

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months period ended June 30, 2009.

Financial Performance

The financial results of the Group are summarized below:

	(Rs. in '000)
Profit after tax	6,562,062
Share of profit attributable to minority interest	57,817
Profit attributable to shareholders	6,504,245
Earnings per share rupees (Basic & Diluted)	7.14

The challenges faced by the Global Financial industry in 2008 still reverberate in 2009. HBL as an institution has emerged stronger in the midst of this global slowdown; we continue to grow and focus on providing our customers with an array of banking services with a concentration on service quality. The bank is focused on building up a strong deposit base, thereby ensuring the bank's leadership position in the market. It continues to improve its extensive branch network through up gradation of the IT infrastructure and branch refurbishment. The bank offers around the clock online banking services, through the largest branch network; Internet banking, phone banking and a growing ATM network, along with products that are customer centric. Earnings have maintained their upward strength, whilst the provisioning of Rs. 3 billion for this quarter echoes the conservative risk management policy of the bank. The bank's bottom line profitability for the quarter is largely maintained despite the difficult operating environment.

The Government and the State Bank of Pakistan continue to take initiatives to support and grow the economy, whilst ensuring a regulatory framework that meets the global standard of compliance. HBL is proactive in its approach at meeting the challenges that are associated with doing business in today's environment. We are working on increasing our market share in order to build real value for our shareholders whilst also building customer confidence.

Appreciation and Acknowledgement

In conclusion, I extend my sincere appreciation to our customers for their patronage, our shareholders for their confidence and the staff for their dedication & continued support. HBL has committed to providing a higher level of access to our customers while improving on existing services.

On behalf of the Board

R. Zakir Mahmood
President & Chief Executive Officer
Karachi: August 21, 2009

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2009

	(Unaudited) June 30, 2009	(Audited) December 31, 2008
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	64,588,230	56,533,134
Balances with other banks	44,977,922	39,307,321
Lendings to financial institutions	22,184,363	6,193,787
Investments	149,589,270	134,974,382
Advances	459,639,034	459,526,817
Other assets	41,260,556	35,419,252
Operating fixed assets	14,882,119	14,751,252
Deferred tax asset	10,524,989	11,222,444
	<u>807,646,483</u>	<u>757,928,389</u>
LIABILITIES		
Bills payable	8,237,634	9,944,257
Borrowings from financial institutions	46,359,129	46,844,990
Deposits and other accounts	642,895,347	597,090,545
Sub-ordinated loans	4,072,855	3,954,925
Liabilities against assets subject to finance lease	-	-
Other liabilities	24,051,831	24,913,236
Deferred tax liability	-	-
	<u>725,616,796</u>	<u>682,747,953</u>
NET ASSETS	<u><u>82,029,687</u></u>	<u><u>75,180,436</u></u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	9,108,000	7,590,000
Reserves	25,997,816	24,243,254
Unappropriated profit	39,613,015	39,447,648
Total equity attributable to the equity holders of the Bank	74,718,831	71,280,902
Minority interest	1,097,265	890,099
Surplus on revaluation of assets - net of deferred tax	6,213,591	3,009,435
	<u><u>82,029,687</u></u>	<u><u>75,180,436</u></u>
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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

