

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2011**

	Note	(Unaudited) June 30, 2011 (Rupees in '000)	(Audited) December 31, 2010
<b>ASSETS</b>			
Cash and balances with treasury banks		86,361,935	81,516,883
Balances with other banks		40,066,756	35,990,301
Lendings to financial institutions		35,699,304	30,339,344
Investments	6	327,153,087	245,016,986
Advances	7	431,556,900	434,998,560
Fixed assets	8	17,021,374	15,876,545
Deferred tax asset		9,449,595	8,835,326
Other assets		43,667,525	34,478,466
		<u>990,976,476</u>	<u>887,052,411</u>
<b>LIABILITIES</b>			
Bills payable		10,294,517	9,774,749
Borrowings from financial institutions	9	35,107,668	37,430,333
Deposits and other accounts	10	820,907,254	721,069,137
Sub-ordinated loans	11	4,298,265	4,281,835
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		28,256,914	24,971,618
		<u>898,864,618</u>	<u>797,527,672</u>
<b>NET ASSETS</b>		<u>92,111,858</u>	<u>89,524,739</u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		11,020,680	10,018,800
Reserves		28,429,518	27,671,813
Unappropriated profit		45,026,490	44,121,103
		84,476,688	81,811,716
Surplus on revaluation of assets - net of deferred tax	12	7,635,170	7,713,023
		<u>92,111,858</u>	<u>89,524,739</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	Note	January 01 to June 30, 2011	January 01 to June 30, 2010	April 01 to June 30, 2011	April 01 to June 30, 2010
------(Rupees in '000)-----					
Mark-up / return / interest earned	15	45,246,473	39,035,849	23,089,625	19,878,894
Mark-up / return / interest expensed	16	19,006,516	17,016,986	9,844,288	8,465,568
Net mark-up / interest income		<u>26,239,957</u>	<u>22,018,863</u>	<u>13,245,337</u>	<u>11,413,326</u>
Provision against non-performing loans and advances - net	7.2 / 7.4	4,695,785	3,210,592	2,299,010	1,797,537
Charge / (reversal) against off-balance sheet obligations		30,547	(3,474)	258	(49,920)
Charge / (reversal) against diminution in the value of investments - net	6.2	59,882	(105,516)	103,868	(21,836)
Bad debts written off directly		-	-	-	-
		<u>4,786,214</u>	<u>3,101,602</u>	<u>2,403,136</u>	<u>1,725,781</u>
Net mark-up / interest income after provisions		<u>21,453,743</u>	<u>18,917,261</u>	<u>10,842,201</u>	<u>9,687,545</u>
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		2,478,711	2,507,612	1,350,678	1,308,391
Income / gain on investments	17	400,711	302,109	171,696	129,314
Income from dealing in foreign currencies		2,231,041	1,228,570	1,162,245	731,057
Other income		1,418,832	1,505,223	738,655	720,878
Total non-mark-up / interest income		<u>6,529,295</u>	<u>5,543,514</u>	<u>3,423,274</u>	<u>2,889,640</u>
		<u>27,983,038</u>	<u>24,460,775</u>	<u>14,265,475</u>	<u>12,577,185</u>
<b>Non mark-up / interest expense</b>					
Administrative expenses		13,183,158	11,794,030	6,843,542	6,180,019
Other provisions / write offs - net		(83,707)	129,515	10,505	117,207
Other charges		75,084	177,485	74,055	6,214
Workers welfare fund		296,170	247,195	146,747	125,475
Total non mark-up / interest expense		<u>13,470,705</u>	<u>12,348,225</u>	<u>7,074,849</u>	<u>6,428,915</u>
<b>Profit before taxation</b>		<u>14,512,333</u>	<u>12,112,550</u>	<u>7,190,626</u>	<u>6,148,270</u>
<b>Taxation</b>					
current		5,653,699	4,198,177	3,060,675	1,870,398
prior		176,132	490,000	78,539	490,000
deferred		(605,213)	1,069	(535,533)	(32,830)
		<u>5,224,618</u>	<u>4,689,246</u>	<u>2,603,681</u>	<u>2,327,568</u>
<b>Profit after taxation</b>		<u>9,287,715</u>	<u>7,423,304</u>	<u>4,586,945</u>	<u>3,820,702</u>
------(Rupees)-----					
Basic and diluted earnings per share		<u>8.43</u>	<u>6.74</u>	<u>4.16</u>	<u>3.47</u>

