

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated 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	3,384,623
Share of profit attributable to minority interest	<u>45,063</u>
Profit attributable to shareholders	<u>3,339,560</u>
Earnings per share rupees (Basic & Diluted)	<u>4.40</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. 1.9 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 CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2009

	(Unaudited) March 31, 2009	(Audited) December 31, 2008
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	56,152,444	56,533,134
Balances with other banks	35,479,923	39,307,321
Lendings to financial institutions	22,913,953	6,193,787
Investments	6 155,610,061	138,145,692
Advances	7 419,015,124	456,355,507
Other assets	34,695,668	35,419,252
Operating fixed assets	14,836,905	14,751,252
Deferred tax asset	11,066,771	11,222,444
	<u>749,770,849</u>	<u>757,928,389</u>
LIABILITIES		
Bills payable	8,467,648	9,944,257
Borrowings from financial institutions	9 38,960,820	46,844,990
Deposits and other accounts	10 593,207,647	597,090,545
Sub-ordinated loans	11 4,025,655	3,954,925
Liabilities against assets subject to finance lease	-	-
Other liabilities	29,140,568	24,913,236
Deferred tax liability	-	-
	<u>673,802,338</u>	<u>682,747,953</u>
NET ASSETS	<u><u>75,968,511</u></u>	<u><u>75,180,436</u></u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	7,590,000	7,590,000
Reserves	25,756,426	24,243,254
Unappropriated profit	36,750,305	39,447,648
Total equity attributable to the equity holders of the Bank	70,096,731	71,280,902
Minority interest	976,747	890,099
Surplus on revaluation of assets - net of deferred tax	12 4,895,033	3,009,435
	<u><u>75,968,511</u></u>	<u><u>75,180,436</u></u>
CONTINGENCIES AND COMMITMENTS	13	

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED 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	18,647,225	14,040,907
Mark-up / return / interest expensed	15	7,956,913	5,404,407
Net mark-up / interest income		<u>10,690,312</u>	<u>8,636,500</u>
Provision against non-performing loans and advances - net	7.2 / 7.3	2,393,338	489,183
Reversal against off-balance sheet obligations		(278,394)	-
Reversal of provision against diminution in value of investments	6.2	(187,194)	(5,204)
Bad debts written off directly		-	-
		<u>1,927,750</u>	<u>483,979</u>
Net mark-up / interest income after provisions		8,762,562	8,152,521
Non mark-up / interest income			
Fee, commission and brokerage income		1,171,893	908,981
Income / gain on investments	16	60,963	998,015
Income from dealing in foreign currencies		393,215	374,187
Other income		751,355	682,798
Total non-mark-up / interest income		<u>2,377,426</u>	<u>2,963,981</u>
		11,139,988	11,116,502
Non mark-up / interest expense			
Administrative expenses		5,718,852	4,713,146
Other provisions / write offs - net		105,610	(48,235)
Other charges		338	592
Workers welfare fund	17	111,367	-
Total non mark-up / interest expenses		<u>5,936,167</u>	<u>4,665,503</u>
Profit before taxation		5,203,821	6,450,999
Taxation - current		2,456,927	2,170,669
- prior years		143,350	-
- deferred		(781,079)	12,388
		<u>1,819,198</u>	<u>2,183,057</u>
Profit after taxation		<u>3,384,623</u>	<u>4,267,942</u>
Attributable to:			
Equity holders of the Bank		3,339,560	4,254,067
Minority interest		45,063	13,875
		<u>3,384,623</u>	<u>4,267,942</u>
------(Rupees)-----			
Basic and diluted earnings per share		<u>4.40</u>	<u>5.60</u>

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President and Chief Executive Officer

