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# Corporate Information

## Board of Directors

**Mr. Sultan Ali Allana**  
Chairman

**Mr. R. Zakir Mahmood**  
President & CEO

**Mr. Iain Donald Cheyne**  
Director

**Mr. Sajid Zahid**  
Director

**Mr. Ahmed Jawad**  
Director

**Mr. Mushtaq Malik**  
Director

**Mr. Yasin Malik**  
Director

**Group Chief Financial Officer**  
**Mr. Ayaz Ahmed**

**Company Secretary**  
**Ms. Nausheen Ahmad**

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

## Registered Office

4th Floor, Habib Bank Tower  
Jinnah Avenue  
Islamabad, Pakistan.  
Phone: 051-2872203 & 051-2821183  
Fax: 051-2872205

## Head Office

Habib Bank Plaza  
I. I. Chundrigar Road  
Karachi - 75650, Pakistan.  
Phone: 021-2418000 [50 lines]  
Fax: 021-9217511

## Registrars

THK Associates (Pvt.) Ltd.  
Ground Floor, State Life Bldg No. 3  
Dr. Ziauddin Ahmed Road  
Karachi.

## Websites

Corporate website  
[www.hbl.com](http://www.hbl.com)  
Treasury website  
[www.hblgtr.com.pk](http://www.hblgtr.com.pk)  
Ebank (internet banking):  
[www.hblebank.com](http://www.hblebank.com)

# Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the nine months period ended September 30, 2008.

## Financial Performance

The financial results of the bank are summarised below:

(Rs. in '000)

Profit after tax	11,073,881
Share of profit attributable to minority interest	111,296
Profit attributable to shareholders	<u>10,962,585</u>
Earnings per share rupees (Basic & Diluted)	<u>14.44</u>

During the nine months period ended September 30, 2008, the Bank's performance improved driven by a growth in customer deposits of 11% over December 31, 2007. It is pleasing to report that the Bank increased its market share of deposits during a period of intense competitive pressure which shows that the Bank has a very strong franchise and also reflects the confidence of depositors in the strength and customer service capabilities of HBL. During the period, advances increased by 14% & total assets increased by 7% over December 31, 2007. Bank's earnings also correspond with the balance sheet growth as its current period profit before tax increased by 8% from the corresponding period of the last year.

## Future Outlook

The global economic situation and the consequent crisis have had an immediate and far reaching impact on the international stock markets and the banking sector. The initial confidence building measures by governments of developed economies has begun to have an impact. However, the IMF has predicted a severe global recession and rising unemployment.

In the Pakistan context the increase in oil and food prices, rising imports and the consequent higher government borrowings have put pressure on the trade and fiscal deficits and on the Rupee. To restore macroeconomic stability and improve credit supply, SBP took a number of measures in phases and relaxed the statutory cash and liquidity reserves requirements by some Rs. 270 bn and the Government have also started to address the imbalances by reducing subsidies on oil and electricity. These measures have had a positive impact in the short term which along with favourable recent trend in global commodity prices will ease the pressures.

Your Bank is cognizant of these economic factors and has positioned itself to ensure that we are not exposed to undue risk from these events. Our positive results for the period, despite the difficult operating conditions, show that we have a sound business model with prudent policies. We continue to actively manage our exposures in both credit and liquidity risks. This challenging economic environment will put pressure on the banking sector's earning; however HBL is well positioned to leverage its position as the largest retail network to take advantage of any opportunities that arise.

## Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage and Government of Pakistan, SBP and Ministry of Finance for their constant support. I also thank our shareholders for their confidence and the staff for their dedication and continued support.

