

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the nine months period ended September 30, 2010.

Financial Performance

The financial results of the Group are summarized below:	(Rs. in '000)
Profit after tax	<u>12,170,219</u>
Share of profit attributable to minority shareholders/investors	134,592
Profit attributable to shareholders	<u>12,035,627</u>
Earnings per share rupees (Basic & Diluted)	12.01

The Group achieved a Pre-Tax Profit of Rs. 19.38 billion for the nine months period ended 30th September 2010, reflecting an increase of Rs. 3.18 billion and growth of 19.65 per cent over the corresponding period of last year. Net mark-up income increased by Rs. 2.5 billion and Non Fund income of the Group has contributed significantly with a growth of Rs. 0.60 billion (excluding capital gain) which is 7.40 per cent higher. Capital gains also increased by Rs. 0.46 billion over the past period. Further prudent approach to risk taking and monitoring of exposure has reduced the NPL provisioning during the period over corresponding period of last year. Correspondingly the post tax profit increased by 19.54% to Rs. 12.17 billion.

The economy remains fragile and the effects of the global financial crisis are expected to continue over 2011. With this slow recovery, overall productivity is low and banks will continue to see the impact of the post crisis credit costs. Hence, at HBL we believe it is important to retain prudent balance sheet management whilst continuing to aggressively serve productive sectors of the economy that promote sustainable growth. HBL is committed to developing new products that improve quality of life, whilst raising the standards of customer service so that we can support our customers through challenging times.

We are pleased to inform the shareholders that JCR VIS Credit Rating Company reaffirmed HBL's long term credit rating of "AA+" and its short term rating of "A-1+". In reaffirming the ratings, JCR cited that in the backdrop of increased credit risk in the environment, performance of the bank has shown resilience with capitalization levels remaining strong.

The bank has been awarded as the Best Emerging Market Bank 2010 by Global Finance - this award has been conferred on HBL in recognition of its superior performance, enhanced profitability, expanding asset base and innovative products and services.

The HBL Group is committed to contributing to the socio-economic fabric of the country – the floods that have devastated so many Pakistanis have also impacted the bank and its branch network. The Group responded swiftly by arranging delivery of relief items such as food, shelter and medicine to the people in the affected areas through different organizations working for the cause. The Group also provided financial assistance for flood affectees by contributing towards the Prime Minister's Relief Fund and other organizations.

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 and continued support. HBL is committed to providing a higher level of access to our customers while continuously improving quality of services.

On behalf of the Board

R. Zakir Mahmood
 President & Chief Executive Officer
 October 27, 2010

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2010

	(Unaudited) September 30, 2010 (Rupees in '000)	(Audited) December 31, 2009 (Rupees in '000)
ASSETS		
Cash and balances with treasury banks	80,670,231	79,839,836
Balances with other banks	35,616,781	40,366,687
Lendings to financial institutions	34,829,566	5,352,873
Investments	215,836,501	216,467,532
Advances	436,197,513	454,662,499
Operating fixed assets	16,167,190	16,766,668
Deferred tax asset	8,916,410	9,205,944
Other assets	39,972,244	41,262,754
	868,206,436	863,924,793
LIABILITIES		
Bills payable	9,740,107	10,041,542
Borrowings from financial institutions	46,734,441	52,542,978
Deposits and other accounts	683,903,140	682,750,079
Sub-ordinated loans	4,316,045	4,212,080
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	31,695,164	30,008,316
	776,388,897	779,554,995
NET ASSETS	91,817,539	84,369,798
REPRESENTED BY:		
Shareholders' equity		
Share capital	10,018,800	9,108,000
Reserves	29,466,947	27,527,380
Unappropriated profit	43,102,564	38,498,335
Total equity attributable to the equity holders of the Bank	82,588,311	75,133,715
Minority interest	1,172,695	1,143,241
Surplus on revaluation of assets - net of deferred tax	8,056,533	8,092,842
	91,817,539	84,369,798
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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 NINE MONTHS ENDED SEPTEMBER 30, 2010

