

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the three months period ended March 31, 2009.

Financial Performance

The financial results of the bank are summarized below:

(Rs. in '000)

Profit after tax	<u>3,481,427</u>
Earnings per share rupees (Basic & Diluted)	<u>4.59</u>

The Global economic crisis and its far-reaching consequences are visible in Pakistan's economy as majority of the business segments appear to be slowing down. As part of its Risk Management strategy the Group had adopted a more cautious approach and is continuing to focus on consolidating its existing portfolio; this approach has been reinforced by ensuring adequate liquidity levels, prudent credit controls and building up the Bank's core capital. Based on this, the impact of the slowdown has been minimal; and the Bank's leadership position in deposits and market share continues. Core earnings for the bank remain strong and provisions of Rs. 1.1 billion, which also reflect the underlying market conditions, have further strengthened the balance sheet.

The Bank's strengths, which include its extensive branch network and strong franchise value, continue to grow and are reflected in the confidence that our customers continue to show us through the years.

Future Outlook

To restore macroeconomic stability, the Government and the State Bank of Pakistan (SBP) have taken a number of initiatives. Nonetheless, going forward, we expect that the economy will remain sluggish in its economic growth through 2009, as is evident in the global economy. These phenomena may result in additional credit stress across the industry and we may see some sectors underperform in comparison to previous expectations. The management will take all possible measures to address the expected impact, whilst continuing to ensure strict monitoring of the portfolio.

As one of the leading Pakistani financial institution with global reach in 25 countries, HBL is committed to maintaining world class standards in its operating activities. As the global regulatory and compliance standards continue to be raised, HBL also continues to invest considerable resources towards meeting these guidelines throughout its global network; it may be noted that the bank has successfully implemented improved KYC and Anti-Money laundering policies which is a pre-requisite for banks operating in today's global financial environment.

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.

On behalf of the Board

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

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009 (Rupees in '000)	(Audited) December 31, 2008
ASSETS			
Cash and balances with treasury banks		56,044,022	56,359,367
Balances with other banks		30,807,110	32,720,391
Lendings to financial institutions		22,913,953	6,193,787
Investments	6	144,836,484	127,786,754
Advances	7	400,206,541	435,708,660
Other assets		33,016,299	33,510,500
Operating fixed assets		14,612,325	14,567,933
Deferred tax asset		10,200,058	10,454,612
		<u>712,636,792</u>	<u>717,302,004</u>
LIABILITIES			
Bills payable		8,434,553	9,897,252
Borrowings from financial institutions	9	37,692,861	43,906,501
Deposits and other accounts	10	569,231,392	572,399,187
Sub-ordinated loans	11	4,025,655	3,954,925
Liabilities against assets subject to finance lease		-	-
Other liabilities		27,441,862	22,099,728
Deferred tax liability		-	-
		<u>646,826,323</u>	<u>652,257,593</u>
NET ASSETS		<u><u>65,810,469</u></u>	<u><u>65,044,411</u></u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		7,590,000	7,590,000
Reserves		24,692,198	22,882,318
Unappropriated profit		28,271,389	30,818,496
		60,553,587	61,290,814
Surplus on revaluation of assets - net of deferred tax	12	5,256,882	3,753,597
		<u><u>65,810,469</u></u>	<u><u>65,044,411</u></u>
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 21 form an integral part of the condensed interim unconsolidated financial information.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Note	January 01 to March 31, 2009	January 01 to March 31, 2008
(Rupees in '000)			
Mark-up / return / interest earned	14	18,237,229	13,509,415
Mark-up / return / interest expensed	15	7,817,553	5,146,245
Net mark-up / interest income		<u>10,419,676</u>	<u>8,363,170</u>
Provision against non-performing loans and advances - net	7.2 / 7.3	2,382,718	464,186
Reversal against off-balance sheet obligations		(278,394)	-
Reversal of provision against diminution in value of investments	6.2	(918,731)	(5,204)
Bad debts written off directly		-	-
		<u>1,185,593</u>	<u>458,982</u>
Net mark-up / interest income after provisions		<u>9,234,083</u>	<u>7,904,188</u>
Non mark-up / interest income			
Fee, commission and brokerage income		1,097,987	851,692
Income / gain on investments	16	(180,719)	571,369
Income from dealing in foreign currencies		341,907	357,577
Other income		689,930	541,165
Total non-mark-up / interest income		<u>1,949,105</u>	<u>2,321,803</u>
		11,183,188	10,225,991
Non mark-up / interest expense			
Administrative expenses		5,528,492	4,468,960
Other provisions / write offs - net		85,989	(48,235)
Other charges		338	592
Workers welfare fund	17	111,367	-
Total non mark-up / interest expenses		<u>5,726,186</u>	<u>4,421,317</u>
Profit before taxation		<u>5,457,002</u>	<u>5,804,674</u>
Taxation - current		2,333,664	1,898,603
- prior		180,000	-
- deferred		(538,089)	25,374
		<u>1,975,575</u>	<u>1,923,977</u>
Profit after taxation		<u><u>3,481,427</u></u>	<u><u>3,880,697</u></u>
------(Rupees)-----			
Basic and diluted earnings per share		<u>4.59</u>	<u>5.11</u>