On behalf of the Board

R. Zakir Mahmood  
President & Chief Executive Officer  
Karachi: October 24, 2008

# Condensed Interim Consolidated Balance Sheet

AS AT SEPTEMBER 30, 2008

	Note	(Unaudited)	(Audited)
		September 30, 2008	December 31, 2007
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		68,071,727	55,487,664
Balances with other banks		41,702,845	27,020,704
Lendings to financial institutions		12,943,778	1,628,130
Investments	6	131,597,150	177,942,251
Advances	7	435,114,307	382,172,734
Other assets		28,696,084	27,346,111
Operating fixed assets		14,775,128	13,780,555
Deferred tax asset		9,800,871	6,613,372
		742,701,890	691,991,521
<b>LIABILITIES</b>			
Bills payable		9,484,643	15,418,230
Borrowings from financial institutions	9	43,055,821	58,994,609
Deposits and other accounts	10	587,296,959	531,298,127
Sub-ordinated loans	11	3,907,805	3,100,000
Liabilities against assets subject to finance lease		-	-
Other liabilities		24,703,603	19,943,126
Deferred tax liabilities		-	-
		668,448,831	628,754,092
<b>NET ASSETS</b>		74,253,059	63,237,429
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		7,590,000	6,900,000
Reserves		26,415,041	19,821,455
Unappropriated profit		34,903,817	28,341,670
Total equity attributable to the equity holders of the Bank		68,908,858	55,063,125
Minority interest		1,134,193	965,642
Surplus on revaluation of assets - net of deferred tax	12	4,210,008	7,208,662
		74,253,059	63,237,429
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 22 form an integral part of the condensed interim consolidated financial information.

President and Chief Executive Officer

Director

Director

Director

# Condensed Interim Consolidated Profit and Loss Account

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	Note	Nine months ended		Quarter ended	
		January 01 to September 30, 2008	January 01 to September 30, 2007	July 01 to September 30, 2008	July 01 to September 30, 2007
(Rupees in '000)					
Mark-up / return / interest earned	14	45,535,475	36,947,367	16,931,312	13,476,262
Mark-up / return / interest expensed	15	18,717,534	13,965,280	7,182,225	5,252,359
Net mark-up / interest income		26,817,941	22,982,087	9,749,087	8,223,903
Provision against non-performing loans and advances - net (Reversal) / charge against off-balance sheet obligations	7.2 / 7.3	2,755,444	1,277,035	1,624,464	463,869
(Reversal) of provision against diminution in value of investments	6.2	(10,170)	(56,495)	(21,949)	(14,633)
Bad debts written off directly		-	-	-	-
		2,745,274	1,165,914	1,602,515	468,144
Net mark-up / interest income after provisions		24,072,667	21,816,173	8,146,572	7,755,759
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		3,443,845	2,216,111	1,492,646	729,136
Income / gain on investments	16	2,089,611	1,702,574	501,516	942,061
Income from dealing in foreign currencies		1,716,415	1,098,877	698,040	138,998
Other income		2,020,724	2,129,894	739,376	657,177
Total non-mark-up / interest income		9,270,595	7,147,456	3,431,578	2,467,372
		33,343,262	28,963,629	11,578,150	10,223,131
<b>Non mark-up / interest expense</b>					
Administrative expenses	17	15,820,567	12,903,384	5,786,453	4,291,261
Other provisions / write offs - net		200,112	(51,454)	87,157	27,272
Other charges		1,157	8,491	120	705
Total non mark-up / interest expense		16,021,836	12,860,421	5,873,730	4,319,238
<b>Profit before taxation</b>		17,321,426	16,103,208	5,704,420	5,903,893
Taxation - current		6,786,589	6,460,894	2,514,870	2,746,725
- prior years		1,058,593	(331,478)	169,861	(331,478)
- deferred		(1,597,637)	(192,405)	(555,914)	(57,898)
		6,247,545	5,937,011	2,128,817	2,357,349
<b>Profit after taxation</b>		11,073,881	10,166,197	3,575,603	3,546,544
<b>Attributable to:</b>					
Equity holders of the Bank		10,962,585	10,100,291	3,558,782	3,520,647
Minority Interest		111,296	65,906	16,821	25,897
		11,073,881	10,166,197	3,575,603	3,546,544
----- (Rupees) -----					
Basic and diluted earnings per share		14.44	13.31	4.69	4.64