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009

Note	Six months ended		Quarter ended		
	January 01 to June 30, 2009	January 01 to June 30, 2008	April 01 to June 30, 2009	April 01 to June 30, 2008	
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	37,446,016	28,604,163	18,798,791	14,563,256
Mark-up / return / interest expensed	15	16,071,985	11,535,309	8,115,072	6,130,902
Net mark-up / interest income		21,374,031	17,068,854	10,683,719	8,432,354
Provision against non-performing loans and advances - net (Reversal) / charge against off-balance sheet obligations	7.2 / 7.3	5,285,783 (123,110)	1,130,980 -	2,892,445 155,284	641,797 -
Provision against diminution in value of investments	6.2	(7,650)	11,779	179,544	16,983
Bad debts written off directly		-	-	-	-
		5,155,023	1,142,759	3,227,273	658,780
Net mark-up / interest income after provisions		16,219,008	15,926,095	7,456,446	7,773,574
Non mark-up / interest income					
Fee, commission and brokerage income		2,587,202	1,951,199	1,415,309	1,042,218
Income / gain on investments	16	562,213	1,588,095	501,250	590,080
Income from dealing in foreign currencies		869,436	1,018,375	476,221	644,188
Other income		1,576,039	1,281,348	824,684	598,550
Total non-mark-up / interest income		5,594,890	5,839,017	3,217,464	2,875,036
		21,813,898	21,765,112	10,673,910	10,648,610
Non mark-up / interest expense					
Administrative expenses		11,181,453	9,823,782	5,462,601	5,110,636
Other provisions / write offs - net		10,947	112,955	(94,663)	161,190
Other charges		873	1,037	535	445
Workers welfare fund		212,647	210,332	101,280	210,332
Total non mark-up / interest expenses		11,405,920	10,148,106	5,469,753	5,482,603
Profit before taxation		10,407,978	11,617,006	5,204,157	5,166,007
Taxation - current		4,145,877	4,271,719	1,688,950	2,101,050
- prior years		381,544	888,732	238,194	888,732
- deferred		(681,505)	(1,041,723)	99,574	(1,054,111)
		3,845,916	4,118,728	2,026,718	1,935,671
Profit after taxation		6,562,062	7,498,278	3,177,439	3,230,336
Attributable to:					
Equity holders of the Bank		6,504,245	7,403,803	3,164,685	3,149,736
Minority interest		57,817	94,475	12,754	80,600
		6,562,062	7,498,278	3,177,439	3,230,336
------(Rupees)-----					
Basic and diluted earnings per share		7.14	8.13	3.47	3.46

The annexed notes 1 to 20 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 CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Attributable to shareholders of the Group						Minority interest	Total	
	Share capital	Exchange translation reserve	Statutory requirement of joint venture and subsidiaries	Bank	General	Unappropriated profit			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	-	3,124,611	-	-	-	7,403,803	10,528,414	141,091	10,669,505
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	24,239	24,239	-	24,239
Transferred to statutory reserves	-	-	16,373	635,659	-	(652,032)	-	-	-
Cash dividend at Rs. 4 per share	-	-	-	-	-	(2,760,000)	(2,760,000)	-	(2,760,000)
Issued as bonus shares	690,000	-	-	-	-	(690,000)	-	-	-
Minority share of (deficit) on revaluation of securities	-	-	-	-	-	-	-	(4,716)	(4,716)
Balance as at June 30, 2008	7,590,000	6,697,635	172,143	10,654,508	6,073,812	31,667,680	62,855,778	1,102,017	63,957,795
Total comprehensive income for the period	-	263,521	-	-	-	8,131,208	8,394,729	(103,082)	8,291,647
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	30,395	30,395	-	30,395
Transferred to statutory reserves	-	-	17,196	364,439	-	(381,635)	-	-	-
Cash dividend at Rs. 0.50 per certificate by modaraba	-	-	-	-	-	-	-	(17,868)	(17,868)
Minority share of (deficit) 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	-	1,082,389	-	-	-	6,504,245	7,586,634	141,913	7,728,547
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	25,795	25,795	-	25,795
Transferred to statutory reserves	-	-	16,756	655,417	-	(672,173)	-	-	-
Cash dividend at Rs. 5.50 per share	-	-	-	-	-	(4,174,500)	(4,174,500)	-	(4,174,500)
Issued as bonus shares	1,518,000	-	-	-	-	(1,518,000)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	65,253	65,253
Balance as at June 30, 2009	9,108,000	8,043,545	206,095	11,674,364	6,073,812	39,613,015	74,718,831	1,097,265	75,816,096

