

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the nine months ended September 30, 2011.

Financial Performance:

Rs. in '000

The financial results of the Bank are summarized below:

Profit after tax	14,435,120
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Movement of Reserves

Unappropriated profit brought forward	44,121,103
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Profit after tax	14,435,120
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Transferred from surplus on revaluation of fixed assets – net of tax	90,772
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Transfer to statutory reserves	(1,443,512)
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Cash dividend	(6,512,220)
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Issued as bonus shares	(1,001,880)
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Unappropriated profit carried forward	49,689,383
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Earnings per share rupees (Basic & Diluted)	13.10
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The economic environment in Pakistan continues to be challenging, however HBL's growth trajectory remains steady. The Bank has registered a strong performance, with profit after tax increasing by 3.1 billion reflecting an increase of 28% over the corresponding period of last year. The Bank's balance sheet has shown steady growth with an increase in value of Rs.103 billion of 12% since December 2010. The Bank's management continues to maintain a conservative risk profile. We expect the operating environment to be in line with the economic situation due to the impact of floods and the continuing strain in the global economy. HBL as a group is committed to providing a full array of financial services to its customers across Pakistan and its 25 international locations, the management has been focusing on developing products that aim at improving quality of life of its customers, whilst broadening its outreach.

HBL's commitment to financial inclusion has resulted in over 80,000 payments to the poorest segment of society under the Benazir Income Support Program (BISP) scheme. HBL also provided the beneficiaries with mobile phones under this scheme to facilitate them. HBL is now embarking on providing similar payment mechanism in 16 districts across the country. In continuation to HBL's successful rollout of the Watan card (over 400,000 beneficiaries), which provided relief to flood affectees in 2010, this year again HBL is in the forefront to provide relief payments in lower Sind though the Pakistan card and so far over 220,000 affectees have benefited under this.

We are also pleased to announce our first half year interim dividend of Rs. 3 per share.

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.

On behalf of the Board

R. Zakir Mahmood
President & Chief Executive Officer
October 15, 2011

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

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	94,975,066	81,516,883
Balances with other banks	38,334,874	35,990,301
Lendings to financial institutions	11,166,223	30,339,344
Investments	6 368,406,834	245,016,986
Advances	7 407,187,974	434,998,560
Fixed assets	8 17,025,419	15,876,545
Deferred tax asset	9,517,764	8,835,326
Other assets	43,809,203	34,478,466
	<u>990,423,357</u>	<u>887,052,411</u>
LIABILITIES		
Bills payable	13,079,825	9,774,749
Borrowings from financial institutions	9 40,195,138	37,430,333
Deposits and other accounts	10 801,880,453	721,069,137
Sub-ordinated loans	11 4,373,950	4,281,835
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	33,142,011	24,971,618
	<u>892,671,377</u>	<u>797,527,672</u>
NET ASSETS	<u>97,751,980</u>	<u>89,524,739</u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	11,020,680	10,018,800
Reserves	28,682,878	27,671,813
Unappropriated profit	49,689,383	44,121,103
	89,392,941	81,811,716
Surplus on revaluation of assets - net of deferred tax	12 8,359,039	7,713,023
	<u>97,751,980</u>	<u>89,524,739</u>
CONTINGENCIES AND COMMITMENTS	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 NINE MONTHS ENDED SEPTEMBER 30, 2011

