

**Condensed Interim Consolidated
Balance Sheet
As At March 31, 2010**

	(Unaudited) March 31, 2010 (Rupees in '000)	(Audited) December 31, 2009
ASSETS		
Cash and balances with treasury banks	71,621,597	79,839,836
Balances with other banks	37,856,497	40,366,687
Lendings to financial institutions	23,376,833	5,352,873
Investments	6 215,881,965	216,467,532
Advances	7 434,231,297	454,662,499
Other assets	35,278,842	41,116,582
Operating fixed assets	16,514,853	16,766,668
Deferred tax asset	8,766,436	9,205,944
	<u>843,528,320</u>	<u>863,778,621</u>
LIABILITIES		
Bills payable	8,508,514	10,041,542
Borrowings from financial institutions	9 45,308,010	52,542,978
Deposits and other accounts	10 672,069,296	682,750,079
Sub-ordinated loans	11 4,204,390	4,212,080
Liabilities against assets subject to finance lease	-	-
Other liabilities	30,847,892	29,862,144
Deferred tax liability	-	-
	<u>760,938,102</u>	<u>779,408,823</u>
NET ASSETS	<u>82,590,218</u>	<u>84,369,798</u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	9,108,000	9,108,000
Reserves	28,167,211	27,527,380
Unappropriated profit	35,535,597	38,498,335
Total equity attributable to the equity holders of the Bank	72,810,808	75,133,715
Minority interest	1,129,559	1,143,241
Surplus on revaluation of assets - net of deferred tax	12 8,649,851	8,092,842
	<u>82,590,218</u>	<u>84,369,798</u>
CONTINGENCIES AND COMMITMENTS	13	

The annexed notes 1 to 20 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 Three Months Ended March 31, 2010**

	Note	January 01 to March 31, 2010 (Rupees in '000)	January 01 to March 31, 2009 (Restated)
Mark-up / return / interest earned	14	19,431,278	18,663,500
Mark-up / return / interest expensed	15	8,616,992	7,950,929
Net mark-up / interest income		10,814,286	10,712,571
Provision against non-performing loans and advances - net	7.2 / 7.4	1,419,656	2,393,338
Charge / (reversal) against off-balance sheet obligations		46,446	(278,394)
(Reversal) / charge against diminution in value of investments	6.2	(49,106)	155,015
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		1,416,996	2,269,959
		9,397,290	8,442,612
Non mark-up / interest income			
Fee, commission and brokerage income		1,315,165	1,171,893
Income / gain on investments	16	365,080	(220,237)
Income from dealing in foreign currencies		554,688	393,215
Other income		833,712	771,668
Total non-mark-up / interest income		3,068,645	2,116,539
		12,465,935	10,559,151
Non mark-up / interest expense			
Administrative expenses		5,883,764	5,719,269
Other provisions / write offs - net		34,928	105,610
Other charges		171,271	338
Workers welfare fund		122,171	111,367
Total non mark-up / interest expenses		6,212,134	5,936,584
Profit before taxation		6,253,801	4,622,567
Taxation - current		2,402,983	2,406,410
- prior years		(68,857)	143,350
- deferred		104,655	(781,079)
Profit after taxation		2,438,781	1,768,681
		3,815,020	2,853,886
Attributable to:			
Equity holders of the Bank		3,749,267	2,980,021
Minority interest		14,332	45,063
Minority investor of HBL funds		51,421	(171,198)
		3,815,020	2,853,886
		(Rupees)	
Basic and diluted earnings per share		4.12	3.27

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

**Condensed Interim Consolidated
Statement of Comprehensive Income - (Unaudited)
For the Three Months Ended March 31, 2010**

	March 31, 2010 (Rupees in '000)	March 31, 2009 (Restated)
Profit for the period	3,815,020	2,853,886
Other comprehensive income		
Minority share of HBL funds transferred to other liabilities	(51,421)	171,198
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(673,743)	(65,507)
Comprehensive income transferred to equity	<u>3,089,856</u>	<u>2,959,577</u>
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	877,612	3,861,996
Deferred tax on revaluation of investments	(282,248)	(936,753)
	<u>3,685,220</u>	<u>5,884,820</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	3,647,481	5,969,370
Minority interest	(13,682)	86,648
Minority investor	51,421	(171,198)
	<u>3,685,220</u>	<u>5,884,820</u>