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

	Attributable to shareholders of the Group							Minority interest	Total	
	Share capital	Exchange translation reserve	Statutory requirement of joint venture and subsidiaries	Bank	Reserve for issue of bonus shares	General	Unappropriated profit			Subtotal
------(Rupees in '000)-----										
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
Total comprehensive income for the period	-	295,709	-	-	-	-	4,266,186	4,561,895	15,040	4,576,935
Transferred to statutory reserves	-	-	7,439	388,070	-	-	(395,509)	-	-	-
Cash dividend paid at Rs. 4 per share	-	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Transfer to reserve for issue of bonus shares	-	-	-	-	690,000	-	(690,000)	-	-	-
Minority share of surplus on revaluation of securities:	-	-	-	-	-	-	-	-	(4,716)	(4,716)
Balance as at March 31, 2008	6,900,000	3,868,733	163,209	10,406,919	690,000	6,073,812	28,762,347	56,865,020	975,966	57,840,986
Total comprehensive income for the period	-	3,092,423	-	-	-	-	11,323,459	14,415,882	22,969	14,438,851
Transferred to statutory reserves	-	-	26,130	612,028	-	-	(638,158)	-	-	-
Issue of bonus shares	690,000	-	-	-	(690,000)	-	-	-	-	-
Cash dividend paid at Rs. 0.50 per certificate by modaraba	-	-	-	-	-	-	-	-	(17,868)	(17,868)
Minority share of surplus on revaluation of securities:	-	-	-	-	-	-	-	-	(90,968)	(90,968)
Balance as at December 31, 2008	7,590,000	6,961,156	189,339	11,018,947	-	6,073,812	39,447,648	71,280,902	890,099	72,171,001
Total comprehensive income for the period	-	(361,340)	-	-	-	-	3,351,669	2,990,329	46,204	3,036,533
Transferred to statutory reserves	-	-	8,369	348,143	-	-	(356,512)	-	-	-
Cash dividend at Rs. 5.50 per share	-	-	-	-	-	-	(4,174,500)	(4,174,500)	-	(4,174,500)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,518,000	-	(1,518,000)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	-	40,444	40,444
Balance as at March 31, 2009	7,590,000	6,599,816	197,708	11,367,090	1,518,000	6,073,812	36,750,305	70,096,731	976,747	71,073,478

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED 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	3,384,623	4,267,942
Other comprehensive income		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(360,199)	296,874
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>3,036,533</u>	<u>4,576,935</u>
Components of comprehensive income not transferred to equity		
Surplus on revaluation of fixed assets	(12,109)	(12,119)
Surplus / (deficit) revaluation on investments	2,874,904	(595,772)
Deferred tax on revaluation of investments	(936,753)	212,727
Total comprehensive income	<u><u>4,962,575</u></u>	<u><u>4,181,771</u></u>
Total comprehensive income attributable to:		
Equity holders of the Bank	4,875,927	4,171,447
Minority interest	86,648	10,324
	<u><u>4,962,575</u></u>	<u><u>4,181,771</u></u>

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President and Chief Executive Officer