	Note	January 01 to September 30, 2011	January 01 to September 30, 2010	July 01 to September 30, 2011	July 01 to September 30, 2010
------(Rupees in '000)-----					
Mark-up / return / interest earned	15	70,133,837	59,016,461	24,887,364	19,980,612
Mark-up / return / interest expensed	16	30,087,750	25,420,048	11,081,234	8,403,062
Net mark-up / interest income		40,046,087	33,596,413	13,806,130	11,577,550
Provision against non-performing loans and advances - net	7.2 / 7.4	5,670,209	4,894,486	974,424	1,683,894
Charge / (reversal) against off-balance sheet obligations		(15,950)	23,627	(46,497)	27,101
Provision against diminution in the value of investments - net	6.2	689,008	157,486	629,126	263,002
Bad debts written off directly		-	-	-	-
		6,343,267	5,075,599	1,557,053	1,973,997
Net mark-up / interest income after provisions		33,702,820	28,520,814	12,249,077	9,603,553
Non mark-up / interest income					
Fee, commission and brokerage income	17	3,629,811	3,487,344	1,151,100	979,732
Income / gain on investments		529,387	416,410	128,676	114,301
Income from dealing in foreign currencies		3,049,888	1,954,074	818,847	725,504
Other income		2,098,907	2,046,108	680,075	540,885
Total non-mark-up / interest income		9,307,993	7,903,936	2,778,698	2,360,422
		43,010,813	36,424,750	15,027,775	11,963,975
Non mark-up / interest expense					
Administrative expenses		20,184,876	17,669,612	7,001,718	5,875,582
Other provisions / write offs - net		(51,340)	41,536	32,367	(87,979)
Other charges		76,052	178,305	968	820
Workers welfare fund		456,025	370,706	159,855	123,511
Total non mark-up / interest expense		20,665,613	18,260,159	7,194,908	5,911,934
Profit before taxation		22,345,200	18,164,591	7,832,867	6,052,041
Taxation					
current		8,814,506	6,369,340	3,160,807	2,171,163
prior		176,132	490,000	-	-
deferred		(1,080,558)	12,425	(475,345)	11,356
		7,910,080	6,871,765	2,685,462	2,182,519
Profit after taxation		14,435,120	11,292,826	5,147,405	3,869,522
------(Rupees)-----					
Basic and diluted earnings per share		13.10	10.25	4.67	3.51

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 NINE MONTHS ENDED SEPTEMBER 30, 2011

	January 01 to September 30, 2011	January 01 to September 30, 2010	July 01 to September 30, 2011	July 01 to September 30, 2011
	----- (Rupees in '000) -----			
Profit for the period	14,435,120	11,292,826	5,147,405	3,869,522
Other comprehensive income				
Effect of translation of net investment in foreign branches	(432,447)	656,242	(261,380)	930,822
Comprehensive income transferred to equity	<u>14,002,673</u>	<u>11,949,068</u>	<u>4,886,025</u>	<u>4,800,344</u>
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of investments	1,134,908	72,086	1,161,274	(296,661)
Deferred tax on revaluation of investments	<u>(398,120)</u>	<u>(23,948)</u>	<u>(407,177)</u>	<u>104,419</u>
Total comprehensive income	<u><u>14,739,461</u></u>	<u><u>11,997,206</u></u>	<u><u>5,640,122</u></u>	<u><u>4,608,102</u></u>

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

President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	September 30, 2011	September 30, 2010
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,345,200	18,164,591
Dividend income	(226,591)	(240,032)
Gain on sale of securities - net	(286,950)	(176,378)
	(513,541)	(416,410)
	21,831,659	17,748,181
Adjustment for:		
Depreciation / amortisation	1,049,947	1,228,973
Provision against diminution in the value of investments - net	689,008	157,486
Provision against non-performing loans and advances - net	5,670,209	4,894,486
Unrealised gain on held for sale of securities	(15,846)	-
Exchange loss on sub-ordinated loans	92,115	103,965
Gain on sale of property and equipment - net	(30,278)	(21,688)
Miscellaneous provisions - net	(67,290)	65,163
	7,387,865	6,428,385
	29,219,524	24,176,566
(Increase) / decrease in operating assets		
Lendings to financial institutions	19,173,121	(29,476,693)
Advances	22,140,377	14,356,587
Other assets	(10,230,907)	780,133
	31,082,591	(14,339,973)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	80,811,316	5,353,737
Borrowings from financial institutions	2,764,805	(4,035,444)
Bills payable	3,305,076	(301,443)
Other liabilities	8,158,281	2,505,096
	95,039,478	3,521,946
	155,341,593	13,358,539
Income tax paid	(8,023,495)	(5,960,243)
Net cash flows from operating activities	147,318,098	7,398,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(122,641,152)	7,670,091
Dividend income received	210,958	201,753
Fixed capital expenditure	(2,208,898)	(635,015)
Proceeds from sale of fixed assets	40,355	26,840
Exchange adjustment on translation of balances in foreign branches	(432,447)	656,242
Net cash flows (used in) / from investing activities	(125,031,184)	7,919,911
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(6,484,158)	(5,442,870)
Net cash flows used in financing activities	(6,484,158)	(5,442,870)
Increase in cash and cash equivalents during the period	15,802,756	9,875,337
Cash and cash equivalents at beginning of the period	116,929,047	107,492,500
Effects of exchange rate changes on cash and cash equivalents	578,137	1,595,000
	117,507,184	109,087,500
Cash and cash equivalents at end of the period	133,309,940	118,962,837

