

HABIB BANK LIMITED  
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT MARCH 31, 2011

	Note	(Unaudited) March 31, 2011	(Audited) December 31, 2010
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		88,812,749	81,516,883
Balances with other banks		36,175,202	35,990,301
Lendings to financial institutions		9,074,087	30,339,344
Investments	6	272,487,113	245,016,986
Advances	7	435,805,170	434,998,560
Operating fixed assets		15,837,078	15,876,545
Deferred tax asset		8,897,947	8,835,326
Other assets		39,770,376	34,478,466
		<u>906,859,722</u>	<u>887,052,411</u>
<b>LIABILITIES</b>			
Bills payable		9,107,648	9,774,749
Borrowings from financial institutions	9	61,479,871	37,430,333
Deposits and other accounts	10	712,691,166	721,069,137
Sub-ordinated loans	11	4,268,005	4,281,835
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		31,445,697	24,971,618
		<u>818,992,387</u>	<u>797,527,672</u>
<b>NET ASSETS</b>		<u><u>87,867,335</u></u>	<u><u>89,524,739</u></u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		10,018,800	10,018,800
Reserves		29,284,765	27,671,813
Unappropriated profit		40,867,924	44,121,103
		80,171,489	81,811,716
Surplus on revaluation of assets - net of deferred tax	12	7,695,846	7,713,023
		<u><u>87,867,335</u></u>	<u><u>89,524,739</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Note	March 31, 2011	March 31, 2010
----- (Rupees in '000) -----			
Mark-up / return / interest earned	14	22,156,848	19,156,955
Mark-up / return / interest expensed	15	9,162,228	8,551,418
Net mark-up / interest income		<u>12,994,620</u>	<u>10,605,537</u>
Provision against non-performing loans and advances - net	7.2 / 7.4	2,396,775	1,413,055
Provision against off-balance sheet obligations		30,289	46,446
Provision against against diminution in the value of investments - net	6.2	(43,986)	(83,680)
Bad debts written off directly		-	-
		<u>2,383,078</u>	<u>1,375,821</u>
Net mark-up / interest income after provisions		10,611,542	9,229,716
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,128,033	1,199,221
Income / gain on investments	16	229,015	172,795
Income from dealing in foreign currencies		1,068,796	497,513
Other income		680,177	784,345
Total non-mark-up / interest income		<u>3,106,021</u>	<u>2,653,874</u>
		13,717,563	11,883,590
<b>Non mark-up / interest expense</b>			
Administrative expenses		6,339,616	5,614,011
Other provisions / write offs - net		(94,212)	12,308
Other charges		1,029	171,271
Workers welfare fund		149,423	121,720
Total non mark-up / interest expense		<u>6,395,856</u>	<u>5,919,310</u>
<b>Profit before taxation</b>		<u>7,321,707</u>	<u>5,964,280</u>
<b>Taxation</b>			
current		2,593,024	2,327,779
prior years		97,593	-
deferred		(69,680)	33,899
		<u>2,620,937</u>	<u>2,361,678</u>
<b>Profit after taxation</b>		<u>4,700,770</u>	<u>3,602,602</u>
----- (Rupees) -----			
Basic and diluted earnings per share		<u>4.69</u>	<u>3.60</u>

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

President and Chief Executive Officer

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HABIB BANK LIMITED  
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010
	(Rupees in '000)	
<b>Profit for the period</b>	4,700,770	3,602,602
<b>Other comprehensive income</b>		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	140,995	(361,968)
<b>Comprehensive income transferred to equity</b>	<u>4,841,765</u>	<u>3,240,634</u>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of investments	20,110	734,501
Deferred tax on revaluation of investments	(7,059)	(256,817)
<b>Total comprehensive income</b>	<u>4,854,816</u>	<u>3,718,318</u>

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President and Chief Executive Officer