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

	March 31, 2009	March 31, 2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,203,821	6,450,999
Dividend income and share of profit of associates and joint venture	(283,268)	(852,354)
Loss / (Gain) on sale of investments - net	222,305	(145,661)
	<u>(60,963)</u>	<u>(998,015)</u>
	5,142,858	5,452,984
Adjustment for:		
Depreciation / amortisation / adjustments	390,949	383,428
Reversal against diminution in the value of investments	(187,194)	(5,204)
Provision against non-performing loans and advances - net of reversal	2,393,338	489,183
Exchange loss on sub-ordinated loans	70,730	36,300
Gain on sale of property and equipment - net	(1,382)	(3,378)
Miscellaneous provisions	(172,784)	(48,234)
	<u>2,493,657</u>	<u>852,095</u>
	7,636,515	6,305,079
Decrease / (increase) in operating assets		
Lendings to financial institutions	(16,720,166)	(5,273,465)
Loans and advances	34,947,045	(5,224,240)
Other assets - net	337,099	381,034
	<u>18,563,978</u>	<u>(10,116,671)</u>
(Decrease) / Increase in operating liabilities		
Deposits and other accounts	(3,882,898)	6,426,187
Borrowings from financial institutions	(7,884,170)	4,808,592
Bills payable	(1,476,609)	(5,919,375)
Other liabilities - net	331,960	1,708,453
	<u>(12,911,717)</u>	<u>7,023,857</u>
	13,288,776	3,212,265
Income tax paid - net	(2,302,416)	(2,624,005)
Net cash flows from operating activities	<u>10,986,360</u>	<u>588,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture	(14,420,086)	(6,755,611)
Dividend income received	21,347	77,095
Fixed capital expenditure	(490,185)	(914,611)
Proceeds from sale of fixed assets	14,965	4,567
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	(361,340)	295,709
Net cash flows (used in) from investing activities	<u>(15,235,299)</u>	<u>(7,292,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest impact of exchange adjustment on translation of balances in subsidiaries etc.	1,141	1,165
Minority share of deficit on revaluation of securities of subsidiaries / modaraba	40,444	(4,716)
Dividend paid	(734)	-
Net cash flows from / (used in) financing activities	<u>40,851</u>	<u>(3,551)</u>
Decrease in cash and cash equivalents during the period	(4,208,088)	(6,708,142)
Cash and cash equivalents at beginning of the year	95,818,922	81,751,461
Effects of exchange rate changes on cash and cash equivalents	21,533	756,907
	<u>95,840,455</u>	<u>82,508,368</u>
Cash and cash equivalents at end of the period	<u>91,632,367</u>	<u>75,800,226</u>

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

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, 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 consolidated financial statements of the Group 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 Group has adopted IFAS 2 - "Ijarah" for all Ijarah contracts entered on or after January 01, 2009. The policy adopted by the Group 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 Group'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 Group 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 Group 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 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, 2008.

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, 2008.

6	INVESTMENTS	Note	March 31, 2009			December 31, 2008		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan investment bonds	6.1	9,832,207	-	9,832,207	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
			9,956,577	-	9,956,577	9,987,881	-	9,987,881
Available-for-sale securities (AFS)								
<i>Federal Government Securities</i>								
	- Market treasury bills		49,070,640	2,271,519	51,342,159	49,465,602	8,754,798	58,220,400
	- Pakistan investment bonds		11,189,678	-	11,189,678	9,021,042	-	9,021,042
	- Government of Pakistan guaranteed bonds		5,471,066	-	5,471,066	6,598,710	-	6,598,710
	- Government of Pakistan bonds / sukuk / (US dollar / euro)		6,072,794	-	6,072,794	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		1,579,551	-	1,579,551	766,194	-	766,194
	- 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		44,056,046	-	44,056,046	23,687,951	-	23,687,951
	NIT units		18,497	-	18,497	23,948	-	23,948
	Preference shares		131,700	-	131,700	181,700	-	181,700
	Other investments		950,818	-	950,818	782,003	-	782,003
			130,103,374	2,271,519	132,374,893	106,065,159	8,754,798	114,819,957
	Investment in associates and joint venture	6.3	13,278,591	-	13,278,591	13,337,854	-	13,337,854
			153,338,542	2,271,519	155,610,061	129,390,894	8,754,798	138,145,692

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2009 amounted to Rs. 8,126.751 million (2008: Rs 7,370.797 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:

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Opening balance	2,143,709	421,729
Charge for the period	171,434	483,327
Impairment loss on listed securities - net	(358,628)	1,426,560
Amount written off	-	(187,907)
Closing balance	1,956,515	2,143,709