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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
Total comprehensive income for the period						
Profit for the nine months ended September 30, 2010	-	-	-	-	11,292,826	11,292,826
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	656,242	-	-	-	656,242
	-	656,242	-	-	11,292,826	11,949,068
Transactions with owners, recorded directly in equity						
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	-	-	-	-	89,572	89,572
Transferred to statutory reserve	-	-	1,129,283	-	(1,129,283)	-
Balance as at September 30, 2010	10,018,800	8,135,508	13,378,094	6,073,812	40,202,973	77,809,187
Total comprehensive income for the period						
Profit for the period ended December 31, 2010	-	-	-	-	4,320,228	4,320,228
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(347,623)	-	-	-	(347,623)
	-	(347,623)	-	-	4,320,228	3,972,605
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,924	29,924
Transferred to statutory reserve	-	-	432,022	-	(432,022)	-
Balance as at December 31, 2010	10,018,800	7,787,885	13,810,116	6,073,812	44,121,103	81,811,716
Total comprehensive income for the period						
Profit for the nine months ended September 30, 2011	-	-	-	-	14,435,120	14,435,120
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(432,447)	-	-	-	(432,447)
	-	(432,447)	-	-	14,435,120	14,002,673
Transactions with owners, recorded directly in equity						
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	-	-	-	-	90,772	90,772
Transferred to statutory reserve	-	-	1,443,512	-	(1,443,512)	-
Balance as at September 30, 2011	11,020,680	7,355,438	15,253,628	6,073,812	49,689,383	89,392,941

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 NINE MONTHS ENDED SEPTEMBER 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	September 30, 2011			December 31, 2010			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
------(Rupees in '000)-----							
Held-for-trading securities (HFT)							
- Market Treasury Bills	11,182,017	-	11,182,017	66,845	-	66,845	
- Shares	-	-	-	2,499	-	2,499	
- Pakistan Investment Bonds	143,904	-	143,904	-	-	-	
	11,325,921	-	11,325,921	69,344	-	69,344	
Held-to-maturity securities (HTM)							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds	6.1	7,981,334	-	7,981,334	8,155,763	-	8,155,763
Debentures and Corporate Debt Instruments							
		158,352	-	158,352	176,544	-	176,544
		8,139,686	-	8,139,686	8,332,307	-	8,332,307
Available-for-sale securities (AFS)							
<i>Federal Government Securities</i>							
- Market Treasury Bills		205,967,074	4,161,912	210,128,986	115,398,461	-	115,398,461
- Pakistan Investment Bonds		21,501,280	-	21,501,280	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)		15,421,119	-	15,421,119	8,267,793	-	8,267,793
Overseas Government Securities		8,791,946	-	8,791,946	10,452,212	-	10,452,212
<i>Fully paid-up ordinary shares</i>							
- Listed companies		2,079,766	-	2,079,766	1,447,720	-	1,447,720
- Unlisted companies		719,839	-	719,839	719,787	-	719,787
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		6,105,770	-	6,105,770	4,722,625	-	4,722,625
- Unlisted securities		70,424,188	-	70,424,188	69,892,529	-	69,892,529
NIT Units		18,502	-	18,502	21,143	-	21,143
Preference Shares		100,000	-	100,000	125,000	-	125,000
Other Investments		1,476,227	-	1,476,227	1,581,864	-	1,581,864
		333,030,711	4,161,912	337,192,623	224,791,696	709,392	225,501,088
Investment in Subsidiary Companies		5,694,485	-	5,694,485	5,360,245	-	5,360,245
Investment in Tier II Capital of Subsidiary		2,886,843	-	2,886,843	2,828,104	-	2,828,104
Investment in associates and Joint Venture	6.1.1	3,167,276	-	3,167,276	2,925,898	-	2,925,898
		<u>364,244,922</u>	<u>4,161,912</u>	<u>368,406,834</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:

	September 30, 2011		December 31, 2010	
	Book value	Market value	Book value	Market value
------(Rupees in '000)-----				
- Investment classified as held-to-maturity	8,139,686	7,276,128	8,332,307	6,990,663
- Investment in listed associates and joint venture	2,311,045	5,697,592	2,685,902	6,861,508

6.1.1 As explained in note 6.1 of the financial statements for the six months ended June 30, 2011, the Bank has written down its investment in Bank PHB to Nil value.