	Note	January 01 to September 30, 2010	January 01 to September 30, 2009 (Restated) (Rupees in '000)	July 01 to September 30, 2010	July 01 to September 30, 2009 (Restated)
Mark-up / return / interest earned	14	60,001,649	56,420,813	20,326,535	18,946,903
Mark-up / return / interest expensed	15	25,599,319	24,479,896	8,463,472	8,418,563
Net mark-up / interest income		34,402,330	31,940,917	11,863,063	10,528,340
Provision against non-performing loans and advances - net	7.2 / 7.4	4,911,491	6,571,415	1,698,324	1,285,632
Charge / (reversal) against off-balance sheet obligations		23,627	(123,110)	27,101	-
(Reversal) / charge against diminution in value of investments	6.2	(71,561)	5,585	(2,393)	61,477
Bad debts written off directly		-	-	-	-
Net mark-up / interest income after provisions		4,863,557	6,453,890	1,723,032	1,347,109
		29,538,773	25,487,027	10,140,031	9,181,231
Non mark-up / interest income					
Fee, commission and brokerage income		3,815,902	3,881,007	1,085,813	1,293,805
Income / gain on investments	16	946,258	324,175	235,255	365,505
Income from dealing in foreign currencies		2,149,763	1,403,155	799,847	533,719
Other income		2,090,795	2,331,260	575,776	774,522
Total non-mark-up / interest income		9,002,718	7,939,597	2,696,691	2,967,551
		38,541,491	33,426,624	12,836,722	12,148,782
Non mark-up / interest expense					
Administrative expenses		18,607,538	16,809,107	6,169,162	5,628,053
Other provisions / write offs - net		567	77,263	(75,890)	66,316
Other charges		178,305	1,926	820	1,053
Workers welfare fund		372,348	338,225	124,342	125,578
Total non mark-up / interest expenses		19,158,758	17,226,521	6,218,434	5,821,000
Profit before taxation		19,382,733	16,200,103	6,618,288	6,327,782
Taxation - current		6,545,611	6,335,799	2,208,230	2,263,375
- prior years		426,886	(1,062,009)	5,743	(1,443,553)
- deferred		240,017	745,786	99,261	1,427,291
Profit after taxation		12,170,219	10,180,527	4,305,054	4,080,669
Attributable to:					
Equity holders of the Bank		12,035,627	10,227,336	4,248,481	4,052,526
Minority interest		64,189	65,561	30,819	7,744
Minority investor of HBL funds		70,403	(112,370)	25,754	20,399
		12,170,219	10,180,527	4,305,054	4,080,669
		----- (Rupees) -----			
Basic and diluted earnings per share		12.01	10.21	4.24	4.04

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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	January 01 to September 30, 2010	January 01 to September 30, 2009 (Restated)	July 01 to September 30, 2010	July 01 to September 30, 2009 (Restated)
	------(Rupees in '000)-----			
Profit for the period	12,170,219	10,180,527	4,305,054	4,080,669
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(70,403)	112,370	(25,754)	(20,399)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	798,201	2,383,355	1,418,906	906,442
Comprehensive income transferred to equity	<u>12,898,017</u>	<u>12,676,252</u>	<u>5,698,206</u>	<u>4,966,712</u>
Components of comprehensive income not reflected in equity				
Surplus on revaluation of investments	104,752	6,888,098	(212,105)	1,246,919
Deferred tax on revaluation of investments	(50,916)	(1,865,458)	84,232	(319,496)
	<u>12,951,853</u>	<u>17,698,892</u>	<u>5,570,333</u>	<u>5,894,135</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	12,812,684	17,564,257	5,479,030	5,833,897
Minority interest	68,766	247,005	65,549	39,839
Minority investor	70,403	(112,370)	25,754	20,399
	<u>12,951,853</u>	<u>17,698,892</u>	<u>5,570,333</u>	<u>5,894,135</u>