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

President and Chief Executive Officer

Director

Director

Director

# Condensed Interim Consolidated Statement of Changes in Equity

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	Attributable to shareholders of the Group						Minority interest	Total	
	Share Capital	Exchange Translation Reserve	Statutory requirement of Joint Venture and Subsidiaries	Bank	General	Unappropriated profit			Sub-Total
	(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 nine months ended September 30, 2007	-	-	-	-	-	10,100,291	10,100,291	65,906	10,166,197
Exchange translation released on disposal of investments	-	(188,265)	-	-	-	-	(188,265)	-	(188,265)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	59,992	59,992	-	59,992
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	595,313	-	-	-	-	595,313	15,029	610,342
Total recognised income and expense for the period	-	407,048	-	-	-	10,160,283	10,567,331	80,935	10,648,266
Transferred to statutory reserves	-	-	21,625	921,256	-	(942,881)	-	-	-
Cash dividend paid at Rs. 2 per share	-	-	-	-	-	(1,380,000)	(1,380,000)	-	(1,380,000)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	3,735	3,735
Balance as at September 30, 2007	6,900,000	2,788,608	154,130	10,135,963	6,073,812	28,312,482	54,364,995	997,987	55,362,982
Profit for the period from October to December 31, 2007	-	-	-	-	-	(100,060)	(100,060)	17,900	(82,160)
Exchange translation released on disposal of investments	-	(41,355)	-	-	-	-	(41,355)	-	(41,355)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	13,774	13,774	-	13,774
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	825,771	-	-	-	-	825,771	(863)	824,908
Total recognised income and expense for the period	-	784,416	-	-	-	(86,286)	698,130	17,037	715,167
Transferred to statutory reserves	-	-	1,640	(117,114)	-	115,474	-	-	-
Cash dividend paid at Rs. 1.3 per certificate by Modaraba	-	-	-	-	-	-	-	(46,457)	(46,457)
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(2,925)	(2,925)
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 nine months ended September 30, 2008	-	-	-	-	-	10,962,585	10,962,585	111,296	11,073,881
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	40,044	40,044	-	40,044
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	5,603,104	-	-	-	-	5,603,104	65,517	5,668,621
Total recognised income and expense for the period	-	5,603,104	-	-	-	11,002,629	16,605,733	176,813	16,782,546
Transferred to statutory reserves	-	-	28,897	961,585	-	(990,482)	-	-	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Issue of bonus shares	690,000	-	-	-	-	(690,000)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(8,262)	(8,262)
Balance as at September 30, 2008	7,590,000	9,176,128	184,667	10,980,434	6,073,812	34,903,817	68,908,858	1,134,193	70,043,051

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

President and Chief Executive Officer

Director

Director

Director

# Condensed Interim Consolidated Cash Flow Statement

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	September 30 2008	September 30 2007
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,321,426	16,103,208
Less: Dividend income and share of profit of associated and joint venture companies	(1,928,606)	(778,215)
Gain on sale of investments - net	(161,005)	(230,610)
	(2,089,611)	(1,008,825)
	15,231,815	15,094,383
<b>Adjustment for non-cash charges</b>		
Depreciation / amortisation / adjustments (Reversal) / charge against diminution in the value of investments	1,196,509	823,021
Provision against non-performing loans and advances - net of reversals	10,170	(56,495)
Amortisation of premium on investments	2,755,444	1,277,035
Gain on sale of property and equipment - net	207,820	245,664
Miscellaneous provisions	(31,578)	(39,156)
	403,817	(106,080)
	4,542,182	2,143,989
	19,773,997	17,238,372
<b>(Increase) / decrease in operating assets</b>		
Government securities	55,781,101	(59,584,910)
Lendings to financial institutions	(11,315,648)	4,470,456
Loans and advances	(56,672,704)	2,361,539
Other assets - net	(5,153,552)	(1,880,340)
	(17,360,803)	(54,633,255)
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	55,998,832	68,926,561
Borrowings from financial institutions	(15,938,788)	(20,673,550)
Bills payable	(5,933,587)	1,276,710
Other liabilities - net	4,366,948	3,884,683
	38,493,405	53,414,404
	40,906,599	16,019,521
Income tax paid - net	(9,180,075)	(5,228,680)
<b>Net cash flows from operating activities</b>	31,726,524	10,790,841
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture companies	(5,308,197)	(8,572,529)
Dividend income received	164,275	405,361
Fixed capital expenditure	(2,198,527)	(2,217,350)
Proceeds from sale of fixed assets	39,025	91,437
Exchange adjustment on translation of balances in foreign branches, subsidiaries and joint venture	5,603,104	407,048
<b>Net cash flows used in investing activities</b>	(1,700,320)	(9,886,033)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,760,000)	(1,381,000)
<b>Net cash flows used in financing activities</b>	(2,760,000)	(1,381,000)
Increase / (decrease) in cash and cash equivalents during the period	27,266,204	(476,192)
Cash and cash equivalents at beginning of the period	72,557,076	81,146,952
Effects of exchange rate changes on cash and cash equivalents	9,951,292	1,128,574
	82,508,368	82,275,526
Cash and cash equivalents at end of the period	109,774,572	81,799,334

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

President and Chief Executive Officer

Director

Director

Director

# Notes to the Condensed Interim Consolidated Financial Statements

(UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 Group consists of the Bank, its subsidiaries and associates, as given in its annual consolidated financial statements.