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

**Condensed Interim Consolidated
Cash Flow Statement - (Unaudited)
For the Three Months Ended March 31, 2010**

	March 31, 2010 (Rupees in '000)	March 31, 2009 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,253,801	4,622,567
Dividend income and share of profit of associates and joint venture	(274,445)	(73,351)
Gain on sale of securities - net	(82,692)	306,140
	(357,137)	232,789
	5,896,664	4,855,356
Adjustment for:		
Depreciation / amortisation / adjustments	432,654	390,949
(Reversal) / charge against diminution in value of investments	(49,106)	155,015
Provision against non-performing loans and advances - net of reversals	1,419,656	2,393,338
Unrealised appreciation in value of investments at fair value	(7,943)	(12,552)
Exchange loss on sub-ordinated loans	(7,690)	70,730
Gain on sale of property and equipment - net	(4,090)	(1,382)
Miscellaneous provisions	81,374	(172,784)
	1,864,855	2,823,314
	7,761,519	7,678,670
(Increase) / decrease in operating assets		
Lendings to financial institutions	(18,023,960)	(16,720,166)
Loans and advances	19,011,546	34,947,045
Other assets - net	6,081,215	(203,978)
	7,068,801	18,022,901
Increase / (decrease) in operating liabilities		
Deposits and other accounts	(10,680,783)	(3,882,898)
Borrowings from financial institutions	(7,234,968)	(7,884,170)
Bills payable	(1,533,028)	(1,476,609)
Other liabilities - net	435,377	331,960
	(19,013,402)	(12,911,717)
	(4,183,082)	12,789,854
Income tax paid - net	(2,489,259)	(2,302,416)
Net cash flows (used in) / from operating activities	(6,672,341)	10,487,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture	1,753,809	(14,180,721)
Dividend income received	45,215	41,093
Fixed capital expenditure	(183,541)	(490,185)
Proceeds from sale of fixed assets	6,792	14,965
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	(638,053)	(66,648)
Net cash flows from / (used in) investing activities	984,222	(14,681,496)
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest impact of exchange adjustment on translation of balances in subsidiary	(35,690)	1,141
Minority share of surplus / (deficit) on revaluation of securities of subsidiaries	(5,004,620)	40,444
Dividend paid	(5,040,310)	(734)
Net cash flows (used in) / from financing activities	(10,080,620)	40,851
Increase in cash and cash equivalents during the period	(10,728,429)	(4,153,207)
Cash and cash equivalents at beginning of the period	122,201,555	95,875,898
Effects of exchange rate changes on cash and cash equivalents	(1,995,032)	21,533
	120,206,523	95,897,431
Cash and cash equivalents at end of the period	109,478,094	91,744,224

The annexed notes 1 to 20 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 Three Months Ended March 31, 2010**