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

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	September 30, 2010	September 30, 2009 (Restated) (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,382,733	16,200,103
Dividend income and share of profit of associates and joint venture	(732,848)	(526,125)
(Gain) / loss on sale of securities - net	(224,578)	233,663
	(957,426)	(292,462)
	18,425,307	15,907,641
Adjustment for:		
Depreciation / amortisation	1,277,451	1,183,970
(Reversal) / charge against diminution in value of investments	(71,561)	5,585
Provision against non-performing loans and advances - net of reversal	4,911,491	6,571,415
Unrealised loss / (gain) in value of investments at fair value	11,168	(31,713)
Exchange loss on sub-ordinated loans	103,965	202,485
Gain on sale of property and equipment - net	(21,690)	(15,054)
Miscellaneous provisions	24,194	(45,847)
	6,235,018	7,870,841
	24,660,325	23,778,482
(Increase) / decrease in operating assets		
Lendings to financial institutions	(29,476,693)	187,936
Loans and advances	13,553,495	25,039,873
Other assets - net	525,437	(962,078)
	(15,397,761)	24,265,731
Increase / (decrease) in operating liabilities		
Deposits and other accounts	1,153,061	37,291,091
Borrowings from financial institutions	(5,808,537)	891,669
Bills payable	(301,435)	(439,795)
Other liabilities - net	1,579,100	4,138,550
	(3,377,811)	41,881,515
	5,884,753	89,925,728
Income tax paid - net	(6,179,579)	(9,630,991)
Net cash flows (used in) / from operating activities	(294,826)	80,294,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in securities, associates and joint venture	1,518,301	(60,813,452)
Dividend income received	207,382	494,484
Fixed capital expenditure	(689,078)	(1,286,454)
Proceeds from sale of fixed assets	32,795	88,087
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	791,732	2,306,407
Net cash flows from / (used in) investing activities	1,861,132	(59,210,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest impact of exchange adjustment on translation of balances in subsidiary	6,469	76,948
Dividend paid	(5,492,286)	(4,173,831)
Net cash flows used in from financing activities	(5,485,817)	(4,096,883)
Increase in cash and cash equivalents during the period	(3,919,511)	16,986,926
Cash and cash equivalents at beginning of the period	118,402,139	90,143,176
Effects of exchange rate changes on cash and cash equivalents	1,804,384	5,754,255
	120,206,523	95,897,431
Cash and cash equivalents at end of the period	116,287,012	112,884,357

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 STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Attributable to shareholders of the Group							Minority interest	Total
	Share capital	Exchange translation reserve	Reserves			Subtotal			
			Statutory requirement	Other reserves					
		Joint venture and subsidiaries	Bank	General	Unappropriated profit				
(Rupees in '000)									
Balance as at December 31, 2008 - (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 nine months ended September 30, 2009 - (Restated)	-	-	-	-	-	10,114,966	10,114,966	65,561	10,180,527
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	112,370	112,370	-	112,370
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	2,306,407	-	-	-	-	2,306,407	76,948	2,383,355
	-	2,306,407	-	-	-	10,227,336	12,533,743	142,509	12,676,252
Transactions with owners, recorded directly in equity									
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)	-	-	-
Cash dividend at Rs. 0.50 per certificate by modaraba	-	-	-	-	-	-	-	(17,867)	(17,867)
	1,518,000	-	-	-	-	(5,692,500)	(4,174,500)	(17,867)	(4,192,367)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	82,802	82,802	-	82,802
Transferred to statutory reserves	-	-	26,990	1,057,271	-	(1,084,261)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	104,496	104,496
Balance as at September 30, 2009 - (Restated)	9,108,000	8,680,353	216,329	12,076,218	6,073,812	35,466,555	71,621,267	1,119,237	72,740,504
Total comprehensive income for the period									
Profit for the three months ended December 31, 2009	-	-	-	-	-	3,195,553	3,195,553	24,669	3,220,222
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(33,437)	(33,437)	-	(33,437)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	302,451	-	-	-	-	302,451	9,523	311,974
	-	302,451	-	-	-	3,162,116	3,464,567	34,192	3,498,759
Transactions with owners, recorded directly in equity									
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	47,881	47,881	-	47,881
Transferred to statutory reserves	-	-	5,624	172,593	-	(178,217)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(15,954)	(15,954)
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 nine months ended September 30, 2010	-	-	-	-	-	12,106,030	12,106,030	64,189	12,170,219
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(70,403)	(70,403)	-	(70,403)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	791,732	-	-	-	-	791,732	6,469	798,201
	-	791,732	-	-	-	12,035,627	12,827,359	70,658	12,898,017
Transactions with owners, recorded directly in equity									
Cash dividend at Rs. 6 per share	-	-	-	-	-	(5,464,800)	(5,464,800)	-	(5,464,800)
Issued as bonus shares	910,800	-	-	-	-	(910,800)	-	-	-
Cash dividend at Rs. 1.10 per certificate by modaraba	-	-	-	-	-	-	-	(39,312)	(39,312)
	910,800	-	-	-	-	(6,375,600)	(5,464,800)	(39,312)	(5,504,112)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	92,037	92,037	-	92,037
Transferred to statutory reserves	-	-	18,552	1,129,283	-	(1,147,835)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(1,892)	(1,892)
Balance as at September 30, 2010	10,018,800	9,774,536	240,505	13,378,094	6,073,812	43,102,564	82,588,311	1,172,695	83,761,006

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
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2009. 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

The accounting policies and the methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual 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.