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	(Rupees in '000)
PlatinumHabib Bank Plc., Nigeria	December 31, 2008	Naira	1,176,000	648,211
Diamond Trust Bank Limited, Kenya	December 31, 2008	Shs	788,979	790,715
Himalayan Bank Limited, Nepal	July 15, 2008	NRs	1,050,362	1,056,874
Kyrgyz Investment and Credit Bank	December 31, 2007	US \$	2,658	211,782
New Jubilee Life Insurance Co. Ltd.	December 31, 2008	PKR	(54,972)	(54,972)
New Jubilee Insurance Co. Ltd.	December 31, 2008	PKR	(267,249)	(267,249)
HBL Income Fund	December 31, 2008	PKR	147,158	147,158
HBL Multi Asset Fund	December 31, 2008	PKR	(231,473)	(231,473)
7 ADVANCES		Note	March 31, 2009	December 31, 2008
			(Rupees in '000)	
Loans, cash credits, running finances, etc.				
In Pakistan			339,260,726	367,769,370
Outside Pakistan			68,557,764	73,166,782
			407,818,490	440,936,152
Net investment in finance lease - in Pakistan			4,226,103	4,537,980
Bills discounted and purchased (excluding Government treasury bills):				
Payable in Pakistan			12,264,795	12,227,536
Payable outside Pakistan			24,069,213	26,750,236
			36,334,008	38,977,772
Provision against non-performing advances		7.2	(29,363,477)	(28,096,397)
			419,015,124	456,355,507
Fully provided non-performing advances classified as loss for more than five years				
In Pakistan			13,227,286	11,976,479
Provision		7.3	(13,227,286)	(11,976,479)
			-	-

7.1 Advances include Rs. 41,049.323 million (2008: Rs. 40,053.222 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, 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	1,209,973	-	1,209,973	-	-	-	1,209,973	-	1,209,973
Substandard	6,609,407	1,068,716	7,678,123	1,595,785	171,509	1,767,294	5,013,622	897,207	5,910,829
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	11,425,495	9,711,136	21,136,631	11,390,175	9,623,910	21,014,085	35,320	87,226	122,546
	29,307,429	11,741,894	41,049,323	18,017,238	10,460,208	28,477,446	11,290,191	1,281,686	12,571,877
General provision									
	-	-	-	460,659	425,372	886,031	-	-	-
	29,307,429	11,741,894	41,049,323	18,477,897	10,885,580	29,363,477	11,290,191	1,281,686	12,571,877
Category of classification	December 31, 2008								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,200,357	-	1,200,357	-	-	-	1,200,357	-	1,200,357
Substandard	6,271,877	1,003,359	7,275,236	1,507,622	213,364	1,720,986	4,764,255	789,995	5,554,250
Doubtful	9,825,144	564,337	10,389,481	5,063,114	398,206	5,461,320	4,762,030	166,131	4,928,161
Loss	11,539,436	9,648,712	21,188,148	10,465,720	9,578,922	20,044,642	1,073,716	69,790	1,143,506
	28,836,814	11,216,408	40,053,222	17,036,456	10,190,492	27,226,948	11,800,358	1,025,916	12,826,274
General provision									
	-	-	-	452,211	417,238	869,449	-	-	-
	28,836,814	11,216,408	40,053,222	17,488,667	10,607,730	28,096,397	11,800,358	1,025,916	12,826,274

7.2 Particulars of provision against non-performing advances

Note	March 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	27,226,948	869,449	28,096,397	20,255,532	1,050,634	21,306,166
Exchange adjustment	191,796	20,830	212,626	1,978,245	39,297	2,017,542
Charge for the period / year	2,489,863	5,139	2,495,002	7,753,566	85,455	7,839,021
Reversals	(23,357)	(9,387)	(32,744)	(144,702)	(305,937)	(450,639)
	2,466,506	(4,248)	2,462,258	7,608,864	(220,482)	7,388,382
	(69,536)	-	(69,536)	(1,053,510)	-	(1,053,510)
Amounts written off						
Transferred to over 5 years category	(1,338,268)	-	(1,338,268)	(1,562,183)	-	(1,562,183)
Closing balance	28,477,446	886,031	29,363,477	27,226,948	869,449	28,096,397