Share capital	Attributable to shareholders of the Group							Minority Interest	Total	
	Exchange translation reserve	Statutory requirement			Reserves					
		Joint venture and subsidiaries	Bank	Reserve for issued of bonus shares	General	Unappropriated profit	Subtotal			
(Rupees in '000)										
Balance as at December 31, 2008 as previously reported	7,590,000	6,961,156	189,339	11,018,947	-	6,073,812	39,447,648	71,280,902	890,099	72,171,001
Restatement due to effects of an error	-	(587,210)	-	-	-	-	(7,514,470)	(8,101,680)	-	(8,101,680)
Balance as at December 31, 2008 - as (Restated)	7,590,000	6,373,946	189,339	11,018,947	-	6,073,812	31,933,178	63,179,222	890,099	64,069,321
Total comprehensive income for the period										
Profit for the three months ended March 31, 2009 - (Restated)	-	-	-	-	-	-	2,808,823	2,808,823	45,063	2,853,886
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	171,198	171,198	-	171,198
- Other comprehensive income										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(66,648)	-	-	-	-	-	(66,648)	1,141	(65,507)
	-	(66,648)	-	-	-	-	2,980,021	2,913,373	46,204	2,959,577
Transactions with owners, recorded directly in equity										
Cash dividend at Rs. 5.50 per share	-	-	-	-	-	-	(4,174,500)	(4,174,500)	-	(4,174,500)
Transferred to reserve for issue of bonus shares	-	-	-	-	1,518,000	-	(1,518,000)	-	-	-
	-	-	-	-	1,518,000	-	(5,692,500)	(4,174,500)	-	(4,174,500)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	12,109	12,109	-	12,109
Transferred to statutory reserves	-	-	8,369	348,143	-	-	(356,512)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	-	40,444	40,444
Balance as at March 31, 2009	7,590,000	6,307,298	197,708	11,367,090	1,518,000	6,073,812	28,876,296	61,930,204	976,747	62,906,951
Total comprehensive income for the period										
Profit for the period ended from April to December 31, 2009	-	-	-	-	-	-	10,501,696	10,501,696	45,167	10,546,863
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(92,265)	(92,265)	-	(92,265)
- Other comprehensive income										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	2,675,506	-	-	-	-	-	2,675,506	85,331	2,760,837
	-	2,675,506	-	-	-	-	10,409,431	13,084,937	130,498	13,215,435
Transactions with owners, recorded directly in equity										
Issued as bonus shares	1,518,000	-	-	-	(1,518,000)	-	-	-	-	-
Cash dividend paid at Rs 0.50 per certificate by modaraba	-	-	-	-	-	-	-	-	(17,868)	(17,868)
	1,518,000	-	-	-	(1,518,000)	-	-	-	(17,868)	(17,868)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	118,574	118,574	-	118,574
Transferred to statutory reserves	-	-	24,245	881,721	-	-	(905,966)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	48,098	48,098
Minority share of surplus on revaluation of fixed assets of subsidiaries	-	-	-	-	-	-	-	-	5,766	5,766
Balance as at December 31, 2009	9,108,000	8,982,804	221,953	12,248,811	-	6,073,812	38,498,335	75,133,715	1,143,241	76,276,956
Total comprehensive income for the period										
Profit for the three months ended March 31, 2010	-	-	-	-	-	-	3,800,688	3,800,688	14,332	3,815,020
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(51,421)	(51,421)	-	(51,421)
- Other comprehensive income										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(638,053)	-	-	-	-	-	(638,053)	(35,690)	(673,743)
	-	(638,053)	-	-	-	-	3,749,267	3,111,214	(21,358)	3,089,856
Transactions with owners, recorded directly in equity										
Cash dividend at Rs. 6 per share	-	-	-	-	-	-	(5,464,800)	(5,464,800)	-	(5,464,800)
Transferred to reserve for issue of bonus shares	-	-	-	-	910,800	-	(910,800)	-	-	-
	-	-	-	-	910,800	-	(6,375,600)	(5,464,800)	-	(5,464,800)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	30,679	30,679	-	30,679
Transferred to statutory reserves	-	-	6,824	360,260	-	-	(367,084)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	7,676	7,676
Balance as at March 31, 2010	9,108,000	8,344,751	228,777	12,609,071	910,800	6,073,812	35,535,597	72,810,808	1,129,559	73,940,367

The annexed notes 1 to 20 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 Three Months Ended March 31, 2010

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. Due to reasons fully explained in our latest audited annual financial statements for the year ended December 31, 2009, the comparative information has been restated and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2009.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are being presented in a condensed format in accordance with the requirements of IAS 34 "Interim Financial Reporting" and the requirements of BSD circular letter No. 2 dated May 12, 2004.

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, 2009.

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, 2009.