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Profit for the period</b>	9,287,715	7,423,304
<b>Other comprehensive income</b>		
Effect of translation of net investment in foreign branches	(171,067)	(274,580)
<b>Comprehensive income transferred to equity</b>	<u>9,116,648</u>	<u>7,148,724</u>
<b>Components of comprehensive income not reflected in equity</b>		
(Deficit) / surplus on revaluation of investments	(26,366)	368,747
Deferred tax on revaluation of investments	9,057	(128,367)
<b>Total comprehensive income</b>	<u><u>9,099,339</u></u>	<u><u>7,389,104</u></u>

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

**President and Chief Executive Officer**

**Director**

**Director**

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**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	14,512,333	12,112,550
Dividend income	(199,920)	(173,253)
Gain on sale of securities - net	(201,194)	(128,114)
	<u>(401,114)</u>	<u>(301,367)</u>
	14,111,219	11,811,183
<b>Adjustment for:</b>		
Depreciation / amortisation	699,776	817,630
Charge / (reversal) against diminution in the value of investments - net	59,882	(105,516)
Provision against non-performing loans and advances - net	4,695,785	3,210,592
Unrealised loss / (gain) on held for sale of securities	403	(742)
Exchange loss on sub-ordinated loans	16,430	63,375
Gain on sale of property and equipment - net	(14,720)	(20,608)
Miscellaneous provisions - net	(53,160)	126,041
	<u>5,404,396</u>	<u>4,090,772</u>
	19,515,615	15,901,955
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(5,359,960)	(15,976,930)
Advances	(1,254,125)	4,298,064
Other assets	(4,555,453)	6,615,354
	<u>(11,169,538)</u>	<u>(5,063,512)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	99,838,117	21,357,159
Borrowings from financial institutions	(2,322,665)	(2,775,104)
Bills payable	519,768	(1,207,165)
Other liabilities	3,219,124	(1,065,266)
	<u>101,254,344</u>	<u>16,309,624</u>
	109,600,421	27,148,067
Income tax paid	(10,349,622)	(4,933,525)
<b>Net cash flows from operating activities</b>	<u>99,250,799</u>	<u>22,214,542</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture	(82,021,558)	(14,348,150)
Dividend income received	169,813	166,827
Fixed capital expenditure	(1,852,200)	(382,443)
Proceeds from sale of fixed assets	22,315	23,853
Exchange adjustment on translation of balances in foreign branches	(171,067)	(274,580)
<b>Net cash used in investing activities</b>	<u>(83,852,697)</u>	<u>(14,814,493)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(6,476,595)	(5,436,646)
<b>Net cash flows used in financing activities</b>	<u>(6,476,595)</u>	<u>(5,436,646)</u>
Increase in cash and cash equivalents during the period	8,921,507	1,963,403
Cash and cash equivalents at beginning of the period	116,604,797	109,847,421
Effects of exchange rate changes on cash and cash equivalents	902,387	(759,921)
	<u>117,507,184</u>	<u>109,087,500</u>
Cash and cash equivalents at end of the period	<u>126,428,691</u>	<u>111,050,903</u>