6 INVESTMENTS

Note	September 30, 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	-	-	-	9,652	-	9,652
- Market Treasury Bills	2,590	-	2,590	387,191	-	387,191
- Investments of Mutual Funds	76,343	-	76,343	245,913	-	245,913
	78,933	-	78,933	642,756	-	642,756
Held-to-maturity securities (HTM)						
<i>Federal Government Securities</i>						
- Pakistan Investment Bonds	8,317,256	-	8,317,256	8,428,352	-	8,428,352
Overseas Government Securities	-	-	-	78,963	-	78,963
Debentures and Corporate Debt Instruments	428,959	-	428,959	48,182	-	48,182
	8,746,215	-	8,746,215	8,555,497	-	8,555,497
Available-for-sale securities (AFS)						
<i>Federal Government Securities</i>						
- Market Treasury Bills	81,702,550	2,086,118	83,788,668	84,407,507	3,559,326	87,966,833
- Pakistan Investment Bonds	9,599,510	-	9,599,510	8,840,806	-	8,840,806
- Government of Pakistan Guaranteed Bonds	425,000	-	425,000	5,522,370	-	5,522,370
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)	2,749,321	-	2,749,321	6,784,749	-	6,784,749
Overseas Government Securities	12,397,537	-	12,397,537	14,601,416	-	14,601,416
<i>Fully paid-up ordinary shares</i>						
- Listed companies	1,013,363	-	1,013,363	1,090,273	-	1,090,273
- Unlisted companies	731,732	-	731,732	730,244	-	730,244
<i>Debentures and Corporate Debt Instruments</i>						
- Listed securities	4,613,344	-	4,613,344	4,482,005	-	4,482,005
- Unlisted securities	82,415,877	-	82,415,877	69,095,974	-	69,095,974
NIT Units	18,814	-	18,814	21,839	-	21,839
Preference Shares	126,000	-	126,000	170,000	-	170,000
Other Investments	1,556,109	-	1,556,109	1,523,641	-	1,523,641
<i>Investments of Mutual Funds</i>	3,426,861	-	3,426,861	3,041,384	-	3,041,384
	200,776,018	2,086,118	202,862,136	200,312,208	3,559,326	203,871,534
Investment in associates and Joint Venture						
	4,149,217	-	4,149,217	3,397,745	-	3,397,745
	<u>213,750,383</u>	<u>2,086,118</u>	<u>215,836,501</u>	<u>212,908,206</u>	<u>3,559,326</u>	<u>216,467,532</u>

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2010 amounted to Rs. 7,284.700 million (2009: Rs 7,067.141 million).

6.2 Particulars of provision held against diminution in value of investments

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

	September 30, 2010	December 31, 2009
	(Rupees in '000)	
Opening balance	2,572,470	2,143,709
Charge for the year - net	10,631	435,427
Impairment reversal on listed securities - net	(82,192)	(424,193)
Impairment loss on associate	-	335,261
Total charge - net	(71,561)	346,495
Amount written off	(957)	(78,116)
Transfer to advances	(200,000)	27,529
Transfer of provision on consolidation of open end funds	-	131,019
Exchange adjustment	9,998	1,834
Closing balance	<u>2,309,950</u>	<u>2,572,470</u>

6.3 These accounts include results of following period of our associates and joint venture:

	Based on the financial statements as on
Diamond Trust Bank Limited, Kenya	September 30, 2010
Himalayan Bank Limited, Nepal	June 30, 2010
Kyrgyz Investment and Credit Bank	September 30, 2010
New Jubilee Life Insurance Co. Ltd.	June 30, 2010
New Jubilee Insurance Co. Ltd.	June 30, 2010