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:

	Note	September 30, 2011	December 31, 2010
		(Rupees in '000)	
Opening balance		3,870,384	3,747,037
Charge for the period / year - net		91,000	4,651
Impairment loss on shares / change in value of associates - net	6.1.1	598,008	384,622
Total charge - net		689,008	389,273
Transfer to advances		-	(262,633)
Amount written off		-	(3,293)
Exchange adjustment		5,045	-
Closing balance		<u>4,564,437</u>	<u>3,870,384</u>

7 ADVANCES	Note	September 30, 2011	December 31, 2010
(Rupees in '000)			
Loans, cash credits, running finances, etc:			
In Pakistan		356,009,156	383,910,719
Outside Pakistan		<u>58,499,646</u>	<u>54,519,434</u>
		414,508,802	438,430,153
Net investment in finance lease - in Pakistan		3,567,975	3,199,755
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		9,928,123	9,120,283
Payable outside Pakistan		<u>21,864,195</u>	<u>22,667,587</u>
		31,792,318	31,787,870
Provision against non-performing advances	7.2	<u>(42,681,121)</u>	<u>(38,419,218)</u>
		<u>407,187,974</u>	<u>434,998,560</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		14,009,104	12,527,683
Provision	7.4	<u>(14,009,104)</u>	<u>(12,527,683)</u>
		-	-

7.1 Advances include Rs. 51,492.862 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	September 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)									
Specific provision									
Other assets especially mentioned	1,890,816	-	1,890,816	-	-	-	1,890,816	-	1,890,816
Substandard	5,539,641	333,125	5,872,767	977,767	50,528	1,028,295	4,561,874	282,597	4,844,472
Doubtful	4,593,706	2,139,249	6,732,954	2,256,759	1,335,984	3,592,743	2,336,947	803,265	3,140,211
Loss	29,302,842	7,693,483	36,996,325	28,946,019	7,560,765	36,506,784	356,823	132,718	489,541
	<u>41,327,005</u>	<u>10,165,857</u>	<u>51,492,862</u>	<u>32,180,545</u>	<u>8,947,277</u>	<u>41,127,822</u>	<u>9,146,460</u>	<u>1,218,580</u>	<u>10,365,040</u>
General provision	-	-	-	1,248,994	304,305	1,553,299	-	-	-
	<u>41,327,005</u>	<u>10,165,857</u>	<u>51,492,862</u>	<u>33,429,539</u>	<u>9,251,582</u>	<u>42,681,121</u>	<u>9,146,460</u>	<u>1,218,580</u>	<u>10,365,040</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)									
Specific provision									
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>
General provision	-	-	-	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	September 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		322,949	9,109	332,058	183,112	6,861	189,973
Charge for the period / year		6,198,080	181,336	6,379,416	8,643,211	842,094	9,485,305
Reversals		(98,039)	(18,014)	(116,053)	(910,513)	(48,343)	(958,856)
		6,100,041	163,322	6,263,363	7,732,698	793,751	8,526,449
Write offs		(223,532)	-	(223,532)	(483,511)	-	(483,511)
Transferred to over 5 years category	7.4	(2,109,986)	-	(2,109,986)	(915,567)	-	(915,567)
Closing balance		<u>41,127,822</u>	<u>1,553,299</u>	<u>42,681,121</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 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. 356.823 million (2010: Rs. 778.636 million). Increase in retained profits net of tax amounting to Rs. 231.934 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	September 30, 2011 (Rupees in '000)	December 31, 2010 (Rupees in '000)
Opening balance		12,527,683	12,914,798
Reversals		(593,154)	(966,991)
Transferred during the period / year	7.2	2,109,986	915,567
Write offs		(35,411)	(335,691)
		<u>14,009,104</u>	<u>12,527,683</u>

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

	September 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)	1,202,000	1,225,500	370,868	102,568	933,700	1,277,800	384,860	489,160
- in respect of key management personnel / Companies in which key management personnel are interested	358,036	366,536	70,086	51,508	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	991,604	1,029,196	698,792	313,186	605,998	1,157,647	292,616	842,118
Debts due by Subsidiary company	78,059	78,059	237,487	165,213	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	13,114,830	13,303,606	13,339,673	10,592,798	10,367,955	13,628,965	10,000,217	12,296,727
- Others	35,650	42,934	34,699	42,846	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