## 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 Group for the year ended December 31, 2007.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007.

## 4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007.

## 5 FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by Group are consistent with that disclosed in the financial statements of the Group for the year ended December 31, 2007.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

## 6 INVESTMENTS

Note	September 30, 2008			December 31, 2007			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
	(Rupees in '000)						
<b>Held-to-maturity securities (HTM)</b>							
<b>Federal Government Securities</b>							
- Pakistan Investment Bonds	6.1	10,758,806	-	10,758,806	12,164,051	-	12,164,051
<b>Overseas Government Securities</b>		77,397	-	77,397	58,951	-	58,951
<b>Debentures and Corporate Debt Instruments</b>		45,455	-	45,455	-	-	-
		10,881,658	-	10,881,658	12,223,002	-	12,223,002
<b>Available-for-sale securities (AFS)</b>							
<b>Federal Government Securities</b>							
- Market Treasury Bills		48,349,599	-	48,349,599	72,497,871	28,556,867	101,054,738
- Pakistan Investment Bonds		1,655,213	7,933,405	9,588,618	9,823,565	-	9,823,565
- Government of Pakistan Guaranteed Bonds		8,706,152	-	8,706,152	8,601,364	-	8,601,364
- Government of Pakistan Bonds (US Dollar / Euro)		2,267,042	-	2,267,042	2,789,968	-	2,789,968
<b>Overseas Government Securities</b>		9,922,765	-	9,922,765	9,496,982	-	9,496,982
<b>Fully paid-up ordinary shares:</b>							
- Listed companies		1,306,017	-	1,306,017	854,140	-	854,140
- Unlisted companies		435,991	-	435,991	416,456	-	416,456
<b>Debentures and Corporate Debt Instruments</b>							
- Listed securities		2,315,660	-	2,315,660	1,044,923	-	1,044,923
- Unlisted securities		26,799,522	-	26,799,522	22,159,125	-	22,159,125
<b>NIT Units</b>		23,945	-	23,945	44,338	-	44,338
<b>Preference Shares</b>		181,700	-	181,700	200,000	-	200,000
<b>Other Investments</b>		1,237,326	-	1,237,326	1,815,538	-	1,815,538
		103,200,932	7,933,405	111,134,337	129,744,270	28,556,867	158,301,137
<b>Investment in associates and joint venture</b>	6.3	9,581,155	-	9,581,155	7,418,112	-	7,418,112
		123,663,745	7,933,405	131,597,150	149,385,384	28,556,867	177,942,251

6.1 The market value of investments classified as "held-to-maturity" as at September 30, 2008 amounted to Rs. 8,414.149 million (2007: Rs. 10,573.095 million).

### 6.2 Particulars of provision held against diminution in value of investments

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

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
Opening balance	421,729	518,932
(Reversal) during the period / year	(10,170)	(84,310)
Amount written off	(82,472)	(12,893)
Closing balance	329,087	421,729

6.3 Platinum Habib Bank Plc., undertook an Initial Public Offer (IPO) last year which was over subscribed by 2.69 times. Subsequent to the offer, the shareholding of HBL has been reduced to 8.11% (2007: 15.29%).