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, 2009.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

6	INVESTMENTS	Note	March 31, 2010			December 31, 2009		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
----- (Rupees in '000) -----								
Held-for-trading (HFT)								
	- Pakistan Investment Bonds		11,578	-	11,578	9,652	-	9,652
	- Market Treasury Bills		59,362	-	59,362	387,191	-	387,191
	- Shares - listed		25,429	-	25,429	-	-	-
	- Investments of Mutual Funds		341,051	-	341,051	245,913	-	245,913
			437,420	-	437,420	642,756	-	642,756
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	8,375,689	-	8,375,689	8,428,352	-	8,428,352
	Overseas Government Securities		79,785	-	79,785	78,963	-	78,963
	Debentures and Corporate Debt Instruments		48,182	-	48,182	48,182	-	48,182
			8,503,656	-	8,503,656	8,555,497	-	8,555,497
Available-for-sale securities (AFS)								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		83,145,070	1,742,701	84,887,771	84,407,507	3,559,326	87,966,833
	- Pakistan Investment Bonds		9,500,082	-	9,500,082	8,840,806	-	8,840,806
	- Government of Pakistan Guaranteed Bonds		4,698,099	-	4,698,099	5,522,370	-	5,522,370
	- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		2,740,002	-	2,740,002	6,784,749	-	6,784,749
	Overseas Government Securities		15,768,005	-	15,768,005	14,601,416	-	14,601,416
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		1,369,004	-	1,369,004	1,090,273	-	1,090,273
	- Unlisted companies		731,665	-	731,665	730,244	-	730,244
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		4,722,024	-	4,722,024	4,482,005	-	4,482,005
	- Unlisted securities		73,810,871	-	73,810,871	69,095,974	-	69,095,974
	NIT Units		22,485	-	22,485	21,839	-	21,839
	Preference Shares		131,800	-	131,800	170,000	-	170,000
	Other Investments		1,520,811	-	1,520,811	1,523,641	-	1,523,641
	<i>Investments of Mutual Funds</i>		3,512,108	-	3,512,108	3,041,384	-	3,041,384
			201,672,026	1,742,701	203,414,727	200,312,208	3,559,326	203,871,534
Investment in associates and Joint Venture								
			3,526,162	-	3,526,162	3,397,745	-	3,397,745
			213,701,844	1,742,701	215,881,965	212,908,206	3,559,326	216,467,532

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2010 amounted to Rs. 7,111.905 million (2009: Rs 7,067.141 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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:

	March 31, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
Opening balance	2,572,470	2,143,709
Charge for the year - net	3,564	435,427
Impairment loss / (reversal) on listed securities	(52,670)	(424,193)
Impairment loss on associate	-	335,261
Total charge - net	(49,106)	346,495
Amount written off	(957)	(78,116)
Other movement	(200,000)	27,529
Transfer of provision on consolidation of open end funds	-	131,019
Exchange adjustment	2,493	1,834
Closing balance	<u>2,324,900</u>	<u>2,572,470</u>

6.3 Summary of financial information of associates and joint venture company is as follows:

	Based on the financial statements as on	Currencies	Profit / Loss	
			Local currency (Amount in '000)	(Rupees in '000)
Diamond Trust Bank Limited, Kenya	December 31, 2009	Shs	1,354,435	1,479,382
Himalayan Bank Limited, Nepal	July 15, 2009	NRs	752,835	856,308
Kyrgyz Investment and Credit Bank	December 31, 2008	US \$	3,241	274,165
New Jubilee Life Insurance Co. Ltd.	December 31, 2009	PKR	129,943	129,943
New Jubilee Insurance Co. Ltd.	December 31, 2009	PKR	656,464	656,464

7 ADVANCES

	Note	March 31, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
Loans, cash credits, running finances, etc.			
In Pakistan		370,514,806	384,534,667
Outside Pakistan		64,411,190	68,435,996
		<u>434,925,996</u>	<u>452,970,663</u>
Net investment in finance lease - in Pakistan		3,616,865	3,763,556
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		9,194,915	8,319,104
Payable outside Pakistan		23,341,189	24,957,260
		32,536,104	33,276,364
Provision against non-performing advances	7.2	(36,847,668)	(35,348,084)
		<u>434,231,297</u>	<u>454,662,499</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		12,787,414	12,914,798
Provision	7.4	(12,787,414)	(12,914,798)
		<u>-</u>	<u>-</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