7 ADVANCES

	Note	September 30, 2010	December 31, 2009
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		366,897,814	384,534,667
Outside Pakistan		59,189,700	68,435,996
		<u>426,087,514</u>	<u>452,970,663</u>
Net investment in finance lease - in Pakistan		3,860,061	3,763,556
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		8,568,758	8,319,104
Payable outside Pakistan		38,124,390	24,957,260
		46,693,148	33,276,364
Provision against non-performing advances	7.2	(40,443,210)	(35,348,084)
		<u>436,197,513</u>	<u>454,662,499</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		12,785,095	12,914,798
Provision	7.4	(12,785,095)	(12,914,798)
		<u>-</u>	<u>-</u>

- 7.1 Advances include Rs. 52,028.093 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	September 30, 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	1,150,047	-	1,150,047	1,380	-	1,380	1,148,667	-	1,148,667
Substandard	3,101,342	4,625,325	7,726,667	742,121	883,318	1,625,439	2,359,221	3,742,007	6,101,228
Doubtful	7,050,320	2,225,067	9,275,387	3,588,733	1,465,247	5,053,980	3,461,587	759,820	4,221,407
Loss	24,105,860	9,770,132	33,875,992	23,321,163	9,715,901	33,037,064	784,697	54,231	838,928
	<u>35,407,569</u>	<u>16,620,524</u>	<u>52,028,093</u>	<u>27,653,397</u>	<u>12,064,466</u>	<u>39,717,863</u>	<u>7,754,172</u>	<u>4,556,058</u>	<u>12,310,230</u>
General provision	-	-	-	344,410	380,937	725,347	-	-	-
	<u>35,407,569</u>	<u>16,620,524</u>	<u>52,028,093</u>	<u>27,997,807</u>	<u>12,445,403</u>	<u>40,443,210</u>	<u>7,754,172</u>	<u>4,556,058</u>	<u>12,310,230</u>

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
	<u>32,678,206</u>	<u>16,760,049</u>	<u>49,438,255</u>	<u>22,927,153</u>	<u>11,696,984</u>	<u>34,624,137</u>	<u>9,751,053</u>	<u>5,063,065</u>	<u>14,814,118</u>
General provision	-	-	-	345,341	378,606	723,947	-	-	-
	<u>32,678,206</u>	<u>16,760,049</u>	<u>49,438,255</u>	<u>23,272,494</u>	<u>12,075,590</u>	<u>35,348,084</u>	<u>9,751,053</u>	<u>5,063,065</u>	<u>14,814,118</u>

7.2 Particulars of provision against non-performing advances

Note	September 30, 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	396,006	9,722	405,728	1,126,460	55,593	1,182,053
Charge for the period / year	5,635,809	13,287	5,649,096	10,044,991	26,750	10,071,741
Reversals	(120,956)	(21,609)	(142,565)	(577,793)	(227,845)	(805,638)
	5,514,853	(8,322)	5,506,531	9,467,198	(201,095)	9,266,103
Write offs	(40,115)	-	(40,115)	(1,550,687)	-	(1,550,687)
Transferred to over 5 years category	(777,018)	-	(777,018)	(1,645,782)	-	(1,645,782)
Closing balance	<u>39,717,863</u>	<u>725,347</u>	<u>40,443,210</u>	<u>34,624,137</u>	<u>723,947</u>	<u>35,348,084</u>

- 7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, during the period the Bank has further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 809.581 million and profit before taxation for the period under review for the quarter ended September 30, 2010 would have been lower by approximately Rs 77.856 million.

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

Note	September 30, 2010	December 31, 2009
	(Rupees in '000)	
Opening balance	12,914,798	11,976,479
Reversal	(595,040)	(471,543)
Transferred during the period / year	777,018	1,645,782
Write offs	(311,681)	(235,920)
	<u>12,785,095</u>	<u>12,914,798</u>

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

September 30, 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)	954,900	1,277,800	421,510	504,610	1,038,000	1,054,700	155,890	123,466
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	526,297	597,015	243,637	247,924	530,584	542,484	247,511	299,296

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

	1,080,665	1,157,647	225,993	300,828	1,155,500	1,155,500	1,657,401	1,393,532
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Debts due by companies in which key management personnel are nominated by the Bank as directors

- Guaranteed by Government	12,435,841	13,628,965	9,359,171	9,587,795	12,664,465	14,055,572	20,143,120	9,577,800
- Others	46,357	51,979	28,349	34,721	52,729	854,840	1,043,707	1,164,741