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	RESERVES				Total	
	Share capital	Exchange translation reserve	Statutory	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 six months ended June 30, 2010	-	-	-	-	7,423,304	7,423,304
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	(274,580)	-	-	-	(274,580)
	-	(274,580)	-	-	7,423,304	7,148,724
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend at Rs. 6 per share	-	-	-	-	(5,464,800)	(5,464,800)
Issued 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	-	-	-	-	59,715	59,715
Transferred to statutory reserve	-	-	742,330	-	(742,330)	-
Balance as at June 30, 2010	10,018,800	7,204,686	12,991,141	6,073,812	36,690,547	72,978,986
<b>Total comprehensive income for the period</b>						
Profit for the period ended December 31, 2010	-	-	-	-	8,189,750	8,189,750
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	583,199	-	-	-	583,199
	-	583,199	-	-	8,189,750	8,772,949
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	59,781	59,781
Transferred to statutory reserve	-	-	818,975	-	(818,975)	-
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 six months ended June 30, 2011	-	-	-	-	9,287,715	9,287,715
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	(171,067)	-	-	-	(171,067)
	-	(171,067)	-	-	9,287,715	9,116,648
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend at Rs. 6.5 per share	-	-	-	-	(6,512,220)	(6,512,220)
Issued 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	-	-	-	-	60,544	60,544
Transferred to statutory reserve	-	-	928,772	-	(928,772)	-
Balance as at June 30, 2011	11,020,680	7,616,818	14,738,888	6,073,812	45,026,490	84,476,688

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 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 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements. The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim unconsolidated financial statements should be read in conjunction with the unconsolidated annual financial statements of the Bank for the year ended December 31, 2010.

**3 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 unconsolidated financial statements of the Bank for the year ended December 31, 2010.

6 INVESTMENTS

Note	June 30, 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	2,373,265	-	2,373,265	66,845	-	66,845	
- Shares	-	-	-	2,499	-	2,499	
- Pakistan Investment Bonds	179,198	-	179,198	-	-	-	
	2,552,463	-	2,552,463	69,344	-	69,344	
<b>Held-to-maturity securities (HTM)</b>							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds	6.1.1	8,039,157	-	8,039,157	8,155,763	-	8,155,763
<b>Debentures and Corporate Debt Instruments</b>							
		163,636	-	163,636	176,544	-	176,544
		8,202,793	-	8,202,793	8,332,307	-	8,332,307
<b>Available-for-sale securities (AFS)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		181,296,480	-	181,296,480	115,398,461	-	115,398,461
- Pakistan Investment Bonds		16,655,503	-	16,655,503	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)		15,072,552	-	15,072,552	8,267,793	-	8,267,793
<b>Overseas Government Securities</b>		9,267,353	-	9,267,353	10,452,212	-	10,452,212
<i>Fully paid-up ordinary shares</i>							
- Listed companies		1,407,384	-	1,407,384	1,447,720	-	1,447,720
- Unlisted companies		719,802	-	719,802	719,787	-	719,787
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		6,316,482	-	6,316,482	4,722,625	-	4,722,625
- Unlisted securities		71,415,950	-	71,415,950	69,892,529	-	69,892,529
<b>NIT Units</b>		21,661	-	21,661	21,143	-	21,143
<b>Preference Shares</b>		100,000	-	100,000	125,000	-	125,000
<b>Other Investments</b>		1,479,902	-	1,479,902	1,581,864	-	1,581,864
		304,178,069	-	304,178,069	224,791,696	709,392	225,501,088
<b>Investment in Subsidiary Companies</b>		5,695,441	-	5,695,441	5,360,245	-	5,360,245
<b>Investment in Tier II Capital of Subsidiary</b>		2,837,432	-	2,837,432	2,828,104	-	2,828,104
<b>Investment in associates and Joint Venture</b>	6.1	3,686,889	-	3,686,889	2,925,898	-	2,925,898
		327,153,087	-	327,153,087	244,307,594	709,392	245,016,986

6.1 This includes carrying value of Rs. 636 million of Bank PHB, Nigeria. During August 2011, the assets and liabilities of Bank PHB have been transferred by Central Bank of Nigeria to a newly formed Bank, Keystone Bank Limited under new management and the Board. Considerable uncertainty exist about the eventual outcome for the existing shareholders of Bank PHB and further clarity is expected in this quarter, after which the carrying value will be reassessed.