	September 30, 2011 (Rupees in '000)	December 31, 2010 (Rupees in '000)
Tangible fixed assets	16,192,327	15,374,155
Intangible assets	55,130	36,207
Capital work-in-progress	777,962	466,183
	<u>17,025,419</u>	<u>15,876,545</u>

8.1 Additions to fixed assets

	For the nine months ended	
	September 30, 2011 (Rupees in '000)	September 30, 2010 (Rupees in '000)
The following additions have been made to tangible and intangible fixed assets during the period:		
Tangible fixed assets		
Land	1,017,992	2,268
Building including related machinery	291,510	245,726
Furniture, fixtures and office equipments	505,491	372,522
Vehicles	29,154	10,217
Intangible assets	52,974	1,674
Capital work-in-progress	311,777	2,608
	<u>2,208,898</u>	<u>635,015</u>

8.2 Disposal of fixed assets

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

	September 30, 2011	September 30, 2010
Tangible fixed assets		
Land	92	-
Furniture, fixtures and office equipments	253,677	195,479
Vehicles	36,221	23,754
Intangible asset	252	3,200
	<u>290,242</u>	<u>222,433</u>

9 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
- Export refinance scheme	15,377,271	20,515,415
- Long term financing facility - locally manufactured and imported plant & machinery	4,331,534	4,212,938
- Long term finance - export oriented projects	2,060,388	3,224,605
Repurchase agreement borrowings	4,131,205	714,039
	<u>25,900,398</u>	<u>28,666,997</u>
Unsecured		
In Pakistan		
- Interbank call money borrowing	9,373,312	3,750,000
Outside Pakistan		
- Overdrawn nostro accounts	492,706	493,736
- Borrowings of overseas branches	4,428,722	4,519,600
	4,921,428	5,013,336
	14,294,740	8,763,336
	<u>40,195,138</u>	<u>37,430,333</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers		
Fixed deposits	230,128,338	186,966,167
Savings chequing account	356,084,476	338,821,413
Current accounts - remunerative	1,845,265	1,725,974
Current accounts - non-remunerative	203,240,761	179,463,384
	<u>791,298,840</u>	<u>706,976,938</u>
Financial institutions		
Remunerative deposits	5,652,791	9,318,596
Non-remunerative deposits	4,928,822	4,773,603
	10,581,613	14,092,199
	<u>801,880,453</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	September 30, 2011	December 31, 2010
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	8,478,949	8,569,721
- investments	12.2	(119,910)	(856,698)
Surplus on revaluation of assets - net of deferred tax		<u>8,359,039</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
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		(90,685)	(119,496)
Related deferred tax liability of incremental depreciation charged during the period / year		(48,830)	(64,344)
Surplus on revaluation of fixed assets as at period / year end		<u>9,281,306</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		(48,830)	(64,344)
		802,357	851,187
		<u>8,478,949</u>	<u>8,569,721</u>