The annexed notes 1 to 21 form an integral part of the condensed interim unconsolidated financial information.

President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	RESERVES					Total	
	Share capital	Exchange translation reserve	Reserve for issue of bonus shares	Statutory	General		Unappropriated profit
	----- (Rupees in '000) -----						
Balance as at December 31, 2007 as previously reported	6,900,000	2,535,923	-	10,018,849	6,073,812	25,212,980	50,741,564
Total comprehensive income for the period	-	271,155	-	-	-	3,892,816	4,163,971
Transferred to statutory reserves	-	-	-	388,070	-	(388,070)	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)
Transfer to reserve for issue of bonus shares	-	-	690,000	-	-	(690,000)	-
Balance as at March 31, 2008	6,900,000	2,807,078	690,000	10,406,919	6,073,812	25,267,726	52,145,535
Total comprehensive income for the period	-	2,982,481	-	-	-	6,162,798	9,145,279
Transferred to statutory reserves	-	-	-	612,028	-	(612,028)	-
Issue of bonus shares	690,000	-	(690,000)	-	-	-	-
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	-	(56,263)	-	-	-	3,493,536	3,437,273
Transferred to statutory reserves	-	-	-	348,143	-	(348,143)	-
Cash dividend at Rs. 5.50 per share	-	-	-	-	-	(4,174,500)	(4,174,500)
Transfer to reserve for issue of bonus shares	-	-	1,518,000	-	-	(1,518,000)	-
Balance as at March 31, 2008	7,590,000	5,733,296	1,518,000	11,367,090	6,073,812	28,271,389	60,553,587

The annexed notes 1 to 21 form an integral part of the condensed interim unconsolidated financial information.

President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	January 01 to March 31, 2009	January 01 to March 31, 2008
	(Rupees in '000)	
Profit for the period	3,481,427	3,880,697
Other comprehensive income		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(56,263)	271,155
Surplus on revaluation of fixed assets	18,629	18,645
Income tax relating to components of other comprehensive income	(6,520)	(6,526)
Comprehensive income transferred to equity	<u>3,437,273</u>	<u>4,163,971</u>
Components of comprehensive income not transferred to equity		
Surplus on revaluation of fixed assets	(12,109)	(12,119)
Surplus / (deficit) revaluation on investments	2,308,038	(585,947)
Deferred tax on revaluation of investments	(792,644)	210,939
Total comprehensive income	<u><u>4,940,558</u></u>	<u><u>3,776,844</u></u>