Director

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**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	March 31, 2011	March 31, 2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,321,707	5,964,280
Dividend income	(131,417)	(108,150)
Gain on sale of securities	(97,598)	(65,386)
	<u>(229,015)</u>	<u>(173,536)</u>
	7,092,692	5,790,744
<b>Adjustment for:</b>		
Depreciation / amortisation	351,947	410,268
Provision against diminution in the value of investments - net	(43,986)	(83,680)
Provision against non-performing loans and advances - net	2,396,775	1,413,055
Unrealised loss held for sale of securities	-	741
Exchange loss on sub-ordinated loans	(13,830)	(7,690)
Gain on sale of property and equipment - net	(7,714)	(4,090)
Miscellaneous provisions	(63,923)	58,754
	<u>2,619,269</u>	<u>1,787,358</u>
	9,711,961	7,578,102
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	21,265,257	(17,080,764)
Advances	(3,203,385)	17,980,118
Other assets	(4,011,970)	6,199,733
	14,049,902	7,099,087
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	(8,377,971)	(6,285,847)
Borrowings from financial institutions	24,049,538	(6,314,080)
Bills payable	(667,101)	(1,533,027)
Other liabilities	6,444,788	392,227
	<u>21,449,254</u>	<u>(13,740,727)</u>
	45,211,117	936,462
Income tax paid	(3,803,763)	(2,467,460)
<b>Net cash flows / (used in) operating activities</b>	<u>41,407,354</u>	<u>(1,530,998)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture	(27,308,433)	6,627,244
Dividend income received	58,835	60,263
Fixed capital expenditure	(314,396)	(194,630)
Proceeds from sale of fixed assets	9,630	6,303
Exchange adjustment on translation of balances in foreign branches	140,995	(361,968)
<b>Net cash (used in) / flows investing activities</b>	<u>(27,413,369)</u>	<u>6,137,212</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(6,513,218)	(5,004,542)
<b>Net cash flows used in financing activities</b>	<u>(6,513,218)</u>	<u>(5,004,542)</u>
Increase in cash and cash equivalents during the period	7,480,767	(398,328)
Cash and cash equivalents at beginning of the year	116,999,219	110,114,947
Effects of exchange rate changes on cash and cash equivalents	507,965	(1,027,447)
	117,507,184	109,087,500
Cash and cash equivalents at end of the period	<u>124,987,951</u>	<u>108,689,172</u>

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

President and Chief Executive Officer

Director

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**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**

Share capital	RESERVES					Total	
	Exchange translation reserve	Statutory	Reserve for issue of bonus shares	General	Unappropriated profit		
(Rupees in '000)							
Balance as at December 31, 2009	9,108,000	7,479,266	12,248,811	-	6,073,812	36,325,458	71,235,347
<b>Total comprehensive income for the period</b>							
Profit for the three months ended March 31, 2010	-	-	-	-	-	3,602,602	3,602,602
<b>- Other comprehensive income</b>							
Effect of translation of net investment in foreign branches	-	(361,968)	-	-	-	-	(361,968)
	-	(361,968)	-	-	-	3,602,602	3,240,634
<b>Transactions with owners, recorded directly in equity</b>							
Cash dividend at Rs. 6 per share	-	-	-	-	-	(5,464,800)	(5,464,800)
Transferred to reserve for issue as bonus shares	-	-	-	910,800	-	(910,800)	-
	-	-	-	910,800	-	(6,375,600)	(5,464,800)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	29,857	29,857
Transferred to statutory reserve	-	-	360,260	-	-	(360,260)	-
Balance as at March 31, 2010	9,108,000	7,117,298	12,609,071	910,800	6,073,812	33,222,057	69,041,038
<b>Total comprehensive income for the period</b>							
Profit for the period ended December 31, 2010	-	-	-	-	-	12,010,452	12,010,452
<b>- Other comprehensive income</b>							
Effect of translation of net investment in foreign branches	-	670,587	-	-	-	-	670,587
	-	670,587	-	-	-	12,010,452	12,681,039
<b>Transactions with owners, recorded directly in equity</b>							
Issue as bonus shares	910,800	-	-	(910,800)	-	-	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	89,639	89,639
Transferred to statutory reserve	-	-	1,201,045	-	-	(1,201,045)	-
Balance as at December 31, 2010	10,018,800	7,787,885	13,810,116	-	6,073,812	44,121,103	81,811,716
<b>Total comprehensive income for the period</b>							
Profit for the three months ended March 31, 2011	-	-	-	-	-	4,700,770	4,700,770
<b>- Other comprehensive income</b>							
Effect of translation of net investment in foreign branches	-	140,995	-	-	-	-	140,995
	-	140,995	-	-	-	4,700,770	4,841,765
<b>Transactions with owners, recorded directly in equity</b>							
Cash dividend at Rs. 6.5 per share	-	-	-	-	-	(6,512,220)	(6,512,220)
Transferred to reserve for issue as bonus shares	-	-	-	1,001,880	-	(1,001,880)	-
	-	-	-	1,001,880	-	(7,514,100)	(6,512,220)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	30,228	30,228
Transferred to statutory reserve	-	-	470,077	-	-	(470,077)	-
Balance as at March 31, 2011	10,018,800	7,928,880	14,280,193	1,001,880	6,073,812	40,867,924	80,171,489