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

President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Profit for the period	6,562,062	7,498,278
Other comprehensive income		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	1,166,485	3,171,227
Comprehensive income transferred to equity	<u>7,728,547</u>	<u>10,669,505</u>
Components of comprehensive income not reflected in equity		
Surplus / (deficit) on revaluation of investments	4,840,896	(1,911,042)
Deferred tax on revaluation of investments	(1,545,962)	660,501
Total comprehensive income	<u><u>11,023,481</u></u>	<u><u>9,418,964</u></u>
Total comprehensive income attributable to:		
Equity holders of the Bank	10,816,315	9,282,589
Minority interest	207,166	136,375
	<u><u>11,023,481</u></u>	<u><u>9,418,964</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 SIX MONTHS ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,407,978	11,617,006
Dividend income and share of profit of associates and joint venture	(637,279)	(1,406,790)
Loss / (Gain) on sale of investments - net	75,066	(181,305)
	<u>(562,213)</u>	<u>(1,588,095)</u>
	9,845,765	10,028,911
Adjustment for:		
Depreciation / amortisation / adjustments	783,342	784,668
Provision against diminution in value of investments	(7,650)	11,779
Provision against non-performing loans and advances - net of reversal	5,285,783	1,130,980
Exchange loss on sub-ordinated loans	117,930	319,850
Gain on sale of property and equipment - net	(19,748)	(29,508)
Miscellaneous provisions	(112,163)	112,955
	<u>6,047,494</u>	<u>2,330,724</u>
	15,893,259	12,359,635
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,990,576)	449,873
Loans and advances	(5,398,000)	(30,315,170)
Other assets - net	(3,576,611)	(2,714,305)
	<u>(24,965,187)</u>	<u>(32,579,602)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	45,804,802	53,546,933
Borrowings from financial institutions	(485,861)	(11,292,223)
Bills payable	(1,706,623)	(6,340,531)
Other liabilities - net	(746,457)	1,256,068
	<u>42,865,861</u>	<u>37,170,247</u>
	33,793,933	16,950,280
Income tax paid - net	(7,287,121)	(7,617,783)
Net cash flows from operating activities	<u>26,506,812</u>	<u>9,332,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture	(9,346,206)	5,831,847
Dividend income received	394,152	83,793
Fixed capital expenditure	(924,935)	(1,500,207)
Proceeds from sale of fixed assets	30,474	32,160
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	1,082,389	3,124,611
Net cash flows (used in) / from investing activities	<u>(8,764,126)</u>	<u>7,572,204</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest impact of exchange adjustment on translation of balances in subsidiaries etc.	84,096	46,616
Minority share of surplus / (deficit) on revaluation of securities of subsidiaries / modaraba	65,253	(4,716)
Dividend paid	(4,166,338)	(2,734,835)
Net cash flows (used in) financing activities	<u>(4,016,989)</u>	<u>(2,692,935)</u>
Increase in cash and cash equivalents during the period	13,725,697	14,211,766
Cash and cash equivalents at beginning of the year	91,494,176	77,577,031
Effects of exchange rate changes on cash and cash equivalents	4,346,279	4,931,337
	<u>95,840,455</u>	<u>82,508,368</u>
Cash and cash equivalents at end of the period	<u>109,566,152</u>	<u>96,720,134</u>

The annexed notes 1 to 20 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 SIX MONTHS ENDED JUNE 30, 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 financing against lease under advances and further analysis is provided in the note of Islamic Banking activities (note 19).