12.2	Deficit on revaluation of investments	September 30, 2011	December 31, 2010
		(Rupees in '000)	
	Market Treasury Bills	446,981	(156,017)
	Pakistan Investment Bonds	(356,261)	(1,160,607)
	Sukuk and Euro Bonds	(407,874)	(241,318)
	Listed Securities	69,086	100,956
	NIT Units	7,390	10,030
	Other Investments	56,060	127,430
		(184,618)	(1,319,526)
	Add: related deferred tax asset	64,708	462,828
		<u>(119,910)</u>	<u>(856,698)</u>
13	CONTINGENCIES AND COMMITMENTS		
13.1	Direct credit substitutes - financial guarantees		
	Guarantees in favour of:		
	- Government	382,881	359,428
	- Financial institutions	318,596	23,776
	- Others	24,273,434	37,786,477
		<u>24,974,911</u>	<u>38,169,681</u>
13.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	- Government	1,528,851	1,644,786
	- Financial institutions	210,439	94,145
	- Others	33,420,187	28,173,233
		<u>35,159,477</u>	<u>29,912,164</u>
13.3	Trade-related commitments		
	Credit cash	71,753,366	80,129,369
	Credit documentary acceptances	14,929,112	8,025,197
	Credit acceptances	29,687,859	14,520,307
		<u>116,370,337</u>	<u>102,674,873</u>
13.4	Other contingencies		
	Claims against the Bank not acknowledged as debts	<u>83,961,303</u>	<u>82,647,073</u>
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.		
		September 30, 2011	December 31, 2010
		(Rupees in '000)	
13.6	Commitments in respect of forward foreign and local exchange contracts		
	Purchase	83,451,878	78,470,185
	Sale	83,213,001	78,261,634
	The above commitments have maturities falling within one year.		
	Commitments in respect of cross currency swaps		
	Purchase	800,526	-
	Sale	800,526	-
	Commitments in respect of interest rate swaps		
	Purchase	349,916	371,092
	Sale	349,916	371,092
13.7	Commitments for acquisition of operating fixed assets / intangibles	616,105	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. 3.78 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. 743 million, profit before taxation would have been lower by Rs. 743 million (earnings per share would have been lower by Rs. 0.67 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 nine months ended	
	September 30, 2011	September 30, 2010
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	40,487,270	39,342,918
- Financial institutions	260,944	215,585
<i>On investments:</i>		
- Available-for-sale	26,115,030	16,655,188
- Held-for-trading	382,898	40,256
- Held-to-maturity	345,749	354,732
On deposits with financial institutions	511,132	750,883
On lendings to financial institutions	2,030,814	1,656,899
	70,133,837	59,016,461

16	MARK-UP / RETURN / INTEREST EXPENSED	For the nine months ended	
		September 30, 2011	September 30, 2010
		(Rupees in '000)	
	Deposits	26,988,621	22,877,911
	Securities sold under repurchase agreement borrowings	630,161	253,843
	Other short term borrowings	2,062,831	1,897,511
	Long term borrowings	406,137	390,783
		30,087,750	25,420,048
17	INCOME / GAIN ON INVESTMENTS		
	Dividend income	226,591	240,032
	Gain on sale of securities	286,950	176,378
	Unrealised gain on held for sale of securities	15,846	-
		529,387	416,410

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:

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	1,639,710	1,439,186
- Subsidiary companies	578,609	780,166
- Retirement benefit funds	625,863	1,959,736
- Companies in which directors are interested	263,539	2,940,247
- Companies in which key management personnel are interested	146,523	125,447
- AKFED Group companies	512,347	498,316
- Investments in companies in which directors are interested	491,260	254,772
- Investment in promissory notes issued by the subsidiary	2,886,843	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	5,694,485	5,360,245
- Investment in associates and joint venture	3,167,276	2,925,898
- Payable to defined benefit schemes	1,644,776	170,882
- Mark-up / Other Receivable from associates, subsidiary companies & companies in which key management personnel are interested	587,953	47,798

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Mark-up / Other Payables to:		
- Subsidiary companies	659	3,218
- AKFED Group companies	182	1
- Companies in which key management personnel are interested	1,092	703
- Companies in which directors are interested	3,250	32,041
- Associates	9,782	9,502
- Retirement benefit funds	23,648	27,496
- Placements with subsidiary companies and associates	13,787,113	11,096,829
- Lendings to AKFED Group companies	447,084	171,273
- Lendings to companies in which directors are interested	138,292	881,885
- Overdrawn nostro balances with subsidiaries, associates, joint venture / AKFED Group companies	1,097,959	1,014,400
- Payable to HBL Foundation	403,576	261,012
- Other contingencies with		
- Subsidiary, companies in which key management personnel directors are interested	44,302	880
- Acceptance	23,484	-

For the nine months ended	
September 30, 2011	September 30, 2010
(Rupees in '000)	

Profit / Expense for the period

- Interest paid		
- Joint venture and associates	120,855	47,173
- Subsidiary companies	19,294	8,796
- Retirement benefit funds	108,513	425,147
- Companies in which directors are interested	8,303	3,250
- Companies in which key management personnel are interested	4,650	2,211
- AKFED Group companies	5,106	8,306
- Premium paid to companies in which directors are interested	252,017	184,073
- Interest income		
- Joint venture and associates	175	71
- Subsidiary companies	74,830	20,862
- Companies in which directors are interested	143,157	53,473
- Companies in which key management personnel are interested	534,164	1,089,172
- AKFED Group companies	9,120	-
- In respect of debts due by key management personnel	30,300	24,860
- Other income - Subsidiaries and associates	556,721	361,874
- Other expense - Subsidiaries	1,870	-
- Dividend income		
- Joint venture and associates	110,049	84,276
- Companies in which directors are interested	3,050	5,500
- 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:

	For the nine months ended	
	September 30, 2011	September 30, 2010
	(Rupees in '000)	
Managerial remuneration (including allowances)	696,137	628,681
Contribution to provident and benevolent fund	14,575	13,110
Medical	21,384	18,610
	<u>732,096</u>	<u>660,401</u>
Number of persons	<u>137</u>	<u>141</u>

19. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

For the nine months ended September 30, 2011						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total	
------(Rupees in million)-----						
Net interest income - External	(15,386)	33,836	18,837	2,924	(166)	40,046
Inter segment revenue - net	44,632	(28,736)	(18,286)	-	2,390	-
Non-funded income	3,275	1,876	2,275	1,907	(24)	9,308
Net interest and non-markup income	32,521	6,975	2,826	4,831	2,200	49,354
Total expenses including provision (excluding impairment)	9,403	5,746	91	3,691	7,388	26,320
Impairment against investments	-	103	(69)	673	(17)	689
Inter segment administrative cost	5,340	1,068	154	588	(7,150)	-
Total expenses including provision	14,743	6,917	176	4,952	221	27,009
Net income before tax	17,779	58	2,650	(121)	1,979	22,345
Segment assets gross	111,585	410,820	293,796	137,333	84,460	1,037,993
Segment non-performing loans	4,355	26,988	-	10,166	9,984	51,493
Segment provision required including general provision	6,593	26,009	433	9,415	5,120	47,570
Segment liabilities including equity	645,114	99,617	14,062	73,641	157,989	990,423
Segment gross earnings on liability / asset %	12.54%	12.69%	11.21%	4.69%	4.78%	-
Segment cost of funds %	5.31%	10.49%	9.78%	1.22%	0.83%	-

For the nine months ended September 30, 2010						
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total	
------(Rupees in million)-----						
Net interest income - External	(11,775)	32,867	9,743	2,563	198	33,596
Inter segment revenue - net	34,543	(26,830)	(9,084)	-	1,371	-
Non-funded income	2,954	2,044	1,407	2,076	(577)	7,904
Net interest and non-markup income	25,722	8,081	2,066	4,639	992	41,500
Total expenses including provision (excluding impairment)	8,650	5,263	90	3,066	6,110	23,179
Impairment against investments	-	16	(97)	252	(14)	157
Inter segment administrative cost	4,799	960	138	529	(6,426)	-
Total expenses including provision	13,449	6,239	131	3,847	(330)	23,336
Net income before tax	12,273	1,842	1,935	792	1,322	18,164
Segment assets gross	97,525	419,207	157,439	132,942	64,379	871,492
Segment non-performing loans	8,272	19,174	-	10,467	7,780	45,693
Segment provision required including general provision	5,913	23,954	-	8,397	1,897	40,161
Segment liabilities including equity	521,156	87,543	17,980	105,170	99,482	831,331
Segment gross earnings on liability / asset %	11.74%	12.72%	9.61%	4.08%	1.29%	-
Segment cost of funds %	5.01%	10.15%	7.98%	0.93%	0.08%	-

20. **ISLAMIC BANKING BRANCH**

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

	Note	September 30, 2011	December 31, 2010
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		522,101	327,364
Lendings to financial institutions		-	100,000
Investment - net		13,860,305	6,511,126
Murabaha		106,093	-
Ijarah	20.1	273,152	316,940
Musharaka		21,667	79,167
Other assets		603,653	376,091
		<u>15,386,971</u>	<u>7,710,688</u>
LIABILITIES			
Bills payable		545	60
Borrowings from financial institutions		4,150,000	1,500,000
Deposit and other accounts		9,329,105	5,726,476
Other liabilities		1,302,662	221,872
		<u>14,782,312</u>	<u>7,448,408</u>
NET ASSETS			
		<u>604,659</u>	<u>262,280</u>
REPRESENTED BY:			
Islamic banking fund		250,000	250,000
Unappropriated profit		287,831	136,552
		<u>537,831</u>	<u>386,552</u>
Surplus / (deficit) on revaluation of assets		66,828	(124,272)
		<u>604,659</u>	<u>262,280</u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 130.827 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 October 15, 2011.

President and Chief Executive Officer

Director

Director

Director