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**

**1 STATUS AND NATURE OF BUSINESS**

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan.

**2 BASIS OF PREPARATION**

These financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These condensed Interim Financial Statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2010.

**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 Bank for the year ended December 31, 2010.

**4 ACCOUNTING ESTIMATES**

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2010.

**5 FINANCIAL RISK MANAGEMENT**

The financial risk management objective and policies adopted by Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2010.

## 6 INVESTMENTS

Note	March 31, 2011			December 31, 2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
<b>Held-for-trading securities (HFT)</b>						
- Market Treasury Bills	7,576,856	-	7,576,856	66,845	-	66,845
- Shares	-	-	-	2,499	-	2,499
- Pakistan Investment Bonds	439,147	-	439,147	-	-	-
	8,016,003	-	8,016,003	69,344	-	69,344
<b>Held-to-maturity securities (HTM)</b>						
<i>Federal Government Securities</i>						
- Pakistan Investment Bonds	8,096,967	-	8,096,967	8,155,763	-	8,155,763
<b>Debentures and Corporate Debt Instruments</b>						
	173,021	-	173,021	176,544	-	176,544
	8,269,988	-	8,269,988	8,332,307	-	8,332,307
<b>Available-for-sale securities (AFS)</b>						
<i>Federal Government Securities</i>						
- Market Treasury Bills	112,700,963	18,784,486	131,485,449	115,398,461	-	115,398,461
- Pakistan Investment Bonds	13,123,072	1,028,538	14,151,610	11,737,562	709,392	12,446,954
- Government of Pakistan Guaranteed Bonds	425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)	10,024,573	-	10,024,573	8,267,793	-	8,267,793
<b>Overseas Government Securities</b>						
	9,137,396	-	9,137,396	10,452,212	-	10,452,212
<i>Fully paid-up ordinary shares</i>						
- Listed companies	1,303,459	-	1,303,459	1,447,720	-	1,447,720
- Unlisted companies	719,787	-	719,787	719,787	-	719,787
<i>Debentures and Corporate Debt Instruments</i>						
- Listed securities	4,702,471	-	4,702,471	4,722,625	-	4,722,625
- Unlisted securities	70,651,086	-	70,651,086	69,892,529	-	69,892,529
<b>NIT Units</b>						
	21,250	-	21,250	21,143	-	21,143
<b>Preference Shares</b>						
	100,000	-	100,000	125,000	-	125,000
<b>Other Investments</b>						
	1,544,654	-	1,544,654	1,581,864	-	1,581,864
	224,453,711	19,813,024	244,266,735	224,791,696	709,392	225,501,088
<b>Investment in Subsidiary Companies</b>						
	5,690,140	-	5,690,140	5,360,245	-	5,360,245
<b>Investment in Tier II Capital of Subsidiary</b>						
	2,818,349	-	2,818,349	2,828,104	-	2,828,104
<b>Investment in associates and Joint Venture</b>						
	3,425,898	-	3,425,898	2,925,898	-	2,925,898
	<u>252,674,089</u>	<u>19,813,024</u>	<u>272,487,113</u>	<u>244,307,594</u>	<u>709,392</u>	<u>245,016,986</u>