CUSTOMER LOYALTY PROGRAMMES - IFRIC - 13

During the 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	June 30, 2009			December 31, 2008		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
	Held-for-trading (HFT)							
	- Pakistan investment bonds		198,152	-	198,152	-	-	-
	Held-to-maturity securities (HTM)							
	<i>Federal Government Securities</i>							
	- Pakistan investment bonds	6.1	8,531,317	-	8,531,317	9,865,095	-	9,865,095
	Overseas Government Securities		76,431	-	76,431	74,604	-	74,604
	Debentures and Corporate Debt Instruments		57,557	-	57,557	57,557	-	57,557
			8,863,457	-	8,863,457	9,997,256	-	9,997,256
	Available-for-sale securities (AFS)							-
	<i>Federal Government Securities</i>							
	- Market treasury bills		63,679,157	1,993,515	65,672,672	49,465,602	8,754,798	58,220,400
	- Pakistan investment bonds		10,488,606	-	10,488,606	9,021,042	-	9,021,042
	- Government of Pakistan guaranteed bonds		5,650,701	-	5,650,701	6,598,710	-	6,598,710
	- Government of Pakistan bonds / sukuk / (US dollar / euro)		6,876,870	-	6,876,870	4,718,958	-	4,718,958
	Overseas Government Securities		9,348,455	-	9,348,455	8,153,876	-	8,153,876
	<i>Fully paid-up ordinary shares</i>							
	- Listed companies		1,562,331	-	1,562,331	766,194	-	766,194
	- Unlisted companies		709,623	-	709,623	437,657	-	437,657
	<i>Debentures and Corporate Debt Instruments</i>							
	- Listed securities		2,464,865	-	2,464,865	2,227,518	-	2,227,518
	- Unlisted securities	6.3	23,174,081	-	23,174,081	20,507,266	-	20,507,266
	NIT units		19,304	-	19,304	23,948	-	23,948
	Preference shares		142,300	-	142,300	181,700	-	181,700
	Other investments		1,115,391	-	1,115,391	782,003	-	782,003
			125,231,684	1,993,515	127,225,199	102,884,474	8,754,798	111,639,272
	Investment in associates and joint venture		13,500,614	-	13,500,614	13,337,854	-	13,337,854
			147,595,755	1,993,515	149,589,270	126,219,584	8,754,798	134,974,382

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2009 amounted to Rs. 7,084.434 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

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
Opening balance	2,143,709	421,729
Charge for the period / year	188,889	483,327
Impairment loss / (reversal) due to disposal of impaired shares	(196,539)	1,426,560
Other movement	(100,000)	-
Write offs	(58,697)	(187,907)
Closing balance	1,977,362	2,143,709

6.3 Unlisted Term Finance Certificates amounting to Rs. 24,049.374 million (2008: Rs. 3,171.310 million) have been reclassified to loans and advances.

6.4 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)
PlatinumHabib Bank Plc., Nigeria	March 31, 2009	Naira	16,087,000	8,867,154
Diamond Trust Bank Limited, Kenya	March 31, 2009	Shs	294,087	294,734
Himalayan Bank Limited, Nepal	December 31, 2008	NRs	761,983	771,584
Kyrgyz Investment and Credit Bank	December 31, 2008	US \$	3,241	228,035
New Jubilee Life Insurance Co. Ltd.	March 31, 2009	PKR	35,578	35,578
New Jubilee Insurance Co. Ltd.	March 31, 2009	PKR	119,124	119,124
HBL Income Fund	March 31, 2009	PKR	208,934	208,934
HBL Multi Asset Fund	March 31, 2009	PKR	(211,537)	(211,537)
7 ADVANCES		Note	June 30, 2009	December 31, 2008
			(Rupees in '000)	
Loans, cash credits, running finances, etc.				
In Pakistan			364,580,836	367,769,370
Outside Pakistan			71,410,385	73,166,782
			435,991,221	440,936,152
Net investment in finance lease - in Pakistan			4,019,644	4,537,980
Unlisted Term Finance Certificates			24,049,374	3,171,310
Bills discounted and purchased (excluding Government treasury bills):				
Payable in Pakistan			8,958,747	12,227,536
Payable outside Pakistan			18,954,815	26,750,236
			27,913,562	38,977,772
Provision against non-performing advances	7.2		(32,334,767)	(28,096,397)
			459,639,034	459,526,817
Fully provided non-performing advances classified as loss for more than five years				
In Pakistan			13,055,264	11,976,479
Provision	7.4		(13,055,264)	(11,976,479)
			-	-