The disclosure of the period-end balance, limit / amount sanctioned and the highest amount outstanding during the period / year 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 nine months ended	
September 30, 2010	September 30, 2009
(Rupees in '000)	

The following additions have been made to tangible and intangible fixed assets during the period ended September 30, 2010:

Land	2,268	190,294
Building including related machinery	285,812	261,429
Furniture, fixtures and office equipments	380,613	659,551
Vehicles	13,080	54,780
Intangible assets	1,865	24,978
Capital work-in-progress	5,440	95,422
	<u>689,078</u>	<u>1,286,454</u>

8.2 **Disposal of fixed assets**

The following disposals have been made from tangible and intangible fixed assets during the period ended September 30, 2010:

Land	-	58,951
Building including related machinery	7,282	4,096
Furniture, fixtures and office equipments	196,662	124,072
Vehicles	23,754	29,003
Intangible assets	3,267	91
	<u>230,965</u>	<u>216,213</u>

9 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	September 30, 2010	December 31, 2009
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	17,611,369	22,267,455
Long term financing facility - locally manufactured and imported plant & machinery	4,218,991	1,575,542
Long term finance - export oriented projects	3,677,524	5,196,466
Repurchase agreement borrowings	<u>2,081,858</u>	<u>4,497,374</u>
	<u>27,589,742</u>	<u>33,536,837</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	11,400,000	6,441,696
Outside Pakistan:		
Overdrawn nostro accounts	195,045	434,821
Borrowings of overseas branches and subsidiaries	<u>7,549,654</u>	<u>12,129,624</u>
	<u>7,744,699</u>	<u>12,564,445</u>
	<u>19,144,699</u>	<u>19,006,141</u>
	<u>46,734,441</u>	<u>52,542,978</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers		
Fixed deposits	173,091,643	208,459,070
Savings chequing account	325,475,263	314,040,743
Current accounts - remunerative	1,743,654	1,811,833
Current accounts - non-remunerative	<u>176,071,513</u>	<u>149,221,644</u>
	<u>676,382,073</u>	<u>673,533,290</u>
Financial institutions		
Remunerative deposits	1,737,298	1,616,443
Non-remunerative deposits	<u>5,783,769</u>	<u>7,600,346</u>
	<u>7,521,067</u>	<u>9,216,789</u>
	<u>683,903,140</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 (2009: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013. Interest is payable on bi - annual basis 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.

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	September 30, 2010	December 31, 2009
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(Rupees in '000)

Surplus arising on revaluation of:

- fixed assets	12.1	8,496,062	8,588,099
- investments	12.2	(439,529)	(495,257)
Surplus on revaluation of assets - net of deferred tax		<u>8,056,533</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		(92,037)	(83,929)
Related deferred tax liability of incremental depreciation charged during the period / year		(49,561)	(45,192)
Surplus on revaluation of fixed assets as at period / year end		<u>9,370,933</u>	<u>9,512,531</u>

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		(49,561)	(45,192)
		<u>874,871</u>	<u>924,432</u>
		<u>8,496,062</u>	<u>8,588,099</u>

12.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		(158,207)	94,651
Pakistan Investment Bonds		(978,644)	(700,540)
Sukuk and Euro Bonds		(7,845)	(532,377)
Listed Securities		256,884	314,408
NIT Units		7,286	10,311
Other Investments		112,357	(61,266)
		(768,169)	(874,813)
Add: related deferred tax asset		328,640	379,556
		<u>(439,529)</u>	<u>(495,257)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		357,075	7,220,955
- Financial institutions		23,776	641,533
- Others		32,213,372	50,716,165
		<u>32,594,223</u>	<u>58,578,653</u>

	September 30, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	801,382	2,153,320
- Financial institutions	92,546	112,588
- Others	28,990,751	20,437,508
	<u>29,884,679</u>	<u>22,703,416</u>
13.3 Trade-related commitments		
Credit cash	100,200,879	97,707,388
Credit documentary acceptances	7,349,088	10,085,276
Credit acceptances	20,907,728	28,852,010
	<u>128,457,695</u>	<u>136,644,674</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>80,796,043</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.

	September 30, 2010 (Rupees in '000)	December 31, 2009 (Rupees in '000)
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	80,180,188	43,970,316
Sale	80,053,238	43,978,039
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	207,192	2,556,777
Sale	207,192	2,556,777
Commitments in respect of local currency interest rate swaps		
Purchase	402,831	456,208
Sale	402,831	456,208
13.7 Commitments for acquisition of operating fixed assets / intangibles	423,830	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 assessment under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2006 the tax authorities have disallowed double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 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.