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

	March 31, 2011		December 31, 2010	
	Cost	Market value	Cost	Market value
----- (Rupees in '000) -----				
- Investment classified as held-to-maturity	8,269,988	7,062,129	8,332,307	6,990,663
- Investment in listed associates and joint venture	2,685,902	6,471,361	2,685,902	6,861,508

## 6.2 Particulars of provision held against diminution in value of investments

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

	March 31, 2011	December 31, 2010
(Rupees in '000)		
Opening balance	3,870,384	3,747,037
Charge for the year - net	(4,877)	4,651
Impairment loss on shares (net) or change in value of associates / subsidiary	(39,109)	384,622
Total charge - net	(43,986)	389,273
Transfer to advances	-	(262,633)
Amount written off	-	(3,293)
Exchange adjustment	5,045	-
Closing balance	<u>3,831,443</u>	<u>3,870,384</u>

7 ADVANCES	Note	March 31, 2011 (Rupees in '000)	December 31, 2010
Loans, cash credits, running finances, etc:			
In Pakistan		381,683,061	383,910,719
Outside Pakistan		<u>54,732,064</u>	<u>54,519,434</u>
		436,415,125	438,430,153
Net investment in finance lease - in Pakistan		3,243,828	3,199,755
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		<u>12,436,072</u>	<u>9,120,283</u>
Payable outside Pakistan		<u>24,647,463</u>	<u>22,667,587</u>
		37,083,535	31,787,870
Provision against non-performing advances	7.2	<u>(40,937,318)</u>	<u>(38,419,218)</u>
		<u><u>435,805,170</u></u>	<u><u>434,998,560</u></u>
<b>Fully provided non-performing advances classified as loss for more than five years</b>			
In Pakistan		12,535,549	12,527,683
Provision	7.4	<u>(12,535,549)</u>	<u>(12,527,683)</u>
		-	-

7.1 Advances include Rs. 51,930.414 million (2010: Rs. 46,667.077 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years which have been placed in separate category.

Category of classification	March 31, 2011								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	2,034,785	-	2,034,785	-	-	-	2,034,785	-	2,034,785
Substandard	7,339,455	1,354,693	8,694,148	1,135,514	173,799	1,309,313	6,203,941	1,180,894	7,384,835
Doubtful	4,508,395	1,913,663	6,422,058	2,254,197	1,875,378	4,129,575	2,254,198	38,285	2,292,483
Loss	<u>28,326,081</u>	<u>6,453,342</u>	<u>34,779,423</u>	<u>27,619,488</u>	<u>6,416,657</u>	<u>34,036,145</u>	<u>706,593</u>	<u>36,685</u>	<u>743,278</u>
	42,208,716	9,721,698	51,930,414	31,009,199	8,465,834	39,475,033	11,199,517	1,255,864	12,455,381
<b>General provision</b>	-	-	-	1,184,405	277,880	1,462,285	-	-	-
	<u>42,208,716</u>	<u>9,721,698</u>	<u>51,930,414</u>	<u>32,193,604</u>	<u>8,743,714</u>	<u>40,937,318</u>	<u>11,199,517</u>	<u>1,255,864</u>	<u>12,455,381</u>

Category of classification	December 31, 2010								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,367,486	-	1,367,486	-	-	-	1,367,486	-	1,367,486
Substandard	2,843,825	660,790	3,504,615	683,583	132,410	815,993	2,160,242	528,380	2,688,622
Doubtful	7,246,611	2,168,388	9,414,999	3,623,305	1,422,120	5,045,425	3,623,306	746,268	4,369,574
Loss	<u>25,136,770</u>	<u>7,253,207</u>	<u>32,389,977</u>	<u>24,344,585</u>	<u>6,832,347</u>	<u>31,176,932</u>	<u>792,185</u>	<u>420,860</u>	<u>1,213,045</u>
	36,594,692	10,082,385	46,677,077	28,651,473	8,386,877	37,038,350	7,943,219	1,695,508	9,638,727
<b>General provision</b>	-	-	-	1,153,477	227,391	1,380,868	-	-	-
	<u>36,594,692</u>	<u>10,082,385</u>	<u>46,677,077</u>	<u>29,804,950</u>	<u>8,614,268</u>	<u>38,419,218</u>	<u>7,943,219</u>	<u>1,695,508</u>	<u>9,638,727</u>