6.4 Share of profit of associates has been accounted for on an estimated basis where financial statements as of September 30, 2008 are not available. Summary of financial statements are as follows:

Based on the financial statements as on	September 30, 2008		
	Currency	Profit / Loss	
	Local currency (Rupees in '000)		
	(Amount in '000)		
Platinum Habib Bank Plc., Nigeria	For the nine months period ended March 31, 2008	Naira 19,033,000	10,883,069
Diamond Trust Bank Limited, Kenya	For the six months period ended June 30, 2008	Shs 719,905	736,823
Himalayan Bank Limited, Nepal	For the year ended July 15, 2008	NRS 955,315	965,919
New Jubilee Life Insurance Co. Ltd.	For the six months period ended June 30, 2008	PKR 11,440	11,440
New Jubilee Insurance Co. Ltd.	For the six months period ended June 30, 2008	PKR 171,331	171,331
Kyrgyz Investment and Credit Bank	For the six months period ended June 30, 2008	US \$ 1,679	113,380
HBL Income Fund	For the nine months period ended September 30, 2008	PKR 454,423	454,423
HBL Multi Asset Fund	For the nine months period ended September 30, 2008	PKR 22,828	22,828

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 7 ADVANCES

	Note	September 30, 2008		December 31, 2007	
		(Rupees in '000)		(Rupees in '000)	
Loans, cash credits, running finances, etc.					
In Pakistan		337,741,512	310,370,832		
Outside Pakistan		79,823,825	55,501,503		
		417,565,337	365,872,335		
Net investment in finance lease - in Pakistan		5,049,255	8,719,113		
Bills discounted and purchased (excluding Government treasury bills):					
Payable in Pakistan		9,813,039	6,387,872		
Payable outside Pakistan		27,723,973	22,499,580		
		37,537,012	28,887,452		
Provision against non-performing advances	7.2	(25,037,297)	(21,306,166)		
		435,114,307	382,172,734		
<b>Fully provided non-performing advances classified as loss for more than five years</b>					
In Pakistan		12,228,183	11,909,930		
Outside Pakistan		-	-		
Provision	7.3	(12,228,183)	(11,909,930)		
		-	-		

7.1 Advances include Rs. 33,829.628 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 a separate category:

Category of classification	September 30, 2008								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	935,530	-	935,530	-	-	-	935,530	-	935,530
Substandard	7,376,367	913,919	8,290,286	1,820,912	44,227	1,865,139	5,555,455	869,692	6,425,147
Doubtful	4,350,974	568,094	4,919,068	2,175,487	355,681	2,531,168	2,175,487	212,413	2,387,900
Loss	9,350,367	10,334,377	19,684,744	9,350,367	10,278,048	19,628,415	-	56,329	56,329
	22,013,238	11,816,390	33,829,628	13,346,766	10,677,956	24,024,722	8,666,472	1,138,434	9,804,906
<b>General provision</b>	-	-	-	649,258	363,317	1,012,575	-	-	-
	22,013,238	11,816,390	33,829,628	13,996,024	11,041,273	25,037,297	8,666,472	1,138,434	9,804,906

### 7.2 Particulars of provision against non-performing advances

	Note	September 30, 2008			December 31, 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		2,106,010	59,003	2,165,013	308,226	(6,899)	301,327
Charge for the period / year		3,276,691	65,708	3,342,399	9,205,663	81,096	9,286,759
Reversals		(66,549)	(162,770)	(229,319)	(185,137)	(436,728)	(621,865)
		3,210,142	(97,062)	3,113,080	9,020,526	(355,632)	8,664,894
Amounts written off		(413,111)	-	(413,111)	(3,614,928)	-	(3,614,928)
Transferred to / from over 5 years category	7.3	(1,133,851)	-	(1,133,851)	(5,976,980)	-	(5,976,980)
Closing balance		24,024,722	1,012,575	25,037,297	20,255,532	1,050,634	21,306,166

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

	Note	September 30, 2008		December 31, 2007	
		(Rupees in '000)		(Rupees in '000)	
Opening balance		11,909,930	7,116,335		
Reversal		(357,636)	(426,667)		
Transferred from / to during the period / year	7.2	1,133,851	5,976,980		
Write off		(457,962)	(756,718)		
		12,228,183	11,909,930		

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

	September 30, 2008				December 31, 2007			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding**	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding**	Limit sanctioned during the year	Loan repaid during the year
(Rupees in '000)								
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	879,761	902,297	204,485	22,536	697,812	731,164	477,300	33,352
- in respect of key management personnel	384,114	391,145	80,041	7,031	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	-	1,333,333	-	1,333,333	1,333,333	1,533,333	-	200,000
Debts due by								
- Retirement benefit funds	-	1,033,720	-	1,033,720	1,033,720	1,389,612	-	355,892

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

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

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

### 8 OPERATING FIXED ASSETS

For the nine months ended		
September 30, 2008	September 30, 2007	
(Rupees in '000)		