7.1 Advances include Rs. 43,548.466 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	June 30, 2009								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,139,094	-	1,139,094	-	-	-	1,139,094	-	1,139,094
Substandard	6,326,745	1,536,686	7,863,431	1,536,969	351,059	1,888,028	4,789,776	1,185,627	5,975,403
Doubtful	7,102,145	1,324,083	8,426,228	3,551,073	936,924	4,487,997	3,551,072	387,159	3,938,231
Loss	16,262,531	9,857,182	26,119,713	15,394,513	9,760,406	25,154,919	868,018	96,776	964,794
	30,830,515	12,717,951	43,548,466	20,482,555	11,048,389	31,530,944	10,347,960	1,669,562	12,017,522
General provision	-	-	-	410,198	393,625	803,823	-	-	-
	30,830,515	12,717,951	43,548,466	20,892,753	11,442,014	32,334,767	10,347,960	1,669,562	12,017,522
	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	June 30, 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 / other movement		712,609	44,182	756,791	1,978,245	39,297	2,017,542
Charge for the period / year		6,117,783	7,892	6,125,675	7,753,566	85,455	7,839,021
Reversals		(512,870)	(117,700)	(630,570)	(144,702)	(305,937)	(450,639)
		5,604,913	(109,808)	5,495,105	7,608,864	(220,482)	7,388,382
Write offs		(664,308)	-	(664,308)	(1,053,510)	-	(1,053,510)
Transferred to over 5 years category	7.4	(1,349,218)	-	(1,349,218)	(1,562,183)	-	(1,562,183)
Closing balance		31,530,944	803,823	32,334,767	27,226,948	869,449	28,096,397

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

In accordance with BSD Circular No. 2 dated January 27, 2009 issued by State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at June 30, 2009 would have been lower by approximately Rs 868.018 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	June 30, 2009	December 31, 2008
(Rupees in '000)			
Opening balance		11,976,479	11,909,930
Reversal		(209,322)	(483,463)
Transferred during the period / year	7.2	1,349,218	1,562,183
Write offs		(61,111)	(1,012,171)
		<u>13,055,264</u>	<u>11,976,479</u>

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

	June 30, 2009				December 31, 2008			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
----- (Rupees in '000) -----								
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives *	1,034,904	1,059,096	53,520	24,192	1,005,576	1,039,416	341,604	33,840
- in respect of key management personnel	624,895	632,429	200,925	158,399	582,369	594,534	278,284	12,288
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	897,901	908,661	1,313,106	1,306,835	891,631	894,419	15,295,761	15,737,463
Debts due by								
- Associate companies								
- Guaranteed by Government	14,052,267	14,052,267	18,024,563	6,071,441	2,099,145	2,883,582	6,533,245	6,034,147
- Others	57,045	852,750	1,045,096	1,161,814	173,763	562,180	659,264	488,106
- 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

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

	For the six months ended	
	June 30, 2009	June 30, 2008
(Rupees in '000)		
Land	155,377	502,881
Building including related machinery	163,010	22,718
Furniture, fixtures and office equipments	433,671	560,149
Vehicles	54,780	90,929
Intangible assets	12,085	121,139
Capital work-in-progress	106,012	202,391
	<u>924,935</u>	<u>1,500,207</u>

8.2 Disposal of fixed assets

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

Land	1,741	-
Building including related machinery	4,096	-
Furniture, fixtures and office equipments	91,740	84,312
Vehicles	18,152	36,288
Intangible assets	75	262
	<u>115,804</u>	<u>120,862</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	19,881,638	15,620,296
Long term finance - export oriented projects	6,363,795	5,756,790
Repurchase agreement borrowings	1,938,178	8,684,350
	<u>28,183,611</u>	<u>30,061,436</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	3,166,667	229,248
Outside Pakistan:		
Overdrawn nostro accounts	72,139	982,783
Borrowings of overseas branches	14,936,712	15,571,523
	<u>15,008,851</u>	<u>16,554,306</u>
	<u>18,175,518</u>	<u>16,783,554</u>
	<u>46,359,129</u>	<u>46,844,990</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	187,664,147	186,206,978
Savings chequing account	306,296,154	271,240,066
Current accounts - remunerative	2,663,566	2,739,417
Current accounts - non-remunerative	134,057,025	130,326,871
	<u>630,680,892</u>	<u>590,513,332</u>

Financial institutions

Remunerative deposits	957,833	2,368,970
Non-remunerative deposits	11,256,622	4,208,243
	<u>12,214,455</u>	<u>6,577,213</u>
	<u>642,895,347</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 (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 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