7.2 Particulars of provision against non-performing advances

	Note	March 31, 2011			December 31, 2010		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		37,038,350	1,380,868	38,419,218	30,521,618	580,256	31,101,874
Exchange adjustment / other movement		180,913	9,683	190,596	183,112	6,861	189,973
Charge for the period / year		<u>2,467,386</u>	<u>75,717</u>	<u>2,543,103</u>	<u>8,643,211</u>	<u>842,094</u>	<u>9,485,305</u>
Reversals		<u>(5,628)</u>	<u>(3,983)</u>	<u>(9,611)</u>	<u>(910,513)</u>	<u>(48,343)</u>	<u>(958,856)</u>
		2,461,758	71,734	2,533,492	7,732,698	793,751	8,526,449
Write offs		(48,840)	-	(48,840)	(483,511)	-	(483,511)
Transferred to over 5 years category	7.4	<u>(157,148)</u>	-	<u>(157,148)</u>	<u>(915,567)</u>	-	<u>(915,567)</u>
Closing balance		<u>39,475,033</u>	<u>1,462,285</u>	<u>40,937,318</u>	<u>37,038,350</u>	<u>1,380,868</u>	<u>38,419,218</u>

7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, 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. 765.685 million (2010: Rs. 778.636 million) and profit before taxation for the period ended March 31, 2011 would have been higher by approximately Rs. 13 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in profits net of tax amounting to Rs. 497.695 would not be available for the distribution of cash and stock dividend to share holders.



7.4 Particulars of provision against fully provided non-performing advances classified as loss for more than five years	Note	March 31, 2011 (Rupees in '000)	December 31, 2010
Opening balance		12,527,683	12,914,798
Reversal		(136,717)	(966,991)
Transferred during the period / year	7.2	157,148	915,567
Write offs		(12,565)	(335,691)
		<u>12,535,549</u>	<u>12,527,683</u>

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

	March 31, 2011				December 31, 2010			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
------(Rupees in '000)-----								
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives * (other than KMPs)	994,400	1,022,900	92,156	31,456	933,700	1,277,800	384,860	489,160
- in respect of key management personnel / Companies in which key management personnel are interested	312,928	320,328	44,378	70,908	339,458	381,128	85,228	126,354
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	1,029,196	1,029,196	615,217	192,019	605,998	1,157,647	292,616	842,118
Debts due by Subsidiary company	6,418	6,418	4,189	3,556	5,785	56,092	108,421	112,843
Debts due by associated companies in which key management personnel are interested								
- Guaranteed by Government	9,330,835	10,429,165	3,445,609	4,482,729	10,367,955	13,628,965	10,000,217	12,296,727
- Others	41,152	43,797	551	3,196	43,797	52,729	28,349	37,281

The disclosure of the period / year 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 Bank to its executives as per their terms of employment).

\*\* (Maximum amount has been arrived at by reference to month end balance).

8 OPERATING FIXED ASSETS

8.1 Addition to fixed assets

For the three months ended	
March 31, 2011	March 31, 2010
(Rupees in '000)	

The following additions have been made to tangible and intangible fixed assets during the period ended March 31, 2011:

Land	104	2,268
Building including related machinery	62,776	115,621
Furniture, fixtures and office equipments	140,162	71,792
Vehicles	7,472	2,341
Intangible assets	110	-
Capital work-in-progress	103,772	2,608
	<u>314,396</u>	<u>194,630</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, 2011:

Furniture, fixtures and office equipments	147,079	35,324
Vehicles	2,815	4,975
Intangible asset	126	90
	<u>150,020</u>	<u>40,389</u>