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President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	2008	2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,457,002	5,804,674
Dividend income	(41,584)	(425,708)
Loss / (Gain) on sale of investments - net	222,303	(145,661)
	<u>180,719</u>	<u>(571,369)</u>
	5,637,721	5,233,305
Adjustment for:		
Depreciation / amortisation / adjustments	377,369	366,991
Reversal against diminution in the value of investments	(918,731)	(5,204)
Provision against non-performing loans and advances - net of reversals	2,382,718	464,186
Exchange loss on sub-ordinated loans	70,730	36,300
Gain on sale of property and equipment - net	(1,389)	(3,378)
Miscellaneous provisions	(192,405)	(48,235)
	<u>1,718,292</u>	<u>810,660</u>
	7,356,013	6,043,965
Decrease / (increase) in operating assets		
Lendings to financial institutions	(16,720,166)	(5,273,465)
Loans and advances	33,119,401	(5,266,409)
Other assets - net	107,178	1,451,736
	<u>16,506,413</u>	<u>(9,088,138)</u>
(Decrease) / increase in operating liabilities		
Deposits and other accounts	(3,167,795)	7,511,649
Borrowings from financial institutions	(6,213,640)	5,859,206
Bills payable	(1,462,699)	(5,944,230)
Other liabilities - net	1,446,762	1,186,978
	<u>(9,397,372)</u>	<u>8,613,603</u>
	14,465,055	5,569,430
Income tax paid - net	(2,195,644)	(2,626,107)
Net cash flows from operating activities	<u>12,269,410</u>	<u>2,943,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture company	(14,045,264)	(5,911,414)
Dividend income received	24,597	439,621
Fixed capital expenditure	(435,326)	(911,445)
Proceeds from sale of fixed assets	14,954	4,567
Exchange adjustment on translation of balances in foreign branches	(56,263)	271,155
Net cash flows (used in) from investing activities	<u>(14,497,302)</u>	<u>(6,107,516)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(734)	-
Net cash flows (used in) from financing activities	<u>(734)</u>	<u>-</u>
Decrease in cash and cash equivalents during the period	(2,228,626)	(3,164,193)
Cash and cash equivalents at beginning of the year	89,100,212	74,198,820
Effects of exchange rate changes on cash and cash equivalents	(20,454)	721,044
	<u>89,079,758</u>	<u>74,919,864</u>
Cash and cash equivalents at end of the period	<u>86,851,132</u>	<u>71,755,671</u>

The annexed notes 1 to 21 form an integral part of the condensed interim unconsolidated financial information.

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 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 finance lease under advances and further analysis is provided in the note of Islamic Banking activities (note 20).

CUSTOMER LOYALTY PROGRAMMES - IFRIC - 13

During the quarter 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.

6 INVESTMENTS

Note	March 31, 2009			December 31, 2008			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
------(Rupees in '000)-----							
Held-to-maturity securities (HTM)							
<i>Federal Government Securities</i>							
- Pakistan investment bonds	6.1	9,808,513	-	9,808,513	9,865,095	-	9,865,095
Overseas Government Securities		76,188	-	76,188	74,604	-	74,604
Debentures and Corporate Debt Instruments		48,182	-	48,182	48,182	-	48,182
		9,932,883	-	9,932,883	9,987,881	-	9,987,881
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
- Market treasury bills		49,038,775	2,271,519	51,310,294	49,410,871	8,754,798	58,165,669
- Pakistan investment bonds		11,189,678	-	11,189,678	9,021,042	-	9,021,042
- Government of Pakistan guaranteed bonds		5,196,888	-	5,196,888	5,862,598	-	5,862,598
- Government of Pakistan bonds / sukuk / (US dollar / euro)		5,340,703	-	5,340,703	4,718,958	-	4,718,958
Overseas Government Securities		8,587,163	-	8,587,163	8,153,876	-	8,153,876
<i>Fully paid-up ordinary shares</i>							
- Listed companies		1,576,028	-	1,576,028	762,671	-	762,671
- Unlisted companies		730,309	-	730,309	437,657	-	437,657
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		2,245,112	-	2,245,112	2,227,518	-	2,227,518
- Unlisted securities		37,803,475	-	37,803,475	17,897,864	-	17,897,864
NIT units		17,411	-	17,411	22,463	-	22,463
Preference shares		131,700	-	131,700	181,700	-	181,700
Other investments		950,816	-	950,816	782,003	-	782,003
		122,808,058	2,271,519	125,079,577	99,479,221	8,754,798	108,234,019
Investment in subsidiary companies		3,741,585	-	3,741,585	3,517,617	-	3,517,617
Investment in associates and joint venture	6.3	6,082,439	-	6,082,439	6,047,237	-	6,047,237
		142,564,965	2,271,519	144,836,484	119,031,956	8,754,798	127,786,754

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

	March 31, 2009		December 31, 2008	
	Cost	Market value	Cost	Market value
------(Rupees in '000)-----				
- Investment classified as held-to-maturity	9,884,701	8,102,371	9,959,699	7,370,797
- Investment in listed associates and joint venture	5,087,252	3,615,361	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:

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Opening balance	2,409,942	421,729
(Reversal) / Charge - net	(758)	139,189
Impairment loss on listed securities, subsidiary and associates - net	(917,973)	2,036,931
Amount written off	-	(187,907)
Closing balance	1,491,211	2,409,942