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

	June 30, 2011		December 31, 2010	
	Book value	Market value	Book value	Market value
------(Rupees in '000)-----				
- Investment classified as held-to-maturity	8,202,793	7,109,718	8,332,307	6,990,663
- Investment in listed associates and joint venture	2,946,893	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:

	June 30, 2011	December 31, 2010
(Rupees in '000)		
Opening balance	3,870,384	3,747,037
Charge for the period / year - net	89,140	4,651
Impairment (reversal) / loss on shares - net or change in value of associates / subsidiary	(29,258)	384,622
Total charge - net	59,882	389,273
Transfer to advances	-	(262,633)
Amount written off	-	(3,293)
Exchange adjustment	5,045	-
Closing balance	3,935,311	3,870,384

7 ADVANCES	Note	June 30, 2011 (Rupees in '000)	December 31, 2010 (Rupees in '000)
Loans, cash credits, running finances, etc:			
In Pakistan		374,141,366	383,910,719
Outside Pakistan		<u>55,268,967</u>	<u>54,519,434</u>
		429,410,333	438,430,153
Net investment in finance lease - in Pakistan		3,398,409	3,199,755
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		12,111,562	9,120,283
Payable outside Pakistan		<u>28,969,716</u>	<u>22,667,587</u>
		41,081,278	31,787,870
Provision against non-performing advances	7.2	<u>(42,333,120)</u>	<u>(38,419,218)</u>
		<u>431,556,900</u>	<u>434,998,560</u>
<b>Fully provided non-performing advances classified as loss for more than five years</b>			
In Pakistan		13,361,662	12,527,683
Provision	7.4	<u>(13,361,662)</u>	<u>(12,527,683)</u>
		-	-

7.1 Advances include Rs. 51,084.085 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	June 30, 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	1,327,383	-	1,327,383	-	-	-	1,327,383	-	1,327,383
Substandard	5,811,180	747,804	6,558,984	1,047,353	221,949	1,269,302	4,763,827	525,855	5,289,682
Doubtful	4,152,559	1,928,680	6,081,239	2,037,479	1,255,965	3,293,444	2,115,080	672,715	2,787,795
Loss	29,834,850	7,281,629	37,116,479	29,073,849	7,197,729	36,271,578	761,001	83,900	844,901
	<u>41,125,972</u>	<u>9,958,113</u>	<u>51,084,085</u>	<u>32,158,681</u>	<u>8,675,643</u>	<u>40,834,324</u>	<u>8,967,291</u>	<u>1,282,470</u>	<u>10,249,761</u>
<b>General provision</b>	-	-	-	1,234,411	264,385	1,498,796	-	-	-
	<u>41,125,972</u>	<u>9,958,113</u>	<u>51,084,085</u>	<u>33,393,092</u>	<u>8,940,028</u>	<u>42,333,120</u>	<u>8,967,291</u>	<u>1,282,470</u>	<u>10,249,761</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	25,136,770	7,253,207	32,389,977	24,344,585	6,832,347	31,176,932	792,185	420,860	1,213,045
	<u>36,594,692</u>	<u>10,082,385</u>	<u>46,677,077</u>	<u>28,651,473</u>	<u>8,386,877</u>	<u>37,038,350</u>	<u>7,943,219</u>	<u>1,695,508</u>	<u>9,638,727</u>
<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	June 30, 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		209,451	37,946	247,397	183,112	6,861	189,973
Charge for the period / year		4,970,737	95,928	5,066,665	8,643,211	842,094	9,485,305
Reversals		(98,253)	(15,946)	(114,199)	(910,513)	(48,343)	(958,856)
		<u>4,872,484</u>	<u>79,982</u>	<u>4,952,466</u>	<u>7,732,698</u>	<u>793,751</u>	<u>8,526,449</u>
Write offs		(166,573)	-	(166,573)	(483,511)	-	(483,511)
Transferred to over 5 years category	7.4	(1,119,388)	-	(1,119,388)	(915,567)	-	(915,567)
Closing balance		<u>40,834,324</u>	<u>1,498,796</u>	<u>42,333,120</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 and BSD Circular No. 10 dated October 20, 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. 761.001 million (2010: Rs. 778.636 million) and profit before taxation for the period ended June 30, 2011 would have been higher by approximately Rs. 18 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in profits net of tax amounting to Rs. 494.651 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, 2011 (Rupees in '000)	December 31, 2010 (Rupees in '000)
Opening balance		12,527,683	12,914,798
Reversals		(256,681)	(966,991)
Transferred during the period / year	7.2	1,119,388	915,567
Write offs		(28,728)	(335,691)
		<u>13,361,662</u>	<u>12,527,683</u>