#### 8.1 Addition to fixed assets

The following additions have been made to tangible and intangible fixed assets during the period ended September 30, 2008:

Land	527,217	202,657
Building including related machinery	105,745	457,431
Furniture, fixtures and office equipment	839,226	1,044,765
Vehicles	109,738	13,718
Intangible assets	143,465	53,974
Capital work-in-progress	473,136	444,805
	2,198,527	2,217,350

#### 8.2 Disposal of fixed assets

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

Land	3,960	16,017
Building including related machinery	-	24,969
Furniture, fixtures and office equipment	124,653	184,343
Vehicles	40,272	60,432
Intangible assets	281	736
	169,166	286,497

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	10,051,776	10,783,073
Locally manufactured machinery refinance scheme	-	6,747
Long term finance - export oriented projects	6,005,425	7,376,449
Repurchase agreement borrowings	8,611,194	28,370,002
	<u>24,668,395</u>	<u>46,536,271</u>
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	145,915	408,363
Outside Pakistan:		
Overdrawn nostro accounts	427,699	462,495
Borrowings of overseas branches	17,813,812	11,587,480
	<u>18,241,511</u>	<u>12,049,975</u>
	<u>18,387,426</u>	<u>12,458,338</u>
	<u>43,055,821</u>	<u>58,994,609</u>
<b>10 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	173,892,748	142,718,688
Savings chequing account	192,434,000	194,299,616
Other savings account	78,853,101	70,074,713
Current accounts - remunerative	2,915,068	1,672,810
Current accounts - non-remunerative	130,694,972	108,881,122
	<u>578,789,889</u>	<u>517,646,949</u>
<b>Financial institutions</b>		
Remunerative deposits	3,110,511	9,066,729
Non-remunerative deposits	5,396,559	4,584,449
	<u>8,507,070</u>	<u>13,651,178</u>
	<u>587,296,959</u>	<u>531,298,127</u>

### 11 SUB-ORDINATED LOANS

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 libor + 175 bps. 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 opening position.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	September 30, 2008	December 31, 2007
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	7,229,770	7,269,814
- investments	12.2	(3,019,762)	(61,152)
Surplus on revaluation of assets - net of deferred tax		<u>4,210,008</u>	<u>7,208,662</u>
<b>12.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		7,889,744	7,989,613
Surplus realised on disposal of revalued properties during the period / year		(3,686)	(25,288)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(36,358)	(48,478)
Related deferred tax liability of incremental depreciation charged during the period / year		(19,577)	(26,103)
Surplus on revaluation of fixed assets as at period / year end		<u>7,830,123</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 period / year		-	(8,851)
- incremental depreciation charged during the period / year transferred to profit and loss account		(19,577)	(26,103)
		<u>600,353</u>	<u>619,930</u>
		<u>7,229,770</u>	<u>7,269,814</u>
<b>12.2 Surplus / (deficit) on revaluation of investments</b>			
Market treasury bills		(185,319)	(242,682)
Pakistan investment bonds		(1,712,362)	(179,220)
Sukuk and Euro bonds		(1,629,620)	-
Listed securities		(565,449)	205,991
NIT units		12,419	32,809
Other investments		(567,904)	83,338
		<u>(4,648,235)</u>	<u>(99,764)</u>
Add: related deferred tax asset		1,628,473	38,612
		<u>(3,019,762)</u>	<u>(61,152)</u>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 13 CONTINGENCIES AND COMMITMENTS

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
<b>13.1 Direct credit substitutes - financial guarantees</b>	34,443,993	40,162,575
<b>13.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
Government	3,859,021	2,500,419
Financial institutions	848,586	352,392
Others	17,370,049	11,976,067
	<u>22,077,656</u>	<u>14,828,878</u>
<b>13.3 Trade-related commitments</b>		
Credit cash	148,438,445	116,310,413
Credit documentary acceptances	16,713,902	12,439,668
Credit acceptances	27,148,558	24,069,290
	<u>192,300,905</u>	<u>152,819,371</u>
<b>13.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	46,841,200	45,864,219
<b>13.5 Commitments in respect of forward lending</b>		

The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	September 30, 2008	December 31, 2007
	(Rupees in '000)	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	40,255,616	39,324,335
Sale	39,300,457	42,960,952
The above commitments have maturities falling within one year.		
<b>Commitments in respect of foreign currency swaps / options</b>		
Purchase	371,567	2,171,290
Sale	371,567	2,171,290
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	1,269,643	682,435

### 13.8 Taxation

The income tax returns of Habib Bank Limited have been submitted up to and including the bank's financial year 2006. The tax authorities have concluded the audit of years 2002 through 2005 and audit of year 2006 is in process.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs 2,293 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs 1,622 million.