9 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
- Export refinance scheme	19,480,411	20,515,415
- Long term financing facility - locally manufactured and imported plant & machinery	4,223,931	4,212,938
- Long term finance - export oriented projects	2,844,597	3,224,605
Repurchase agreement borrowings	<u>19,771,022</u>	<u>714,039</u>
	<u>46,319,961</u>	<u>28,666,997</u>
<b>Unsecured</b>		
In Pakistan		
- Interbank call money borrowing	9,009,000	3,750,000
<b>Outside Pakistan</b>		
- Overdrawn nostro accounts	593,323	493,736
- Borrowings of overseas branches	<u>5,557,587</u>	<u>4,519,600</u>
	<u>6,150,910</u>	<u>5,013,336</u>
	<u>15,159,910</u>	<u>8,763,336</u>
	<u>61,479,871</u>	<u>37,430,333</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

<b>Customers</b>		
Fixed deposits	166,170,967	186,966,167
Savings chequing account	349,225,299	338,821,413
Current accounts - remunerative	1,668,570	1,725,974
Current accounts - non-remunerative	<u>184,697,341</u>	<u>179,463,384</u>
	<u>701,762,177</u>	<u>706,976,938</u>
<b>Financial institutions</b>		
Remunerative deposits	6,005,628	9,318,596
Non-remunerative deposits	<u>4,923,361</u>	<u>4,773,603</u>
	<u>10,928,989</u>	<u>14,092,199</u>
	<u>712,691,166</u>	<u>721,069,137</u>

11 **SUB-ORDINATED LOANS**

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2010: 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 bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

12 **SURPLUS ON REVALUATION OF ASSETS - net of deferred tax**

	Note	March 31, 2011	December 31, 2010
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	8,539,493	8,569,721
- investments	12.2	<u>(843,647)</u>	<u>(856,698)</u>
Surplus on revaluation of assets - net of deferred tax		<u>7,695,846</u>	<u>7,713,023</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1	9,420,908	9,451,843
Surplus on revaluation of bank's properties recognised during the period / year	-	152,905
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(30,228)	(119,496)
Related deferred tax liability of incremental depreciation charged during the period / year	<u>(16,277)</u>	<u>(64,344)</u>
Surplus on revaluation of fixed assets as at period / year end	<u>9,374,403</u>	<u>9,420,908</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	851,187	903,191
- revaluation of bank's properties recognised during the period / year	-	12,340
- incremental depreciation charged during the period / year transferred to profit and loss account	<u>(16,277)</u>	<u>(64,344)</u>
	<u>834,910</u>	<u>851,187</u>
	<u>8,539,493</u>	<u>8,569,721</u>

12.2 Surplus / (deficit) on revaluation of investments	March 31, 2011	December 31, 2010
	(Rupees in '000)	
Market Treasury Bills	(35,451)	(156,017)
Pakistan Investment Bonds	(1,036,545)	(1,160,607)
Sukuk and Euro Bonds	(377,323)	(241,318)
Listed Securities	103,729	100,956
NIT Units	10,138	10,030
Other Investments	36,036	127,430
	(1,299,416)	(1,319,526)
Add: related deferred tax asset	455,769	462,828
	<u>(843,647)</u>	<u>(856,698)</u>

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	382,003	359,428
- Financial institutions	308,196	23,776
- Others	34,393,226	37,786,477
	<u>35,083,425</u>	<u>38,169,681</u>

#### 13.2 Transaction-related contingent liabilities

Guarantees in favour of:		
- Government	1,587,932	1,644,786
- Financial institutions	231,267	94,145
- Others	29,442,966	28,173,233
	<u>31,262,165</u>	<u>29,912,164</u>

#### 13.3 Trade-related commitments

Credit cash	74,135,106	80,129,369
Credit documentary acceptances	7,886,313	8,025,197
Credit acceptances	22,792,619	14,520,307
	<u>104,814,038</u>	<u>102,674,873</u>

#### 13.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>84,296,913</u>	<u>82,647,073</u>
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#### 13.5 Commitments in respect of forward lending

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

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>13.6 Commitments in respect of forward foreign and local exchange contracts</b>		
Purchase	92,155,647	78,470,185
Sale	91,754,088	78,261,634
The above commitments have maturities falling within one year.		
<b>Commitments in respect of local currency interest rate swaps</b>		
Purchase	369,894	371,092
Sale	369,894	371,092
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	501,731	422,502
<b>13.8 Taxation</b>		

The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2009. The tax authorities have concluded the audit of years 2002 through 2009.