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

	June 30, 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)	1,179,900	1,213,400	303,071	56,871	933,700	1,277,800	384,860	489,160
- in respect of key management personnel / Companies in which key management personnel are interested	349,380	349,380	64,230	54,308	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	1,028,107	1,029,196	676,504	254,395	605,998	1,157,647	292,616	842,118
Debts due by Subsidiary company	4,145	6,418	4,189	5,829	5,785	56,092	108,421	112,843
Debts due by companies in which key management personnel are nominated by the Bank as directors								
- Guaranteed by Government	12,830,497	12,830,497	12,429,252	9,966,710	10,367,955	13,628,965	10,000,217	12,296,727
- Others	37,786	42,934	34,698	40,709	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 FIXED ASSETS

	June 30, 2011 (Rupees in '000)	December 31, 2010 (Rupees in '000)
Tangible fixed assets	16,212,901	15,374,155
Intangible assets	40,213	36,207
Capital work-in-progress	768,260	466,183
	<u>17,021,374</u>	<u>15,876,545</u>

8.1 Additions to fixed assets

	For the six months ended	
	June 30, 2011 (Rupees in '000)	June 30, 2010 (Rupees in '000)
The following additions have been made to tangible and intangible fixed assets during the period:		
<b>Tangible fixed assets</b>		
Land	1,001,151	2,268
Building including related machinery	159,373	121,821
Furniture, fixtures and office equipments	334,391	250,038
Vehicles	25,482	4,034
Intangible assets	29,728	1,674
Capital work-in-progress	302,075	2,608
	<u>1,852,200</u>	<u>382,443</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible and intangible fixed assets during the period:

	June 30, 2011	June 30, 2010
<b>Tangible fixed assets</b>		
Land	92	-
Furniture, fixtures and office equipments	202,720	122,143
Vehicles	12,128	23,694
Intangible asset	234	3,182
	<u>215,174</u>	<u>149,019</u>

9 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
- Export refinance scheme	17,839,973	20,515,415
- Long term financing facility - locally manufactured and imported plant & machinery	4,356,818	4,212,938
- Long term finance - export oriented projects	2,398,799	3,224,605
Repurchase agreement borrowings	-	714,039
	<u>24,595,590</u>	<u>28,666,997</u>
<b>Unsecured</b>		
<b>In Pakistan</b>		
- Interbank call money borrowing	3,000,000	3,750,000
<b>Outside Pakistan</b>		
- Overdrawn nostro accounts	2,035,007	493,736
- Borrowings of overseas branches	5,477,071	4,519,600
	7,512,078	5,013,336
	10,512,078	8,763,336
	<u>35,107,668</u>	<u>37,430,333</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

<b>Customers</b>		
Fixed deposits	225,606,139	186,966,167
Savings chequing account	368,196,122	338,821,413
Current accounts - remunerative	1,714,943	1,725,974
Current accounts - non-remunerative	214,212,092	179,463,384
	<u>809,729,296</u>	<u>706,976,938</u>
<b>Financial institutions</b>		
Remunerative deposits	5,233,932	9,318,596
Non-remunerative deposits	5,944,026	4,773,603
	11,177,958	14,092,199
	<u>820,907,254</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**