Appeal against this issue is pending at appellate stage. Although the bank has made partial payment of tax assessed, under protest, no provision has been made in the financial statements for the above liability, as the management is confident that the eventual outcome of this issue will be in the favor of the bank.

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer & SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances.

Further a new Rule 8(A) has been introduced 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.

With reference to allowability of provision, 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 recognized deferred tax asset on such provision amounting to Rs. 2.507 billion.

13.9 Benazir Employees Stock Option Scheme

The Federal Cabinet approved "Benazir Employees Stock Option Scheme (BESOS)" on August 5, 2009 for empowerment of employees of State Owned Entities through transfer of 12% of Government of Pakistan share holding. According to scheme, 12% shares owned by GoP are to be transferred to an employees trust to be registered. As the Bank was privatized in 2004 and its shares are held by State Bank of Pakistan as per Federal Government instructions under Section 17(6A) of SBP Act 1947, it is unclear how transfer of such shares to the employees trust will take place. Pending resolution of such uncertainties, the cost of such scheme has not been accounted for in these financial statements.

14 MARK-UP / RETURN / INTEREST EARNED

	For the nine months ended	
	September 30, 2010	September 30, 2009 (Restated)
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	39,914,676	42,140,312
- Financial institutions	215,585	203,414
<i>On investments:</i>		
- Available-for-sale	17,016,089	11,409,530
- Held-for-trading	40,256	24,982
- Held-to-maturity	354,732	397,133
	-	-
On deposits with financial institutions	770,157	674,058
On lendings to financial institutions	1,690,154	1,571,384
	<u>60,001,649</u>	<u>56,420,813</u>

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	23,019,699	22,638,810
Securities sold under repurchase agreement borrowings	253,843	237,027
Other short term borrowings	1,934,015	1,266,694
Long term borrowings	391,762	337,365
	<u>25,599,319</u>	<u>24,479,896</u>

16 INCOME / GAIN ON INVESTMENTS

Dividend income	237,193	194,275
Share of profit of associates and joint venture	495,655	331,850
Gain / (loss) on sale of securities - net	224,578	(233,663)
Unrealised (loss) / gain in value of investments at fair value	(11,168)	31,713
	<u>946,258</u>	<u>324,175</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.

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:

	September 30, 2010	December 31, 2009
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	1,706,343	2,774,917
- Retirement benefit funds	224,671	7,841,600
- Companies in which directors are interested	131,351	34,573
- Companies in which key management personnel are nominated by the Bank as directors	61,926	104,424
- AKFED Group Companies	525,923	1,572,335
- Investments in companies in which directors are interested	10,334	216,460
- Investment in companies in which key management personnel are nominated by the Bank as directors	34,113	34,113
- Investment in associates and joint venture	4,149,217	3,397,745
- Payable / Receivable from defined benefit schemes	779,710	7,086,636
- Receivables from:		
- Companies in which key management personnel are nominated by the Bank as directors / Companies in which directors are interested	102,297	590,571
- Payables to:		
- AKFED Group Companies	164	2
- Companies in which key management personnel are nominated by the Bank as directors	194	429
- Companies in which directors are interested	2,069	1,290
- Associates	3,363	529
- Retirement benefit funds	-	347,068
- Overdrawn nostro balances with joint venture and associates / companies in which key management personnel are nominated by the Bank as directors / AKFED Group Companies	773,371	210,208
- Acceptances	-	7,966
- Placement with associate	344,984	-

	For the nine months ended	
	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Profit / Expense for the period		
- Interest expense		
- Joint venture and associates	47,173	143,797
- Retirement benefit funds	425,147	359,259
- Companies in which Directors are interested	3,250	26,136
- Companies in which key management personnel are nominated by the Bank as directors	2,211	3,987
- AKFED Group Companies	8,306	1,905
- Premium paid to companies in which directors are interested	190,553	163,952
- Interest income		
- Joint venture and associates	71	60,246
- Companies in which Directors are interested	53,473	67,141
- Companies in which key management personnel are nominated by the Bank as directors	1,089,172	688,813
- In respect of debts due by key management personnel	24,860	27,550
- Other income from associates	359,934	257,089
- Share of profit of associates and joint venture - net of tax	365,563	218,210
- Donations paid on behalf of HBL Foundation	52,500	-
- Payable to HBL Foundation	238,000	-
- Dividend income		
- Companies in which Directors are interested	5,500	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 nine months ended	
	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Managerial remuneration (including allowances)	778,043	698,692
Contribution to provident and benevolent fund	13,851	12,531
Medical	19,051	19,099
	<u>810,945</u>	<u>730,322</u>
Number of persons	154	148

