	1,066,577	1,103,747	98,171	37,170	1,005,576	1,039,416	341,604	33,840
- in respect of key management personnel	593,901	605,175	176,505	164,973	582,369	594,534	278,284	12,288
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	892,483	894,709	1,292,036	1,291,184	891,631	894,419	15,295,761	15,737,463
Debts due by								
- Subsidiary company	12,846	104,051	80,797	195,623	127,672	235,405	357,519	373,867
- Associate companies								
- Guaranteed by Government	13,604,289	14,052,267	19,156,118	7,650,973	2,099,145	2,883,582	6,533,245	6,034,147
- Others	54,960	418,491	342,268	461,071	173,763	562,180	659,263	488,106
- Companies in which key management personnel or their spouse are interested	8,883	9,997	37,625	34,714	5,972	5,972	55,743	52,780
- Retirement benefit funds	-	-	-	-	-	1,033,720	-	1,033,720

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

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

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

8 OPERATING FIXED ASSETS

8.1 Addition to fixed assets

The following additions have been made to tangible and intangible fixed assets during the period ended September 30, 2009:

	For the nine months ended	
	September 30, 2009	September 30, 2008
(Rupees in '000)		
Land	115,848	515,754
Building including related machinery	247,425	99,263
Furniture, fixtures and office equipments	640,460	822,538
Vehicles	54,717	109,738
Intangible assets	24,978	143,405
Capital work-in-progress	95,420	473,136
	<u>1,178,848</u>	<u>2,163,834</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible and intangible fixed assets during the period ended September 30, 2009:

Land	58,951	3,960
Building including related machinery	4,096	-
Furniture, fixtures and office equipments	122,999	124,653
Vehicles	28,949	40,272
Intangible asset	91	281
	<u>215,086</u>	<u>169,166</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under:

	September 30, 2009	December 31, 2008
	(Rupees in '000)	
- Export refinance scheme	18,745,439	15,736,471
- Long term financing facility - locally manufactured and imported plant & machinery	1,329,235	392,475
- Long term finance - export oriented projects	5,291,877	5,364,316
Borrowings from subsidiary company	48,610	-
Repurchase agreement borrowings	<u>6,014,417</u>	<u>8,684,350</u>
	31,429,578	30,177,612

Unsecured

In Pakistan

- Interbank call money borrowing

Outside Pakistan

- Overdrawn nostro accounts

- Borrowings of overseas branches

5,500,000	100,000
582,711	1,793,871
9,340,062	11,951,193
9,922,773	13,745,064
15,422,773	13,845,064
<u>46,852,351</u>	<u>44,022,676</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

10 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2009	December 31, 2008
	(Rupees in '000)	
Customers		
Fixed deposits	166,906,393	166,681,991
Savings chequing account	298,963,819	270,210,101
Current accounts - remunerative	2,176,598	2,739,418
Current accounts - non-remunerative	135,543,450	127,271,437
	<u>603,590,260</u>	<u>566,902,947</u>
Financial institutions		
Remunerative deposits	1,315,798	2,368,970
Non-remunerative deposits	3,138,320	3,127,270
	<u>4,454,118</u>	<u>5,496,240</u>
	<u>608,044,378</u>	<u>572,399,187</u>

11 SUB-ORDINATED LOANS

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2007: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at market rates. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the bank (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.

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	September 30, 2009	December 31, 2008
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	7,133,144	7,215,946
- investments	12.2	(417,051)	(3,462,349)
Surplus on revaluation of assets - net of deferred tax		<u>6,716,093</u>	<u>3,753,597</u>

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	7,809,013	7,889,744
Surplus realised on disposal of revalued properties during the period / year	(46,754)	(6,168)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(36,318)	(48,466)
Related deferred tax liability of incremental depreciation charged during the period / year	(19,556)	(26,097)
Surplus on revaluation of fixed assets as at period / year end	<u>7,706,385</u>	<u>7,809,013</u>

Less: related deferred tax liability on:

- revaluation as at January 1	593,067	619,930
- surplus realised on disposal of revalued properties during the period / year	(270)	(766)
- incremental depreciation charged during the period / year transferred to profit and loss account	(19,556)	(26,097)
	<u>573,241</u>	<u>593,067</u>
	<u>7,133,144</u>	<u>7,215,946</u>

12.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills	(22,294)	(60,586)
Pakistan Investment Bonds	(672,820)	(2,272,277)
Sukuk and Euro Bonds	(396,336)	(2,393,398)
Listed Securities	194,909	(47,104)
NIT Units	9,565	11,350
Other Investments	112,608	(557,857)
	<u>(774,368)</u>	<u>(5,319,872)</u>
Add: related deferred tax asset	357,317	1,857,523
	<u>(417,051)</u>	<u>(3,462,349)</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

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.