	<b>Note</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
		<b>(Rupees in '000)</b>	
Surplus arising on revaluation of:			
- fixed assets	12.1	8,509,177	8,569,721
- investments	12.2	(874,007)	(856,698)
Surplus on revaluation of assets - net of deferred tax		<u>7,635,170</u>	<u>7,713,023</u>
<b>12.1 Surplus on revaluation of fixed assets</b>			
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
Surplus realised on disposal of revalued properties during the period / year		(87)	-
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(60,457)	(119,496)
Related deferred tax liability of incremental depreciation charged during the period / year		(32,554)	(64,344)
Surplus on revaluation of fixed assets as at period / year end		<u>9,327,810</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		(32,554)	(64,344)
		818,633	851,187
		<u>8,509,177</u>	<u>8,569,721</u>

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>(Rupees in '000)</b>	
<b>12.2 Deficit on revaluation of investments</b>		
Market Treasury Bills	(24,996)	(156,017)
Pakistan Investment Bonds	(992,017)	(1,160,607)
Sukuk and Euro Bonds	(481,886)	(241,318)
Listed Securities	30,403	100,956
NIT Units	10,548	10,030
Other Investments	112,056	127,430
	(1,345,892)	(1,319,526)
Add: related deferred tax asset	471,885	462,828
	<u>(874,007)</u>	<u>(856,698)</u>
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of:		
- Government	378,723	359,428
- Financial institutions	312,446	23,776
- Others	35,427,859	37,786,477
	<u>36,119,028</u>	<u>38,169,681</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
- Government	1,433,633	1,644,786
- Financial institutions	242,448	94,145
- Others	32,556,477	28,173,233
	<u>34,232,558</u>	<u>29,912,164</u>
<b>13.3 Trade-related commitments</b>		
Credit cash	71,195,934	80,129,369
Credit documentary acceptances	17,083,970	8,025,197
Credit acceptances	29,777,279	14,520,307
	<u>118,057,183</u>	<u>102,674,873</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>83,826,626</u>	<u>82,647,073</u>
<b>13.5 Commitments in respect of forward lending</b>		
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.		
	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>(Rupees in '000)</b>	
<b>13.6 Commitments in respect of forward foreign and local exchange contracts</b>		
Purchase	104,313,826	78,470,185
Sale	104,318,054	78,261,634
The above commitments have maturities falling within one year.		
<b>Commitments in respect of cross currency swaps</b>		
Purchase	800,526	-
Sale	800,526	-
<b>Commitments in respect of interest rate swaps</b>		
Purchase	343,861	371,092
Sale	343,861	371,092
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	668,465	422,502

## 13.8 Taxation

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.

The provision for advances & off balance sheet items are 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 are allowed upto 1% of such total gross advances.

Under Rule 8(A) of Seventh Schedule 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. 3.518 billion.

## 14 BENAZIR EMPLOYEES STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ["the Scheme"] for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises as fully explained in annual unconsolidated financial statements.

The Scheme, needs to be accounted for by the covered entities, including the Bank, under the provision of amended International Financial Reporting Standard 2 - Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Bank for the period would have been higher by Rs. 495 million, profit before taxation would have been lower by Rs. 495 million (earnings per share would have been lower by Rs. 0.45 per share) and, as the Scheme is fully funded by GoP, there would have been no impact on retained earnings / equity of the Bank.

## 15 MARK-UP / RETURN / INTEREST EARNED

	For the six months ended	
	June 30, 2011	June 30, 2010
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	27,073,298	26,419,406
- Financial institutions	194,120	153,772
<i>On investments:</i>		
- Available-for-sale	15,863,193	11,051,638
- Held-for-trading	141,670	22,835
- Held-to-maturity	230,470	236,818
On deposits with financial institutions	365,242	315,000
On lendings to financial institutions	1,378,480	836,380
	<u>45,246,473</u>	<u>39,035,849</u>