- 7.1 Advances include Rs. 51,652.095 million (2009: Rs. 49,438.255 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	March 31, 2010								
	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	2,054,168	-	2,054,168	5,893	-	5,893	2,048,275	-	2,048,275
Substandard	5,499,260	4,538,194	10,037,454	1,310,786	809,722	2,120,508	4,188,474	3,728,472	7,916,946
Doubtful	7,339,883	2,179,146	9,519,029	3,885,051	1,219,186	5,104,237	3,454,832	959,960	4,414,792
Loss	20,323,535	9,717,909	30,041,444	19,342,524	9,570,729	28,913,253	981,011	147,180	1,128,191
	35,216,846	16,435,249	51,652,095	24,544,254	11,599,637	36,143,891	10,672,592	4,835,612	15,508,204
General provision	-	-	-	332,069	371,708	703,777	-	-	-
	35,216,846	16,435,249	51,652,095	24,876,323	11,971,345	36,847,668	10,672,592	4,835,612	15,508,204

Category of classification	December 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	1,760,738	-	1,760,738	-	-	-	1,760,738	-	1,760,738
Substandard	4,387,109	4,520,458	8,907,567	1,036,043	840,753	1,876,796	3,351,066	3,679,705	7,030,771
Doubtful	7,613,079	2,615,169	10,228,248	3,859,790	1,252,599	5,112,389	3,753,289	1,362,570	5,115,859
Loss	18,917,280	9,624,422	28,541,702	18,031,320	9,603,632	27,634,952	885,960	20,790	906,750
	32,678,206	16,760,049	49,438,255	22,927,153	11,696,984	34,624,137	9,751,053	5,063,065	14,814,118
General provision	-	-	-	345,341	378,606	723,947	-	-	-
	32,678,206	16,760,049	49,438,255	23,272,494	12,075,590	35,348,084	9,751,053	5,063,065	14,814,118

- 7.2 Particulars of provision against non-performing advances

Note	March 31, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	34,624,137	723,947	35,348,084	27,226,948	869,449	28,096,397
Exchange adjustment / other movement	81,129	(8,486)	72,643	1,126,460	55,593	1,182,053
Charge for the period / year	1,587,550	6,736	1,594,286	10,044,991	26,750	10,071,741
Reversals	(18,066)	(18,420)	(36,486)	(577,793)	(227,845)	(805,638)
	1,569,484	(11,684)	1,557,800	9,467,198	(201,095)	9,266,103
Write offs	(111,367)	-	(111,367)	(1,550,687)	-	(1,550,687)
Transferred to over 5 years category	(19,492)	-	(19,492)	(1,645,782)	-	(1,645,782)
Closing balance	36,143,891	703,777	36,847,668	34,624,137	723,947	35,348,084

- 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 the 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 March 31, 2010 would have been lower by approximately Rs 1,098.180 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	March 31, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
Opening balance	12,914,798	11,976,479
Reversal	(138,144)	(471,543)
Transferred during the period / year	19,492	1,645,782
Write offs	(8,732)	(235,920)
	12,787,414	12,914,798

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

March 31, 2010				December 31, 2009			
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 * (Other than KMPs)	1,054,500	1,082,900	99,935	83,435	1,038,000	1,054,700	155,890
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	530,684	539,184	230,984	230,884	530,584	542,484	247,511

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

	1,157,647	1,157,647	77,468	75,321	1,155,500	1,155,500	1,657,401
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Debts due by companies in which key management personnel are nominated by the Bank as directors

- Guaranteed by Government	10,836,448	12,212,857	996,171	2,824,188	12,664,465	14,055,572	20,143,120
- Others	51,572	51,979	1,735	2,892	52,729	854,840	1,043,707

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

8.1 Addition to fixed assets

For the three months ended	
March 31, 2010	March 31, 2009
(Rupees in '000)	