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 and 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. 2.902 billion.

14 **MARK-UP / RETURN / INTEREST EARNED**

	<b>For the three months ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	<b>(Rupees in '000)</b>	
<i>On loans and advances to:</i>		
- Customers	13,576,131	12,963,776
- Financial institutions	106,384	75,865
<i>On investments:</i>		
- Available-for-sale	7,525,892	5,381,754
- Held-for-trading	44,991	10,592
- Held-to-maturity	114,451	119,716
On deposits with financial institutions	187,122	249,933
On lendings to financial institutions	601,877	355,319
	<u>22,156,848</u>	<u>19,156,955</u>

15 **MARK-UP / RETURN / INTEREST EXPENSED**

Deposits	8,241,835	7,803,634
Securities sold under repurchase agreement borrowings	147,741	65,669
Other short term borrowings	630,564	568,524
Long term borrowings	142,088	113,591
	<u>9,162,228</u>	<u>8,551,418</u>

16 **INCOME / GAIN ON INVESTMENTS**

Dividend income	131,417	108,150
Gain on sale of securities	97,598	65,386
Unrealised (loss) held for sale of securities	-	(741)
	<u>229,015</u>	<u>172,795</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, 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 benefits schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

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

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>Balances outstanding as at the period / year end</b>		
<b>- Borrowings / Deposits from</b>		
- Joint venture and associates	1,341,628	1,439,186
- Subsidiary companies	366,955	780,166
- Retirement benefit funds	2,029,099	1,959,736
- Companies in which Directors are interested	147,061	2,940,247
- Companies in which key management personnel are interested	161,321	125,447
- AKFED Group Companies	356,729	498,316
- Investments in Companies in which Directors are interested	10,462	254,772
- Investment in promissory notes issued by the subsidiary	2,818,349	2,828,104
- Investment in unlisted corporate debt instruments purchased from the subsidiary	236,977	222,116
- Investment in companies in which key management personnel are interested	28,613	28,613
- Investment in subsidiary companies	5,690,140	5,360,245
- Investment in associates and joint venture	3,425,898	2,925,898
- Payable to defined benefit schemes	531,340	170,882
- Mark-up / Other Receivable from associates, subsidiary companies & companies in which key management personnel are interested	471,636	47,798
<b>- Mark-up / Other Payables to:</b>		
- Subsidiary companies	258	3,218
- AKFED Group Companies	333	1
- Companies in which key management personnel are interested	978	703
- Companies in which Directors are interested	2,624	32,041
- Associates	2,962	9,502
- Retirement benefit funds	-	27,496
- Placements with subsidiary companies and associates	12,354,491	11,096,829
- Overdrawn nostro balances with subsidiaries, associates, joint venture and companies in which key management personnel are interested	921,008	1,014,400
- Payable to HBL Foundation	400,009	349,512

**For the three months ended**

	March 31, 2011	March 31, 2010
	(Rupees in '000)	

**Profit / Expense for the period**

<b>- Interest paid</b>		
- Joint venture and associates	45,776	24,381
- Subsidiary companies	14,237	9,473
- Retirement benefit funds	81,597	416,176
- Companies in which Directors are interested	1,598	76
- Companies in which key management personnel are interested	2,308	1,091
- AKFED Group Companies	390	644
- Premium paid to companies in which Directors are interested	36,835	18,076
<b>- Interest income</b>		
- Joint venture and associates	85	6
- Subsidiary companies	9,676	9,750
- Companies in which Directors are interested	39,184	7,048
- Companies in which key management personnel are interested	393,654	163,683
- In respect of debts due by key management personnel	21,200	24,600
- AKFED Group Companies	-	4
- Other income - Subsidiaries and associates	146,253	157,599
- Other expense - Subsidiaries	1,870	480
<b>- Dividend income</b>		
- Joint venture and associates	62,481	33,274
- Companies in which Directors are interested	1,000	6,311
- Companies in which key management personnel are interested	-	4,927