7	ADVANCES	Note	March 31, 2009	December 31, 2008
			(Rupees in '000)	
Loans, cash credits, running finances, etc:				
	In Pakistan		339,364,774	367,897,038
	Outside Pakistan		50,238,736	54,993,653
			<u>389,603,510</u>	<u>422,890,691</u>
Net investment in finance lease - in Pakistan			3,226,328	3,506,812
Bills discounted and purchased (excluding Government treasury bills):				
	Payable in Pakistan		12,264,795	12,227,536
	Payable outside Pakistan		20,823,921	21,619,633
			<u>33,088,716</u>	<u>33,847,169</u>
Provision against non-performing advances			7.2	<u>(25,712,013)</u>
			<u>400,206,541</u>	<u>435,708,660</u>
Fully provided non-performing advances classified as loss for more than five years				
In Pakistan			13,227,286	11,976,479
Provision			7.3	<u>(13,227,286)</u>
			<u>-</u>	<u>-</u>

7.1 Advances include Rs. 36,976.982 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	March 31, 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	1,191,276	-	1,191,276	-	-	-	1,191,276	-	1,191,276
Substandard	6,609,407	491,837	7,101,244	1,590,158	105,440	1,695,598	5,019,249	386,397	5,405,646
Doubtful	10,062,554	962,042	11,024,596	5,031,278	664,789	5,696,067	5,031,276	297,253	5,328,529
Loss	11,322,122	6,337,744	17,659,866	11,322,122	6,245,233	17,567,355	-	92,511	92,511
	29,185,359	7,791,623	36,976,982	17,943,558	7,015,462	24,959,020	11,241,801	776,161	12,017,962
General provision									
	-	-	-	460,658	292,335	752,993	-	-	-
	29,185,359	7,791,623	36,976,982	18,404,216	7,307,797	25,712,013	11,241,801	776,161	12,017,962
December 31, 2008									
Category of classification	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
	28,741,724	7,344,320	36,086,044	16,962,336	6,828,760	23,791,096	11,779,388	515,560	12,294,948
General provision									
	-	-	-	460,974	283,942	744,916	-	-	-
	28,741,724	7,344,320	36,086,044	17,423,310	7,112,702	24,536,012	11,779,388	515,560	12,294,948

7.2 Particulars of provision for non-performing financing

	Note	March 31, 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 and other movement		120,416	11,751	132,167	1,341,487	79,216	1,420,703
Charge for the period / year		2,478,669	5,139	2,483,808	7,607,586	73,033	7,680,619
Reversals		(23,357)	(8,813)	(32,170)	(144,702)	(305,937)	(450,639)
		2,455,312	(3,674)	2,451,638	7,462,884	(232,904)	7,229,980
Amounts written off		(69,536)	-	(69,536)	(1,043,186)	-	(1,043,186)
Transferred to over 5 years category	7.3	(1,338,268)	-	(1,338,268)	(1,562,183)	-	(1,562,183)
Closing balance		24,959,020	752,993	25,712,013	23,791,096	744,916	24,536,012

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

	Note	March 31, 2009	December 31, 2008
		(Rupees in '000)	
Opening balance		11,976,479	11,909,930
Reversal		(68,920)	(483,463)
Transferred during the period / year	7.2	1,338,268	1,562,183
Write off		(18,541)	(1,012,171)
		<u>13,227,286</u>	<u>11,976,479</u>

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

	March 31, 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 *	1,018,557	1,029,912	24,336	11,355	1,005,576	1,039,416	341,604	33,840
- in respect of key management personnel	450,836	454,670	26,000	3,834	428,670	439,388	128,284	10,718
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	502,746	503,190	268,240	657,126	891,631	894,419	15,295,761	15,737,463
Debts due by								
- Subsidiary company	104,051	56,685	55,564	79,185	127,672	235,405	357,519	373,867
- Associate company	359,356	359,356	309,649	75,014	124,721	557,885	557,876	433,155
- 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 March 31, 2009:

	For the three months ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
Land	-	467,075
Building including related machinery	117,840	4,009
Furniture, fixtures and office equipments	222,900	101,449
Vehicles	141	68,464
Intangible assets	10,264	258,911
Capital work-in-progress	84,181	11,537
	<u>435,326</u>	<u>911,445</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible and intangible fixed assets during the period ended March 31, 2009:

Building including related machinery	3,154	-
Furniture, fixtures and office equipments	43,546	46,232
Vehicles	1,438	91
	<u>48,138</u>	<u>46,323</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under:

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
- Export refinance scheme	17,430,193	15,620,296
- Long term finance - export oriented projects	6,189,965	5,756,791
Borrowings from subsidiary companies	-	-
Repurchase agreement borrowings	2,301,681	8,684,350
	<u>25,921,839</u>	<u>30,061,437</u>