	Note	June 30, 2009	December 31, 2008
(Rupees in '000)			
Surplus arising on revaluation of:			
- fixed assets	12.1	7,190,421	7,215,946
- investments	12.2	(976,830)	(4,206,511)
Surplus on revaluation of assets - net of deferred tax		<u>6,213,591</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		(1,582)	(6,168)
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(24,213)	(48,466)
Related deferred tax liability of incremental depreciation charged during the period / year		(13,038)	(26,097)
Surplus on revaluation of fixed assets as at period / year end		<u>7,770,180</u>	<u>7,809,013</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		593,067	619,930
- surplus realised on disposal of revalued properties during the period / year		(270)	(766)
- incremental depreciation charged during the period / year transferred to profit and loss account		(13,038)	(26,097)
		<u>579,759</u>	<u>593,067</u>
		<u>7,190,421</u>	<u>7,215,946</u>

12.2 Surplus / (deficit) on revaluation of investments

Market treasury bills		161,640	(60,586)
Pakistan investment bonds		(618,884)	(2,272,277)
Sukuk and euro bonds		(953,356)	(2,393,398)
Listed securities		119,006	(49,072)
NIT units		7,775	12,419
Other investments		(320,076)	(1,616,624)
		(1,603,895)	(6,379,538)
Add: related deferred tax asset		627,065	2,173,027
		<u>(976,830)</u>	<u>(4,206,511)</u>

13 CONTINGENCIES AND COMMITMENTS**13.1 Direct credit substitutes - financial guarantees**

Guarantees in favour of:			
- Government		7,576,328	5,960,958
- Financial institutions		1,993,222	137,947
- Others		42,350,833	38,699,414
		<u>51,920,383</u>	<u>44,798,319</u>

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	2,120,372	3,537,882
- Financial institutions	105,076	167,196
- Others	15,874,603	14,854,247
	<u>18,100,051</u>	<u>18,559,325</u>
13.3 Trade-related commitments		
Credit cash	92,208,934	100,355,497
Credit documentary acceptances	10,884,927	11,319,117
Credit acceptances	19,659,719	20,281,662
	<u>122,753,580</u>	<u>131,956,276</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>56,543,984</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	June 30, 2009	December 31, 2008
	(Rupees in '000)	
Purchase	38,127,205	26,840,479
Sale	42,655,934	26,722,359
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency swaps / options		
Purchase	274,477	123,241
Sale	274,477	123,241
Commitments in respect of local currency interest rate swaps		
Purchase	442,286	35,000
Sale	442,286	35,000
13.7 Commitments for acquisition of operating fixed assets / intangibles	546,165	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. 637 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.

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Through these amendments the deduction for provisions for advances and off balance sheet items will be allowed upto 1% of total advances. Provisioning in excess of 1% would be allowed to be carried over to succeeding years. The amount of bad debts classified as Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. The amendments are applicable for financial year ending 31 December 2009.

The management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances (pro-rated for half year) and have recognized deferred tax asset on such provision amounting to Rs. 1.257 billion.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto 31 December 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banks Association (PBA) have taken up this matter with Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized through 31 December 2008 relating to provisions for advances and off balance sheet items amounting to Rs. 7.1 billion has been carried forward.

14 MARK-UP / RETURN / INTEREST EARNED

	For the six months ended	
	June 30, 2009	June 30, 2008
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	29,495,709	20,882,399
- Financial institutions	61,025	159,894
<i>On investments:</i>		
- Available-for-sale	6,121,872	6,459,089
- Held-for-trading	7,634	-
- Held-to-maturity	273,393	316,911
On deposits with financial institutions	618,507	670,585
On lendings to financial institutions	867,876	115,285
	<u>37,446,016</u>	<u>28,604,163</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	14,889,391	9,272,959
Securities sold under repurchase agreement borrowings	167,205	1,377,177
Other short term borrowings	790,600	634,181
Long term borrowings	224,789	250,992
	<u>16,071,985</u>	<u>11,535,309</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	76,824	106,705
Share of profit of associates and joint venture	560,455	1,300,085
Loss / gain on sale of securities	(75,066)	181,305
	<u>562,213</u>	<u>1,588,095</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 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 7.5 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:

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	8,154,021	4,429,970
- Retirement benefit funds	2,899,117	2,050,404
- Companies in which directors are interested	1,769,250	1,679,139
- Investments in Companies in which the Bank has nominated key management personnel	45,512	45,512
- Receivable from defined benefit plan	7,048,132	6,572,013
Receivable from associates	-	541
- Payable to associates and joint venture	2,768,386	3,105,223
- Placements with associates	533,046	228,752
- Nostro balances with associates and joint venture / companies in which directors are interested	646,798	617,255
- Acceptances	12,666	-
	For the six months ended	
	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Profit / Expense for the period		
- Interest paid		
- Joint venture and associates	92,050	50,326
- Retirement benefit funds	158,995	1,589
- Companies in which Directors are interested	24,409	2,121
- Premium paid to companies in which directors are interested	152,353	200,030
- Interest income		
- Joint venture and associates	8,536	-
- Retirement benefit funds	-	36,112
- Companies in which Directors are interested	12,889	15,135
- Other income from associates	151,707	6,957
- Share of profit of associates and joint venture - net of tax	408,274	725,686

17.1 Key management personnel

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

	For the six months ended	
	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Managerial remuneration (including allowances)	482,902	426,482
Contribution to provident and benevolent fund	8,574	9,263
Medical	13,162	8,885
	<u>504,638</u>	<u>444,630</u>
Number of persons	<u>149</u>	<u>157</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2009					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest and non-markup income	15,812	6,252	873	4,254	(222)	26,969
Total expenses including provision	7,725	5,035	(405)	2,623	1,583	16,561
Net income / (loss)	8,087	1,217	1,278	1,631	(1,805)	10,408
Segment assets (gross)	89,320	336,948	153,203	149,667	113,167	842,305
Segment non-performing loans	7,589	22,052	-	11,501	2,406	43,548
Segment provision required including general provision	4,576	14,566	586	11,051	3,880	34,659
Segment liabilities including equity	477,913	100,506	8,403	113,866	106,958	807,646
Segment return on net liability / asset (%)	11.73%	14.64%	11.03%	4.86%	8.76%	-
Segment cost of funds (%)	5.41%	11.64%	10.18%	1.56%	0.76%	-

	For the six months ended June 30, 2008					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest and non-markup income	12,743	3,795	1,077	4,557	736	22,908
Total expenses including provision	6,894	1,482	204	2,187	524	11,291
Net income	5,849	2,313	873	2,370	212	11,617
Segment assets (gross)	110,331	309,914	153,770	139,217	46,583	759,815
Segment non-performing loans	5,137	11,662	-	10,424	1,618	28,841
Segment provision required including general provision	3,280	7,760	-	5,793	7,270	24,103
Segment liabilities including equity	431,738	99,338	18,660	100,009	85,967	735,712
Segment return on net liability / asset (%)	9.41%	11.42%	9.16%	6.42%	3.68%	-
Segment cost of funds (%)	3.63%	9.23%	8.76%	2.71%	0.33%	-

19 ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA

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

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	11,825	28,754
Investments - net	65,482	62,565
Ijarah - (note 19.1)	1,209,348	1,354,985
Musharaka	150,000	150,000
Other assets	15,285	21,667
Operating fixed assets	756	957
	<u>1,452,696</u>	<u>1,618,928</u>
LIABILITIES		
Borrowings from financial institutions	90,777	256,917
Deposit and other accounts	10,328	18,655
Other liabilities	563,911	579,649
	<u>665,016</u>	<u>855,221</u>
NET ASSETS	<u>787,680</u>	<u>763,707</u>
REPRESENTED BY:		
Islamic banking fund / certificate capital	497,072	497,072
Reserves	196,065	186,968
Unappropriated profit	94,494	80,567
	<u>787,631</u>	<u>764,607</u>
Surplus / (deficit) on revaluation of assets	49	(900)
	<u>787,680</u>	<u>763,707</u>

The commitment in respect of letters of credit of Islamic banking branch of Habib Bank Limited amount is Nil (2008: Rs. 17,402 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 August 21, 2009.

President and Chief Executive Officer

Director

Director

Director