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

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

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

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 14 MARK-UP / RETURN / INTEREST EARNED

	For the nine months ended	
	September 30, 2008	September 30, 2007
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	33,229,376	26,852,968
- Financial institutions	214,139	181,342
<i>On investments:</i>		
- Available-for-sale	10,191,123	7,526,835
- Held-to-maturity	480,191	589,086
On deposits with financial institutions	1,148,230	1,286,934
On lendings to financial institutions	272,416	510,202
	<u>45,535,475</u>	<u>36,947,367</u>

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

Deposits	15,652,273	12,290,660
Securities sold under repurchase agreement borrowings	1,699,902	458,375
Other short term borrowings	989,305	1,088,935
Long term borrowings	376,054	127,310
	<u>18,717,534</u>	<u>13,965,280</u>

### 16 INCOME / GAIN ON INVESTMENTS

Dividend income	164,275	412,514
Share of profit of associates and joint venture	1,764,331	1,059,450
Gain on sale of securities	161,005	230,610
	<u>2,089,611</u>	<u>1,702,574</u>

### 17 WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher. Accordingly the liability of Rs 313.751 million on the basis of profit before tax for the period ended September 30, 2008 has been accounted for in this period and is included in administrative expenses.

### 18 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The other related parties are the Group's associated undertakings, joint venture companies, employee benefit plans of the Group / related party, Key Management Personnel and Directors of the Group / related parties.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of loans and advances to related parties are given in note 7.4 to these financial statements.

Contributions to and accruals in respect of staff retirement and other 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.



## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

	September 30, 2008	December 31, 2007
(Rupees in '000)		
<b>Balances outstanding as at the period / year end</b>		
- <b>Borrowings / Deposits from</b>		
- Joint venture and associates	3,813,697	4,790,355
- Retirement benefit funds	342,704	107,135
- Companies in which directors are interested	474,449	515,020
- Receivable from defined benefit plan	5,523,501	5,193,448
Receivable from associates	9,007	-
- Payable to associates	59	-
- Acceptances during the period / year	118,836	2,767
- Placements with joint venture and associates	932,607	335,764
<b>For the nine months ended</b>		
	September 30, 2008	September 30, 2007
(Rupees in '000)		
<b>Profit / Expense for the period</b>		
- <b>Interest paid</b>		(Restated)
- Joint venture and associates	88,752	79,681
- Retirement benefit funds	3,851	4,856
- Companies in which Directors are interested	4,033	7
- Premium paid to companies in which Directors are interested	187,802	143,414
- <b>Interest income</b>		
- Retirement benefit funds	39,892	73,068
- Companies in which Directors are interested	24,783	-
- Other income - Associates	77,268	-
- Share of profit of joint venture companies and associates - net of tax	1,323,738	818,091

### 18.1 Key management personnel

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

	September 30, 2008	September 30, 2007
(Rupees in '000)		
(Restated)		
Managerial remuneration (including allowances)	629,323	504,463
Contribution to provident and benevolent fund	19,001	18,692
Medical	19,325	9,129
	<u>667,649</u>	<u>532,284</u>
Number of persons	<u>153</u>	<u>142</u>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2008					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
(Rupees in million)						
Net interest and non-markup income	19,965	6,288	1,691	6,885	1,259	36,088
Total expenses including provision	10,569	3,664	317	3,525	692	18,767
Net income (loss)	9,396	2,624	1,374	3,360	567	17,321
Segment assets (gross)	97,472	329,543	110,468	160,400	70,457	768,340
Segment non-performing loans	5,584	16,002	-	11,036	1,208	33,830
Segment provision required including general provision	3,369	9,165	-	6,689	6,415	25,638
Segment liabilities including equity	431,531	90,133	11,223	113,148	96,667	742,702
Segment return on asset (%)	9.44%	11.73%	9.67%	6.14%	1.41%	-
Segment cost of funds (%)	3.56%	9.44%	9.21%	2.43%	0.09%	-