Unsecured

In Pakistan

- Interbank call money borrowing
- Outside Pakistan**
- Overdrawn nostro accounts
- Borrowings of overseas branches

435,000	100,000
293,069	1,793,871
11,042,953	11,951,193
11,336,022	13,745,064
11,771,022	13,845,064
<u>37,692,861</u>	<u>43,906,501</u>

10 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Customers		
Fixed deposits	146,108,795	166,681,991
Savings chequing account	290,511,070	270,210,101
Current accounts - remunerative	2,323,909	2,739,418
Current accounts - non-remunerative	<u>127,101,104</u>	<u>127,271,437</u>
	<u>566,044,878</u>	<u>566,902,947</u>
Financial institutions		
Remunerative deposits	<u>373,681</u>	<u>2,368,970</u>
Non-remunerative deposits	<u>2,812,833</u>	<u>3,127,270</u>
	<u>3,186,514</u>	<u>5,496,240</u>
	<u>569,231,392</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	March 31, 2009	December 31, 2008
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	7,203,837	7,215,946
- investments	12.2	<u>(1,946,955)</u>	<u>(3,462,349)</u>
Surplus on revaluation of assets - net of deferred tax		<u>5,256,882</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	-	(6,168)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(12,109)	(48,466)
Related deferred tax liability of incremental depreciation charged during the period / year	<u>(6,520)</u>	<u>(26,097)</u>
Surplus on revaluation of fixed assets as at period / year end	<u>7,790,384</u>	<u>7,809,013</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	<u>593,067</u>	<u>619,930</u>
- surplus realised on disposal of revalued properties during the period / year	<u>-</u>	<u>(766)</u>
- incremental depreciation charged during the period / year transferred to profit and loss account	<u>(6,520)</u>	<u>(26,097)</u>
	<u>586,547</u>	<u>593,067</u>
	<u>7,203,837</u>	<u>7,215,946</u>

12.2 Surplus / (deficit) on revaluation of investments

Market treasury bills	<u>(64,633)</u>	<u>(60,586)</u>
Pakistan investment bonds	<u>(1,029,375)</u>	<u>(2,272,277)</u>
Sukuk and euro bonds	<u>(1,541,930)</u>	<u>(2,393,398)</u>
Listed securities	<u>16,610</u>	<u>(47,104)</u>
NIT units	<u>6,298</u>	<u>11,350</u>
Other investments	<u>(398,804)</u>	<u>(557,857)</u>
	<u>(3,011,834)</u>	<u>(5,319,872)</u>
Add: related deferred tax asset	<u>1,064,879</u>	<u>1,857,523</u>
	<u>(1,946,955)</u>	<u>(3,462,349)</u>

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	5,912,879	5,960,958
- Financial institutions	1,996,859	137,947
- Others	42,238,486	38,699,414
	<u>50,148,224</u>	<u>44,798,319</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	2,560,288	2,569,019
- Financial institutions	139,852	167,196
- Others	17,560,763	14,572,054
	<u>20,260,903</u>	<u>17,308,269</u>
13.3 Trade-related commitments		
Credit cash	101,140,820	100,179,596
Credit documentary acceptances	9,434,678	11,315,943
Credit acceptances	19,406,577	16,021,669
	<u>129,982,075</u>	<u>127,517,208</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>47,123,340</u>	<u>46,863,991</u>
13.5 Commitments in respect of forward lending		
The bank 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.		
	March 31, 2009	December 31, 2008
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	49,876,556	26,840,479
Sale	47,187,001	26,722,359
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency swaps / options		
Purchase	485,468	123,241
Sale	485,468	123,241
Commitments in respect of local currency interest rate swaps		
Purchase	437,566	35,000
Sale	437,566	35,000
13.7 Commitments for acquisition of operating fixed assets / intangibles	706,597	761,514
13.8 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. 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. 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.

14 MARK-UP / RETURN / INTEREST EARNED

	For the three months ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	14,304,223	9,595,689
- Financial institutions	4,839	32,505
<i>On investments:</i>		
- Available-for-sale	3,039,030	3,369,126
- Held-to-maturity	135,793	169,922
On deposits with financial institutions	295,386	294,870
On lendings to financial institutions	457,958	47,303
	<u>18,237,229</u>	<u>13,509,415</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	7,259,791	4,104,973
Securities sold under repurchase agreement borrowings	90,359	664,670
Other short term borrowings	357,070	246,701
Long term borrowings	110,333	129,901
	<u>7,817,553</u>	<u>5,146,245</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	41,584	425,708
Loss / gain on sale of securities	(222,303)	145,661
	<u>(180,719)</u>	<u>571,369</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.