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Through these amendments the deduction for provisions for advances and off balance sheet items will be allowed upto 1% of total advances. Provisioning in excess of 1% would be allowed to be carried over to succeeding years. The FBR vide circular No. 8 of 2009 dated September 25, 2009 has made this amendment applicable from the financial year ended 31 December 2008.

The management has carried out an exercise at period end and concluded that they would be able to get full deduction of provision in succeeding years and have recognized deferred tax asset on such provision amounting to Rs. 2.542 billion.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto 31 December 2007 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banks Association (PBA) have taken up this matter with Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto need not be made until the end of the financial year by which time the matter is expected to be resolved. Accordingly, the deferred tax asset recognized relating to provisions for advances and off balance sheet items upto December 31, 2007 of amounting to Rs. 4.151 billion has been carried forward.

14 MARK-UP / RETURN / INTEREST EARNED

	For the nine months ended	
	September 30, 2009	September 30, 2008
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	43,350,319	32,316,789
- Financial institutions	203,414	312,161
<i>On investments:</i>		
- Available-for-sale	9,177,775	9,407,154
- Held-for-trading	24,982	-
- Held-to-maturity	393,330	480,191
On deposits with financial institutions	609,927	998,775
On lendings to financial institutions	1,571,384	396,043
	<u>55,331,131</u>	<u>43,911,113</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	22,413,336	15,067,105
Securities sold under repurchase agreement borrowings	237,027	1,699,902
Other short term borrowings	1,217,386	803,480
Long term borrowings	337,365	376,054
	<u>24,205,114</u>	<u>17,946,541</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	230,431	550,693
Gain on sale of securities - net	23,564	159,977
	<u>253,995</u>	<u>710,670</u>

17 RELATED PARTY TRANSACTIONS

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

17.1 Key management personnel

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

	For the nine months ended	
	September 30, 2009	September 30, 2008
	(Rupees in '000)	
Managerial remuneration (including allowances)	561,958	554,447
Contribution to provident and benevolent fund	11,814	13,240
Medical	18,891	19,211
	<u>592,663</u>	<u>586,898</u>
Number of persons	<u>135</u>	<u>143</u>

18. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2009					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total
	(Rupees in million)					
Net interest and non-markup income	24,077	8,825	1,505	4,350	(434)	38,323
Total expenses including provision	11,428	6,101	(452)	3,544	1,129	21,750
Net income (loss)	12,649	2,724	1,957	806	(1,563)	16,573
Segment assets (gross)	71,109	398,519	123,764	127,330	82,146	802,868
Segment non-performing loans	7,346	21,387	-	10,051	1,798	40,582
Segment provision required including general provision	4,823	15,094	440	8,118	3,159	31,634
Segment liabilities including equity	478,035	91,636	16,439	90,621	94,503	771,234
Segment return on net liability / asset (%)	11.57%	14.41%	11.02%	2.99%	8.68%	-
Segment cost of funds (%)	5.37%	11.61%	10.22%	1.11%	0.61%	-

	For the nine months ended September 30, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest and non-markup income	19,965	6,288	1,691	4,124	1,192	33,260
Total expenses including provision	10,569	3,664	317	2,647	692	17,889
Net income	9,396	2,624	1,374	1,477	500	15,371
Segment assets (gross)	97,472	329,543	110,468	116,168	66,153	719,804
Segment non-performing loans	5,584	16,002	-	6,925	1,207	29,718
Segment provision required including general provision	3,369	9,165	-	3,201	6,248	21,983
Segment liabilities including equity	431,531	90,133	11,223	79,098	85,836	697,821
Segment return on net liability / asset (%)	9.44%	11.73%	9.67%	5.80%	7.07%	-
Segment cost of funds (%)	3.56%	9.44%	9.21%	2.07%	0.62%	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

19. ISLAMIC BANKING BRANCH

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

	Note	September 30, 2009	December 31, 2008
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		3,647	6,440
Investments - net		48,182	48,182
Murabaha		491,632	-
Ijarah	19.1	365,281	389,173
Musharaka		100,000	150,000
Other assets		25,659	20,412
		1,034,401	614,207
LIABILITIES			
Deposit and other accounts		14,948	18,655
Other liabilities		849,562	456,107
		864,510	474,762
NET ASSETS		169,891	139,445
REPRESENTED BY:			
Islamic banking fund		100,000	100,000
Unappropriated profit		69,891	39,445
		169,891	139,445

The commitment in respect of letters of credit of islamic banking branches of Habib Bank Ltd amounting to Rs. 351.658 (2008: 17.402 million).

19.1 This represents fixed assets given to customers under Ijarah agreement.

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors meeting held on October 24, 2009.

President and Chief Executive Officer

Director

Director

Director