	For the nine months ended September 30, 2007					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
(Rupees in million)						
(Restated)						
Net interest and non-markup income	18,062	4,813	411	4,986	1,857	30,129
Total expenses including provision	5,989	1,408	58	2,431	4,140	14,026
Net income (loss)	12,073	3,405	353	2,555	(2,283)	16,103
Segment assets (gross)	117,915	245,000	182,940	117,784	18,933	682,572
Segment non-performing loans	6,763	9,734	-	9,774	8,450	34,721
Segment provision required including general provision	4,354	3,023	-	9,206	12,962	29,545
Segment liabilities including equity	381,090	104,990	11,885	82,665	72,397	653,027
Segment return on asset (%)	8.08%	10.67%	8.17%	4.92%	2.07%	-
Segment cost of funds (%)	2.36%	8.56%	8.17%	2.71%	0.11%	-

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

### 20 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

	September 30, 2008 (Rupees in '000)	December 31, 2007 (Restated)
<b>ASSETS</b>		
Cash and balances with treasury banks	43,984	31,838
Investments - net	62,304	30,191
Murabaha	2,958	31,540
Ijara	1,262,232	1,025,149
Musharaka	50,000	-
Other assets	191,387	171,779
Operating fixed assets	1,110	1,279
	1,613,975	1,291,776
<b>LIABILITIES</b>		
Borrowings from financial institutions	334,862	452,352
Deposit and other accounts	14,156	12,396
Other liabilities	560,475	168,017
	909,493	632,765
<b>NET ASSETS</b>	704,482	659,011
<b>REPRESENTED BY:</b>		
Islamic Banking Fund / Certificate Capital	447,072	447,072
Reserves	183,439	202,600
Unappropriated profit / (loss)	73,028	(951)
	703,539	648,721
Surplus on revaluation of assets	943	10,290
	704,482	659,011

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 17,194 million (2007: Rs. 0.023 million).

### 21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on October 24, 2008.

### 22. GENERAL

The figures have been restated / reclassified where necessary for comparison purposes.

President and Chief Executive Officer

Director

Director

Director

# Directors' 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, 2008.

## Financial Performance

The financial results of the bank are summarised below:

(Rs. in '000)

Profit after tax	9,615,853
Earnings per share rupees (Basic & Diluted)	12.67

During the nine months period ended September 30, 2008, the Bank's performance improved driven by a growth in customer deposits of 10% over December 31, 2007. It is pleasing to report that the Bank increased its market share of deposits during a period of intense competitive pressure which shows that the Bank has a very strong franchise and also reflects the confidence of depositors in the strength and customer service capabilities of HBL. During the period, advances increased by 13% & total assets increased by 7% over December 31, 2007.

## Future Outlook

The global economic situation and the consequent crisis have had an immediate and far reaching impact on the international stock markets and the banking sector. The initial confidence building measures by governments of developed economies has begun to have an impact. However, the IMF has predicted a severe global recession and rising unemployment.

In the Pakistan context the increase in oil and food prices, rising imports and the consequent higher government borrowings have put pressure on the trade and fiscal deficits and on the Rupee. To restore macroeconomic stability and improve credit supply, SBP took a number of measures in phases and relaxed the statutory cash and liquidity reserves requirements by some Rs. 270 bn and the Government have also started to address the imbalances by reducing subsidies on oil and electricity. These measures have had a positive impact in the short term which along with favourable recent trend in global commodity prices will ease the pressures.

Your Bank is cognizant of these economic factors and has positioned itself to ensure that we are not exposed to undue risk from these events. Our positive results for the period, despite the difficult operating conditions, show that we have a sound business model with prudent policies. We continue to actively manage our exposures in both credit and liquidity risks. This challenging economic environment will put pressure on the banking sector's earning; however HBL is well positioned to leverage its position as the largest retail network to take advantage of any opportunities that arise.

## Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage and Government of Pakistan, SBP and Ministry of Finance for their constant support. I also thank our shareholders for their confidence and the staff for their dedication and continued support.

On behalf of the Board

R. Zakir Mahmood  
President & Chief Executive Officer  
Karachi: October 24, 2008