16	MARK-UP / RETURN / INTEREST EXPENSED	For the six months ended	
		June 30, 2011	June 30, 2010
		(Rupees in '000)	
	Deposits	17,134,402	15,403,354
	Securities sold under repurchase agreement borrowings	243,167	171,513
	Other short term borrowings	1,355,020	1,197,274
	Long term borrowings	273,927	244,845
		19,006,516	17,016,986
		19,006,516	17,016,986
17	INCOME / GAIN ON INVESTMENTS		
	Dividend income	199,920	173,253
	Gain on sale of securities	201,194	128,114
	Unrealised (loss) / gain on held for sale of securities	(403)	742
		400,711	302,109
		400,711	302,109
18	RELATED PARTY TRANSACTIONS		

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The Bank has related party relationship with its associated undertakings, joint venture, employee benefit schemes of the Bank / related party, and members of the Key Management Personnel of the Bank / 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:

	June 30, 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	1,557,444	1,439,186
- Subsidiary companies	329,462	780,166
- Retirement benefit funds	564,114	1,959,736
- Companies in which directors are interested	135,703	2,940,247
- Companies in which key management personnel are interested	177,621	125,447
- AKFED Group companies	619,620	498,316
- Investments in companies in which directors are interested	406,580	254,772
- Investment in promissory notes issued by the subsidiary	2,837,432	2,828,104
- Investment in unlisted corporate debt instruments purchased from the subsidiary during the period / year	-	222,116
- Investment in companies in which key management personnel are interested	28,613	28,613
- Investment in subsidiary companies	5,695,441	5,360,245
- Investment in associates and joint venture	3,686,889	2,925,898
- Payable to defined benefit schemes	963,191	170,882
- Mark-up / Other Receivable from associates, subsidiary companies & companies in which key management personnel are interested	519,532	47,798

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Balances outstanding as at the period / year end</b>		
- Mark-up / Other Payables to:		
- Subsidiary companies	117	3,218
- AKFED Group companies	54	1
- Companies in which key management personnel are interested	1,156	703
- Companies in which directors are interested	2,916	32,041
- Associates	7,990	9,502
- Retirement benefit funds	9,194	27,496
- Placements with subsidiary companies and associates	13,726,600	11,096,829
Lendings to AKFED Group companies	168,807	171,273
- Lendings to companies in which directors are interested	1,889,387	881,885
- Overdrawn nostro balances with subsidiaries, associates, joint venture / AKFED Group companies	2,671,213	1,014,400
- Payable to HBL Foundation	401,270	349,512
- Other contingencies with		
- Companies in which key management personnel are interested	34,389	-
- Companies in which directors are interested	880	880

**For the six months ended**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Profit / Expense for the period</b>		
- <b>Interest paid</b>		
- Joint venture and associates	86,400	36,414
- Subsidiary companies	16,552	7,614
- Retirement benefit funds	92,158	417,228
- Companies in which directors are interested	4,338	1,133
- Companies in which key management personnel are interested	3,321	1,854
- AKFED Group companies	1,945	4,639
- Premium paid to companies in which directors are interested	213,828	148,834
- <b>Interest income</b>		
- Joint venture and associates	85	48
- Subsidiary companies	31,567	10,118
- Companies in which directors are interested	81,869	14,168
- Companies in which key management personnel are interested	420,653	750,012
- AKFED Group companies	6,080	-
- In respect of debts due by key management personnel	20,200	25,900
- Other income - Subsidiaries and associates	375,370	280,148
- Other expense - Subsidiaries	1,870	116,726
- Dividend income		
- Joint venture and associates	110,049	84,276
- Companies in which directors are interested	1,000	4,000
- Companies in which key management personnel are interested	-	4,927

**18.1 Key management personnel**

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

	<b>For the six months ended</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in '000)</b>	
Managerial remuneration (including allowances)	443,326	397,768
Contribution to provident and benevolent fund	9,394	8,659
Medical	13,429	12,094
	<u>466,149</u>	<u>418,521</u>
Number of persons	<u>137</u>	<u>136</u>

19. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

For the six months ended June 30, 2011						
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total
------(Rupees in million)-----						
Net interest income - External	(9,662)	23,027	11,102	1,950	(177)	26,240
Inter segment revenue - net	28,642	(19,455)	(10,806)	-	1,618	-
Non-funded income	2,223	1,312	1,739	1,408	(153)	6,530
Net interest and non-markup income	21,203	4,884	2,035	3,358	1,289	32,769
Total expenses including provision (excluding impairment)	6,106	4,781	60	2,527	4,723	18,197
Impairment against investments	-	98	(61)	-	23	60
Inter segment administrative cost	3,603	721	104	397	(4,825)	-
Total expenses including provision	9,709	5,600	103	2,924	(79)	18,257
Net income before tax	11,494	(716)	1,932	434	1,368	14,512
Segment assets gross	109,067	426,787	276,917	136,525	88,265	1,037,561
Segment non-performing loans	3,650	27,212	-	9,958	10,264	51,084
Segment provision required including general provision	6,606	25,816	433	9,026	4,704	46,585
Segment liabilities including equity	648,875	109,647	3,690	121,363	107,401	990,976
Segment gross earnings on liability / asset %	12.47%	12.71%	11.20%	5.17%	4.46%	-
Segment cost of funds %	5.22%	10.43%	9.49%	1.29%	0.73%	-

For the six months ended June 30, 2010						
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
------(Rupees in million)-----						
Net interest income - External	(7,671)	21,558	6,270	1,685	176	22,018
Inter segment revenue - net	22,643	(17,525)	(5,901)	-	783	-
Non-funded income	2,048	1,485	867	1,087	57	5,544
Net interest and non-markup income	17,020	5,518	1,236	2,772	1,016	27,562
Total expenses including provision (excluding impairment)	5,234	530	(24)	1,739	4,759	12,238
Impairment against investments	688	2,897	-	12	(386)	3,211
Inter segment administrative cost	3,245	649	94	357	(4,345)	-
Total expenses including provision	9,167	4,076	70	2,108	28	15,449
Net income before tax	7,853	1,442	1,166	664	988	12,113
Segment assets gross	97,896	401,254	171,127	126,028	81,256	877,561
Segment non-performing loans	8,937	25,890	-	9,386	195	44,408
Segment provision required including general provision	5,848	22,191	-	8,129	1,943	38,111
Segment liabilities including equity	530,895	100,132	16,832	119,424	72,167	839,450
Segment gross earnings on liability / asset %	11.54%	12.76%	9.49%	5.24%	3.11%	-
Segment cost of funds %	4.82%	10.11%	7.98%	1.45%	0.07%	-

20. **ISLAMIC BANKING BRANCH**

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

	Note	June 30, 2011	December 31, 2010
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		450,779	327,364
Lendings to financial institutions		-	100,000
Investment - net		13,605,903	6,511,126
Murabaha		1,761	-
Ijarah	20.1	279,289	316,940
Musharaka		74,167	79,167
Other assets		694,011	376,091
		<u>15,105,910</u>	<u>7,710,688</u>
<b>LIABILITIES</b>			
Bills payable		216	60
Borrowings from financial institutions		6,000,000	1,500,000
Deposit and other accounts		8,253,047	5,726,476
Other liabilities		575,504	283,738
		<u>14,828,767</u>	<u>7,510,274</u>
<b>NET ASSETS</b>		<u><u>277,143</u></u>	<u><u>200,414</u></u>
<b>REPRESENTED BY:</b>			
Islamic banking fund		250,000	250,000
Unappropriated profit		<u>129,110</u>	<u>74,686</u>
		379,110	324,686
Deficit on revaluation of assets		<u>(101,967)</u>	<u>(124,272)</u>
		<u><u>277,143</u></u>	<u><u>200,414</u></u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 192.493 million (2010: Rs. 50.966 million).

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

21. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on August 19, 2011.

**President and Chief Executive Officer**

**Director**

**Director**

**Director**