The following additions have been made to tangible and intangible fixed assets during the period ended March 31, 2010:

Land	2,268	40,741
Building including related machinery	105,979	120,668
Furniture, fixtures and office equipments	70,345	232,353
Vehicles	2,341	141
Intangible assets	-	12,099
Capital work-in-progress	2,608	84,183
	<u>183,541</u>	<u>490,185</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, 2010:

Building including related machinery	-	3,154
Furniture, fixtures and office equipments	35,324	43,617
Vehicles	4,975	1,438
Intangible assets	90	-
	<u>40,389</u>	<u>48,209</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	March 31, 2010	December 31, 2009
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	20,842,161	22,267,455
Long term financing facility - locally manufactured and imported plant & machinery	3,195,322	1,575,542
Long term finance - export oriented projects	4,617,488	5,196,466
Repurchase agreement borrowings	<u>1,726,105</u>	<u>4,497,374</u>
	<u>30,381,076</u>	<u>33,536,837</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	5,000,000	6,441,696
Outside Pakistan:		
Overdrawn nostro accounts	330,493	434,821
Borrowings of overseas branches and subsidiaries	9,596,441	12,129,624
	<u>9,926,934</u>	<u>12,564,445</u>
	<u>14,926,934</u>	<u>19,006,141</u>
	<u>45,308,010</u>	<u>52,542,978</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	181,449,441	208,459,070
Savings chequing account	329,673,989	314,040,743
Current accounts - remunerative	1,837,776	1,811,833
Current accounts - non-remunerative	<u>152,900,394</u>	<u>149,221,644</u>
	<u>665,861,600</u>	<u>673,533,290</u>
Financial institutions		
Remunerative deposits	1,290,223	1,616,443
Non-remunerative deposits	4,917,473	7,600,346
	<u>6,207,696</u>	<u>9,216,789</u>
	<u>672,069,296</u>	<u>682,750,079</u>

11 SUB-ORDINATED LOANS

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2008: 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 + 1.75%. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	March 31, 2010 (Rupees in '000)	December 31, 2009
Surplus arising on revaluation of:			
- fixed assets	12.1	8,557,420	8,588,099
- investments	12.2	92,431	(495,257)
Surplus on revaluation of assets - net of deferred tax		<u>8,649,851</u>	<u>8,092,842</u>
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		9,512,531	7,809,013
Surplus on revaluation of bank's properties recognised during the period / year		-	1,879,393
Surplus realised on disposal of revalued properties during the period / year		-	(46,754)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(30,679)	(83,929)
Related deferred tax liability of incremental depreciation charged during the period / year		<u>(16,521)</u>	<u>(45,192)</u>
Surplus on revaluation of fixed assets as at period / year end		9,465,331	9,512,531
Less: related deferred tax liability on:			
- revaluation as at January 1		924,432	593,067
- revaluation of bank's properties recognised during the period / year		-	376,827
- surplus realised on disposal of revalued properties during the period / year		-	(270)
- incremental depreciation charged during the period / year transferred to profit and loss account		<u>(16,521)</u>	<u>(45,192)</u>
		907,911	924,432
		<u>8,557,420</u>	<u>8,588,099</u>
12.2 Surplus / (deficit) on revaluation of investments			
Market Treasury Bills		14,503	94,651
Pakistan Investment Bonds		(681,603)	(700,540)
Sukuk and Euro Bonds		66,557	(532,377)
Listed Securities		496,104	314,408
NIT Units		10,957	10,311
Other Investments		88,605	(61,266)
		(4,877)	(874,813)
Add: related deferred tax asset		97,308	379,556
		<u>92,431</u>	<u>(495,257)</u>
13 CONTINGENCIES AND COMMITMENTS			
13.1 Direct credit substitutes - financial guarantees			
Guarantees in favour of:			
- Government		6,742,365	7,220,955
- Financial institutions		26,432	641,533
- Others		31,170,589	50,716,165
		<u>37,939,386</u>	<u>58,578,653</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