18 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.

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 benefits 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 period / year-end were as follows:

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	3,825,687	4,429,970
- Subsidiary companies	321,198	157,103
- Retirement benefit funds	4,077,535	2,050,404
- Companies in which Directors are interested	1,378,515	1,679,139
- Receivable from defined benefit plan	6,927,102	6,572,013
- Receivable from associates and subsidiary companies	2,329,707	5,319,633
- Payable to associates, joint venture and subsidiary companies	3,056,228	3,632,930
- Placements with Subsidiary companies and associates	6,369,313	8,367,764
- Overdrawn nostro balances with subsidiaries, associates and joint venture	1,028,329	1,362,259
	For the three months ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	18,029	45,822
- Subsidiary companies	7,661	4,209
- Retirement benefit funds	179,624	65,959
- Companies in which Directors are interested	44,149	1,968
- Premium paid to companies in which Directors are interested	55,160	59,672
- Interest income		
- Joint venture and associates	3,016	-
- Subsidiary companies	12,133	4,552
- Retirement benefit funds	-	36,112
- Companies in which Directors are interested	388	10,920
- Modaraba management fees	2,752	1,906
- Other income - joint venture, subsidiaries and associates	54,644	275
- Other expense - joint venture subsidiaries	-	8,698
- Dividend income		
- Joint venture and associates	-	357,428
- Subsidiary companies	3,250	4,875

18.1 Key management personnel

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

	For the three months ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
Managerial remuneration (including allowances)	176,490	158,312
Contribution to provident and benevolent fund	3,929	4,279
Medical	6,638	3,762
	<u>187,057</u>	<u>166,353</u>
Number of persons	<u>134</u>	<u>144</u>

19. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2009					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total
	------(Rupees in million)-----					
Net interest and non-markup income	7,668	3,319	197	1,444	(259)	12,369
Total expenses including provision	3,873	2,221	(458)	996	280	6,912
Net income (loss)	3,795	1,098	655	448	(539)	5,457
Segment assets (gross)	88,254	351,405	120,518	130,732	48,958	739,867
Segment non-performing loans	7,453	20,284	-	7,792	1,448	36,977
Segment provision required including general provision	4,262	12,208	-	7,308	3,452	27,230
Segment liabilities including equity	437,682	106,557	7,090	74,943	86,365	712,637
Segment return on net liability / asset (%)	11.64%	15.14%	11.08%	3.58%	8.16%	-
Segment cost of funds (%)	5.43%	11.82%	10.31%	0.91%	0.85%	-

	For the three months ended March 31, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest and non-markup income	6,367	1,853	397	1,073	995	10,685
Total expenses including provision	3,647	1,205	126	691	(789)	4,880
Net income (loss)	2,720	648	271	382	1,784	5,805
Segment assets (gross)	108,878	298,565	146,117	78,947	54,338	686,845
Segment non-performing loans	5,180	11,525	-	5,863	2,275	24,843
Segment provision required including general provision	2,632	7,463	-	6,001	3,211	19,307
Segment liabilities including equity	402,127	83,894	39,817	50,561	91,139	667,538
Segment return on net liability / asset (%)	8.87%	10.61%	9.44%	6.56%	3.34%	-
Segment cost of funds (%)	3.24%	8.50%	9.08%	3.22%	0.11%	-

20. ISLAMIC BANKING BRANCH

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

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6,738	6,440
Investments - net	48,182	48,182
Ijarah - (note 20.1)	397,612	389,173
Musharaka	150,000	150,000
Other assets	14,267	20,412
	<u>616,799</u>	<u>614,207</u>
LIABILITIES		
Deposit and other accounts	10,954	18,655
Other liabilities	483,723	456,107
	<u>494,677</u>	<u>474,762</u>
NET ASSETS		
	<u>122,122</u>	<u>139,445</u>
REPRESENTED BY:		
Islamic banking fund	100,000	100,000
Unappropriated profit	22,122	39,445
	<u>122,122</u>	<u>139,445</u>

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

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

21. DATE OF AUTHORISATION FOR ISSUE

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

President and Chief Executive Officer

Director

Director

Director