**17.1 Key management personnel**

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

	<b>For the three months ended</b>	
	March 31, 2011	March 31, 2010
	(Rupees in '000)	
Managerial remuneration (including allowances)	207,251	189,425
Contribution to provident and benevolent fund	4,385	3,883
Medical	6,376	5,777
	<u>218,012</u>	<u>199,085</u>
Number of persons	<u>135</u>	<u>135</u>

18. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

For the three months ended March 31, 2011						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total	
------(Rupees in million)-----						
Net interest income - External	(4,430)	11,677	4,955	933	(140)	12,995
Inter segment revenue - net	13,606	(9,786)	(4,812)	-	993	-
Non-funded income	1,055	598	954	490	9	3,106
Net interest and non-markup income	10,231	2,488	1,097	1,423	861	16,100
Total expenses including provision (excluding impairment)	3,030	2,211	30	1,043	2,517	8,830
Impairment against investments	-	-	(52)	-	-	(52)
Inter segment administrative cost	1,800	360	52	198	(2,410)	-
Total expenses including provision	4,829	2,570	30	1,241	107	8,779
Net income before tax	5,401	(82)	1,067	182	754	7,321
Segment assets gross	104,663	437,342	208,083	150,726	51,137	951,952
Segment non-performing loans	9,875	32,235	-	9,721	99	51,930
Segment provision required including general provision	7,798	26,602	(450)	8,836	2,306	45,092
Segment liabilities including equity	577,914	90,634	29,998	86,209	122,106	906,860
Segment return on net liability / asset %	12.37%	12.72%	11.31%	4.82%	4.73%	-
Segment cost of funds %	5.14%	10.41%	9.30%	1.45%	0.56%	-

For the three months ended March 31, 2010						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total	
------(Rupees in million)-----						
Net interest income - External	(3,964)	10,534	3,095	810	131	10,606
Inter segment revenue - net	11,186	(8,632)	(2,917)	-	363	-
Non-funded income	1,079	660	380	547	(12)	2,654
Net interest and non-markup income	8,301	2,562	558	1,357	482	13,260
Total expenses including provision (excluding impairment)	2,783	1,431	31	951	2,152	7,348
Impairment against investments	-	-	(51)	-	(2)	(53)
Inter segment administrative cost	1,604	321	46	177	(2,148)	-
Total expenses including provision	4,387	1,752	26	1,128	2	7,295
Net income before tax	3,914	810	532	229	480	5,965
Segment assets gross	94,527	346,430	157,496	129,537	114,842	842,832
Segment non-performing loans	9,063	25,541	-	9,738	442	44,784
Segment provision required including general provision	5,487	20,811	-	7,989	2,552	36,839
Segment liabilities including equity	504,013	103,349	13,135	83,862	101,634	805,993
Segment return on net liability / asset %	11.44%	12.54%	9.34%	4.87%	1.63%	-
Segment cost of funds %	4.89%	10.06%	7.95%	1.12%	0.35%	-

19. **ISLAMIC BANKING BRANCH**

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

	Note	March 31, 2011	December 31, 2010
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		362,023	327,364
Lendings to financial institutions		-	100,000
Investment - net		8,529,753	6,511,126
ljarah	19.1	295,761	316,940
Musharaka		75,833	79,167
Other assets		<u>1,146,626</u>	<u>376,091</u>
		10,409,996	7,710,688
<b>LIABILITIES</b>			
Bills payable		156	60
Borrowings from financial institutions		3,000,000	1,500,000
Deposit and other accounts		7,048,138	5,726,476
Other liabilities		<u>129,001</u>	<u>283,738</u>
		10,177,295	7,510,274
<b>NET ASSETS</b>			
		<u>232,701</u>	<u>200,414</u>
<b>REPRESENTED BY:</b>			
Islamic banking fund		250,000	250,000
Unappropriated profit		<u>63,479</u>	<u>74,686</u>
		313,479	324,686
Deficit on revaluation of assets		<u>(80,777)</u>	<u>(124,272)</u>
		<u>232,702</u>	<u>200,414</u>

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 102.471 million (2010: Rs. 50.966 million).

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

20. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 15, 2011

President and Chief Executive Officer

Director

Director

Director