	March 31, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	855,563	2,153,320
- Financial institutions	147,318	112,588
- Others	18,069,726	20,437,508
	<u>19,072,607</u>	<u>22,703,416</u>
13.3 Trade-related commitments		
Credit cash	88,301,881	97,707,388
Credit documentary acceptances	16,881,160	10,085,276
Credit acceptances	19,381,215	28,852,010
	<u>124,564,256</u>	<u>136,644,674</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>80,870,024</u>	<u>80,967,499</u>

13.5 Commitments in respect of forward lending

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

13.6 Commitments in respect of forward foreign and local exchange contracts

	March 31, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
Purchase	69,980,496	43,970,316
Sale	69,885,998	43,978,039
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	2,137,318	2,556,777
Sale	2,137,318	2,556,777
Commitments in respect of local currency interest rate swaps		
Purchase	455,439	456,208
Sale	455,439	456,208
13.7 Commitments for acquisition of operating fixed assets / intangibles	484,993	548,975

13.8 Taxation

The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2008. The tax authorities have concluded the audit of years 2002 through 2008.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs. 337 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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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 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. 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 December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advise of its tax consultant has treated the FBR commitment as effective. Accordingly, the deferred tax asset recognized through December 31, 2007 relating to provision for advances and off balance sheet items amounting to Rs. 4.053 billion has been carried forward.

With reference to allowability of provision upto 1% of total advances, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognised deferred tax asset on such provision amounting to Rs. 2.413 billion.

14 MARK-UP / RETURN / INTEREST EARNED

	For the three months ended	
	March 31, 2010	March 31, 2009
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	13,144,148	14,511,265
- Financial institutions	76,750	91,351
<i>On investments:</i>		
- Available-for-sale	5,457,366	3,136,571
- Held-for-trading	10,592	-
- Held-to-maturity	121,507	137,619
On deposits with financial institutions	257,282	323,897
On lendings to financial institutions	363,633	462,797
	<u>19,431,278</u>	<u>18,663,500</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	7,858,658	7,367,924
Securities sold under repurchase agreement borrowings	65,669	90,359
Other short term borrowings	578,180	382,312
Long term borrowings	114,485	110,334
	<u>8,616,992</u>	<u>7,950,929</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	115,880	58,080
Share of profit of associates and joint venture	158,565	15,271
Gain on sale of securities - net	82,692	(306,140)
Unrealised appreciation in value of investments at fair value	7,943	12,552
	<u>365,080</u>	<u>(220,237)</u>

17 RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of loans and advances to related parties are given in note 7.5 to these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

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

	March 31, 2010	December 31, 2009
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	3,856,835	2,774,917
- Retirement benefit funds	935,380	7,841,600
- Companies in which directors are interested	32,677	34,573
- Companies in which key management personnel are nominated by the Bank as directors	70,924	104,424
- AKFED Group Companies	511,669	1,572,335
- Investments in companies in which directors are interested	29,263	216,460
- Investment in companies in which key management personnel are nominated by the Bank as directors	34,113	34,113
- Receivable from defined benefit schemes	448,518	7,919,870
- Receivables from companies in which key management personnel are nominated by the Bank as directors	31,169	31,169
- Overdrawn nostro balances with joint venture and associates / companies in which key management personnel are nominated by the Bank as directors	332,075	210,208
- Acceptances	-	7,966
For the three months ended		
	March 31, 2010	March 31, 2009
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	24,381	36,307
- Retirement benefit funds	416,176	179,624
- Companies in which Directors are interested	76	25,582
- Companies in which key management personnel are nominated by the Bank as directors	1,091	2,373
- AKFED Group Companies	644	289
- Premium paid to companies in which directors are interested	18,616	55,160
- Interest income		
- Joint venture and associates	6	49,010
- Companies in which Directors are interested	7,048	388
- Companies in which key management personnel are nominated by the Bank as directors	163,683	-
- In respect of debts due by key management personnel	24,600	32,354
- AKFED Group Companies	4	-
- Other income from associates	156,996	54,590
- Share of profit of associates and joint venture - net of tax	128,475	(29,282)
- Dividend income		
- Companies in which Directors are interested	6,311	38,334
- Companies in which key management personnel are nominated by the Bank as directors	4,927	-