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2010					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(11,775)	32,867	9,743	3,087	480	34,402
Inter segment revenue - net	34,543	(26,830)	(9,084)	-	1,371	-
Non-funded income	2,954	2,044	1,407	2,530	68	9,003
Net interest and non-markup income	25,722	8,081	2,066	5,617	1,919	43,405
Total expenses excluding provision against doubtful advances	7,947	2,478	(7)	3,593	5,100	19,111
Provision against doubtful advances	703	2,801	-	216	1,191	4,911
Inter segment administrative cost	4,799	960	138	529	(6,426)	-
Total expenses including provision	13,449	6,239	131	4,338	(135)	24,022
Net income before tax	12,273	1,842	1,935	1,279	2,054	19,383
Segment assets (gross)	97,525	419,207	157,439	179,963	57,169	911,303
Segment non-performing loans	8,272	19,174	-	16,359	9,077	52,882
Segment provision required including general provision	5,913	23,954	-	12,941	289	43,097
Segment liabilities including equity	521,156	87,543	17,980	151,902	89,625	868,206
Segment return on net liability / asset	11.74%	12.72%	9.61%	4.92%	2.43%	-
Segment cost of funds	5.01%	10.15%	7.98%	1.10%	0.08%	-

	For the nine months ended September 30, 2009					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
	(Restated)					
Net interest income - External	(10,903)	30,600	8,219	3,538	487	31,941
Inter segment revenue - net	32,085	(23,826)	(7,582)	-	(677)	-
Non-funded income	2,895	1,880	849	2,535	(219)	7,940
Net interest and non-markup income	24,077	8,654	1,486	6,073	(409)	39,881
Total expenses excluding provision against doubtful advances	7,110	745	73	3,476	5,706	17,110
Provision against doubtful advances	1,215	4,436	(612)	674	858	6,571
Inter segment administrative cost	3,268	654	94	360	(4,376)	-
Total expenses including provision	11,593	5,835	(445)	4,510	2,188	23,681
Net income / (loss) before tax	12,484	2,819	1,931	1,563	(2,597)	16,200
Segment assets (gross)	68,062	389,038	123,764	175,076	85,386	841,326
Segment non-performing loans	7,346	21,387	-	14,443	2,022	45,198
Segment provision required including general provision	4,823	15,094	440	12,349	3,545	36,251
Segment liabilities including equity	474,988	82,575	16,439	123,689	107,384	805,075
Segment return on net liability / asset	12.52%	14.04%	9.03%	5.99%	1.95%	-
Segment cost of funds	5.41%	10.79%	7.63%	1.71%	0.01%	-

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	September 30,	December 31,
		2010	2009
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		193,833	8,748
Balances with other banks		33,961	6,585
Lendings to financial institutions		1,700,000	-
Investments - net		1,523,479	167,283
Murabaha		123,154	434,455
Ijara	19.1	821,577	1,024,023
Musharaka		50,000	100,000
Other assets		130,546	29,786
Operating fixed assets		1,169	610
		<u>4,577,719</u>	<u>1,771,490</u>
LIABILITIES			
Bills payable		487	-
Borrowings from financial institutions		400,000	41,696
Deposit and other accounts		2,885,080	60,320
Other liabilities		369,225	832,777
		<u>3,654,792</u>	<u>934,793</u>
NET ASSETS			
		<u>922,927</u>	<u>836,697</u>
REPRESENTED BY:			
Islamic banking fund / certificate capital		647,073	497,072
Reserves		199,919	190,924
Unappropriated profit		70,354	143,538
		<u>917,346</u>	<u>831,534</u>
Surplus on revaluation of assets		5,581	5,163
		<u>922,927</u>	<u>836,697</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited is Rs. 325.916 million (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 October 27, 2010.

President and Chief Executive Officer

Director

Director

Director