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, 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 Group 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 Group 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								
- Associate company	795,705	795,705	1,012,292	341,308	124,721	557,885	557,876	433,155
- Retirement benefit funds	-	-	-	-	-	1,033,720	-	1,033,720

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, March 31,
2009 2008
(Rupees in '000)

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

Land	40,741	467,311
Building including related machinery	120,668	5,625
Furniture, fixtures and office equipments	232,353	102,297
Vehicles	141	68,464
Intangible assets	12,099	259,377
Capital work-in-progress	84,183	11,537
	<u>490,185</u>	<u>914,611</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	43,617	46,232
Vehicles	1,438	91
	<u>48,209</u>	<u>46,323</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	17,430,193	15,620,296
Long term finance - export oriented projects	6,189,965	5,756,790
Repurchase agreement borrowings	2,301,681	8,684,350
	<u>25,921,839</u>	<u>30,061,436</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	518,333	229,248
Outside Pakistan:		
Overdrawn nostro accounts	248,506	982,783
Borrowings of overseas branches	12,272,142	15,571,523
	<u>12,520,648</u>	<u>16,554,306</u>
	<u>13,038,981</u>	<u>16,783,554</u>
	<u>38,960,820</u>	<u>46,844,990</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	164,708,980	186,206,978
Savings chequing account	291,648,003	271,240,066
Current accounts - remunerative	2,323,909	2,739,417
Current accounts - non-remunerative	130,015,313	130,326,871
	<u>588,696,205</u>	<u>590,513,332</u>
Financial institutions		
Remunerative deposits	358,049	2,368,970
Non-remunerative deposits	4,153,393	4,208,243
	<u>4,511,442</u>	<u>6,577,213</u>
	<u>593,207,647</u>	<u>597,090,545</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 market rates. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	March 31, 2009	December 31, 2008
Note	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	12.1 7,203,837	7,215,946
- investments	12.2 (2,308,804)	(4,206,511)
Surplus on revaluation of assets - net of deferred tax	<u>4,895,033</u>	<u>3,009,435</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	(6,520)	(26,097)
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	593,067	619,930
- surplus realised on disposal of revalued properties during the period / year	-	(766)
- incremental depreciation charged during the period / year transferred to profit and loss account	(6,520)	(26,097)
	<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	(64,633)	(60,586)
Pakistan investment bonds	(1,029,375)	(2,272,277)
Sukuk and euro bonds	(1,541,930)	(2,393,398)
Listed securities	16,610	(49,072)
NIT units	6,968	12,419
Other investments	(932,718)	(1,616,624)
	(3,545,078)	(6,379,538)
Add: related deferred tax asset	1,236,274	2,173,027
	<u>(2,308,804)</u>	<u>(4,206,511)</u>

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>

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	2,800,491	3,537,882
- Financial institutions	139,852	167,196
- Others	<u>17,793,607</u>	<u>14,854,247</u>
	<u>20,733,950</u>	<u>18,559,325</u>
13.3 Trade-related commitments		
Credit cash	101,298,316	100,355,497
Credit documentary acceptances	9,456,717	11,319,117
Credit acceptances	<u>22,470,960</u>	<u>20,281,662</u>
	<u>133,225,993</u>	<u>131,956,276</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>47,124,898</u>	<u>46,865,521</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, 2009	December 31, 2008
	(Rupees in '000)	
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. 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs. 1,025 million.

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

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

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

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	14,566,759	9,925,296
- Financial institutions	40,696	59,471
<i>On investments:</i>		
- Available-for-sale	3,126,544	3,495,930
- Held-to-maturity	136,160	169,922
On deposits with financial institutions	319,108	342,985
On lendings to financial institutions	457,958	47,303
	<u>18,647,225</u>	<u>14,040,907</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	7,373,908	4,302,871
Securities sold under repurchase agreement borrowings	90,359	664,670
Other short term borrowings	382,312	306,965
Long term borrowings	110,334	129,901
	<u>7,956,913</u>	<u>5,404,407</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	38,334	63,182
Share of profit of associates and joint venture	244,934	789,172
Loss / gain on sale of securities	(222,305)	145,661
	<u>60,963</u>	<u>998,015</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 Group has related party relationship with its associated undertakings, joint venture company, employee benefit plans 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 7.4 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.