17.1 Key management personnel

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

	For the three months ended	
	March 31, 2010	March 31, 2009
	(Rupees in '000)	
Managerial remuneration (including allowances)	230,981	217,478
Contribution to provident and benevolent fund	4,112	4,186
Medical	5,916	6,735
	<u>241,009</u>	<u>228,399</u>
Number of persons	<u>148</u>	<u>140</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2010					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(3,964)	10,534	3,095	935	215	10,815
Inter segment revenue - net	11,186	(8,632)	(2,917)	-	363	-
Non-funded income	1,079	660	380	855	94	3,068
Net interest and non-markup income	8,301	2,562	558	1,790	672	13,883
Total expenses including provision (excluding impairment)	2,783	1,431	31	1,196	2,241	7,682
Impairment against investments	-	-	(51)	-	(2)	(53)
Inter segment administrative cost	1,604	321	46	177	(2,148)	-
Total expenses including provision	4,387	1,752	26	1,373	91	7,629
Net income before tax	3,914	810	532	417	581	6,254
Segment assets (gross)	94,527	407,933	157,496	175,662	47,765	883,383
Segment non-performing loans	9,063	25,712	-	16,435	442	51,652
Segment provision required including general provision	5,487	20,811	-	12,404	1,153	39,855
Segment liabilities including equity	504,013	103,349	13,135	113,238	109,793	843,528
Segment return on net liability / asset	11.44%	12.54%	9.34%	4.69%	2.29%	-
Segment cost of funds	4.89%	10.06%	7.95%	1.05%	0.35%	-

	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 income - External	(3,422)	10,188	2,654	1,193	100	10,713
Inter segment revenue - net	10,201	(7,663)	(2,438)	-	(100)	-
Non-funded income	880	671	4	737	(176)	2,116
Net interest and non-markup income	7,659	3,196	220	1,930	(176)	12,829
Total expenses including provision (excluding impairment)	2,808	1,725	24	1,036	3,111	8,704
Impairment against investments	-	-	(497)	-	-	(497)
Inter segment administrative cost	1,121	224	32	123	(1,500)	-
Total expenses including provision	3,929	1,949	(441)	1,159	1,611	8,207
Net income / (loss) before tax	3,730	1,247	661	771	(1,787)	4,622
Segment assets (gross)	88,246	339,906	120,519	164,157	59,362	772,190
Segment non-performing loans	7,549	20,536	-	11,743	1,221	41,049
Segment provision required including general provision	4,262	12,071	-	11,022	4,015	31,370
Segment liabilities including equity	435,442	94,539	7,090	110,556	93,193	740,820
Segment return on net liability / asset	12.58%	14.61%	8.35%	6.61%	2.72%	-
Segment cost of funds	5.45%	10.84%	7.69%	2.62%	0.61%	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

19 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

Note	March 31, 2010	December 31, 2009
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	12,532	8,748
Balances with other banks	43,249	6,585
Investments - net	138,140	167,283
Murabaha	59,740	434,455
Ijara	957,264	1,024,023
Musharaka	100,000	100,000
Other assets	25,872	29,786
Operating fixed assets	541	610
	<u>1,337,338</u>	<u>1,771,490</u>
LIABILITIES		
Borrowings from financial institutions	-	41,696
Deposit and other accounts	90,276	60,320
Other liabilities	338,287	832,777
	<u>428,563</u>	<u>934,793</u>
NET ASSETS	<u><u>908,775</u></u>	<u><u>836,697</u></u>
REPRESENTED BY:		
Islamic banking fund / certificate capital	647,072	497,072
Reserves	195,736	190,924
Unappropriated profit	59,948	143,538
	<u>902,756</u>	<u>831,534</u>
Surplus on revaluation of assets	6,019	5,163
	<u><u>908,775</u></u>	<u><u>836,697</u></u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited is Nil (2009: Rs. 136.303 million).

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

20. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 22, 2010.