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	4,014,360	4,429,970
- Retirement benefit funds	4,077,535	2,050,404
- Companies in which directors are interested	1,591,178	1,679,139
- Receivable from defined benefit plan	6,927,102	6,572,013
Receivable from associates	1,186	541
- Payable to associates and joint venture	3,035,096	3,105,223
- Placements with associates	1,232,702	228,752
- Overdrawn nostro balances with associates and joint venture	8,299	617,255
- Acceptances	675,651	-
	For the three months ended	
	March 31,	March 31,
	2009	2008
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	18,029	45,822
- 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	49,010	-
- Retirement benefit funds	-	36,112
- Companies in which Directors are interested	388	10,920
- Other income from associates	54,590	-
- Share of profit of associates and joint venture - net of tax	149,864	622,908

18.1 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, 2009	March 31, 2008
	(Rupees in '000)	
Managerial remuneration (including allowances)	217,478	199,298
Contribution to provident and benevolent fund	4,186	4,441
Medical	6,735	3,772
	<u>228,399</u>	<u>207,511</u>
Number of persons	<u>140</u>	<u>149</u>

19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2009					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	------(Rupees in million)-----					
Net interest and non-markup income	7,667	3,319	197	1,773	112	13,068
Total expenses including provision	3,871	2,222	(458)	1,162	1,067	7,864
Net income (loss)	3,796	1,097	655	611	(955)	5,204
Segment assets (gross)	88,253	351,405	120,519	154,681	66,283	781,141
Segment non-performing loans	7,453	20,284	-	11,743	1,569	41,049
Segment provision required including general provision	4,262	12,208	-	10,885	4,015	31,370
Segment liabilities including equity	437,682	106,557	7,090	101,699	96,743	749,771
Segment return on net liability / asset (%)	11.64%	15.14%	11.08%	4.68%	8.16%	-
Segment cost of funds (%)	5.43%	11.82%	10.31%	1.32%	0.85%	-

	For the three months ended March 31, 2008					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	------(Rupees in million)-----					
Net interest and non-markup income	6,367	1,853	397	2,317	666	11,600
Total expenses including provision	3,647	1,205	126	960	(789)	5,149
Net income (loss)	2,720	648	271	1,357	1,455	6,451
Segment assets (gross)	108,878	298,565	146,117	117,375	54,010	724,945
Segment non-performing loans	5,180	11,525	-	9,166	2,275	28,146
Segment provision required including general provision	2,632	7,463	-	8,841	3,229	22,165
Segment liabilities including equity	402,127	83,894	39,817	86,132	90,810	702,780
Segment return on net liability / asset (%)	8.78%	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 AND FIRST HABIB BANK MODARABA

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

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	22,378	28,754
Investments - net	63,798	62,565
Ijarah - (note 20.1)	1,323,706	1,354,985
Musharaka	150,000	150,000
Other assets	16,221	21,667
Operating fixed assets	753	957
	1,576,856	1,618,928
LIABILITIES		
Borrowings from financial institutions	187,381	256,917
Deposit and other accounts	10,954	18,655
Other liabilities	619,135	579,649
	817,470	855,221
NET ASSETS	759,386	763,707
REPRESENTED BY:		
Islamic banking fund / certificate capital	497,072	497,072
Reserves	189,842	186,968
Unappropriated profit	71,802	80,567
	758,716	764,607
Surplus / (deficit) on revaluation of assets	670	(900)
	759,386	763,707

The commitment in respect of letters of credit of Islamic banking branch of Habib Bank Limited amounted to Rs. Nil (2008: Rs. 17.402 million).

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

21. DATE OF AUTHORISATION FOR ISSUE

These consolidated 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