

Directors' Review

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

Financial Performance:

Rs. in '000

The financial results of the Group are summarized below:

Profit after tax	15,722,471
Movement of Reserves	
Unappropriated profit brought forward	47,467,704
Profit attributable to shareholders	15,610,231
Transferred from surplus on revaluation of fixed assets – net of tax	93,237
Transfer to statutory reserves	(1,470,201)
Cash dividend	(6,512,220)
Issued as bonus shares	(1,001,880)
Unappropriated profit carried forward	54,186,871
Earnings per share rupees (Basic & Diluted)	14.16

The economic environment in Pakistan continues to be challenging, however HBL's growth trajectory remains steady. The Group has registered a strong performance, with profit after tax increasing by 3.6 billion reflecting an increase of 29% over the corresponding period of last year. The Group's balance sheet has shown steady growth with an increase in value of Rs.138 billion of 15% 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 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2011

	Note	(Unaudited) September 30, 2011 (Rupees in '000)	(Audited) December 31, 2010
ASSETS			
Cash and balances with treasury banks		95,375,835	81,640,246
Balances with other banks		51,632,278	37,413,185
Lendings to financial institutions		11,166,223	30,339,344
Investments	6	385,108,599	254,909,116
Advances	7	445,750,205	459,750,012
Fixed assets	8	18,908,225	16,155,290
Deferred tax asset		9,850,337	9,572,203
Other assets		45,004,662	34,920,007
		<u>1,062,796,364</u>	<u>924,699,403</u>
LIABILITIES			
Bills payable		13,199,686	9,775,093
Borrowings from financial institutions	9	44,490,516	40,459,860
Deposits and other accounts	10	857,166,436	747,374,799
Sub-ordinated loans	11	4,899,111	4,281,835
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		37,130,502	26,557,045
		<u>956,886,251</u>	<u>828,448,632</u>
NET ASSETS		<u><u>105,910,113</u></u>	<u><u>96,250,771</u></u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		11,020,680	10,018,800
Reserves		30,332,684	29,355,555
Unappropriated profit		54,186,871	47,467,704
Total equity attributable to the equity holders of the Bank		95,540,235	86,842,059
Minority interest		1,224,700	1,212,656
Surplus on revaluation of assets - net of deferred tax	12	9,145,178	8,196,056
		<u><u>105,910,113</u></u>	<u><u>96,250,771</u></u>
CONTINGENCIES AND COMMITMENTS	13		

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	71,564,734	60,001,649	25,458,299	20,326,535
Mark-up / return / interest expensed	16	30,531,663	25,599,319	11,259,892	8,463,472
Net mark-up / interest income		41,033,071	34,402,330	14,198,407	11,863,063
Provision against non-performing loans and advances - net	7.2 / 7.4	5,729,519	4,911,491	983,343	1,698,324
(Reversal) / charge against off-balance sheet obligations		(15,950)	23,627	(46,497)	27,101
(Reversal) / charge against diminution in the value of investments - net	6.2	(22,847)	(71,561)	4,367	(2,393)
Bad debts written off directly		-	-	-	-
		5,690,722	4,863,557	941,213	1,723,032
Net mark-up / interest income after provisions		35,342,349	29,538,773	13,257,194	10,140,031
Non mark-up / interest income					
Fee, commission and brokerage income		4,107,896	3,815,902	1,290,870	1,085,813
Income / gain on investments	17	1,191,492	946,258	244,142	235,255
Income from dealing in foreign currencies		3,249,856	2,149,763	895,884	799,847
Other income		2,239,017	2,090,795	744,437	575,776
Total non-mark-up / interest income		10,788,261	9,002,718	3,175,333	2,696,691
		46,130,610	38,541,491	16,432,527	12,836,722
Non mark-up / interest expense					
Administrative expenses		21,521,455	18,607,538	7,520,166	6,169,162
Other provisions / write offs - net		(67,014)	567	66,779	(75,890)
Other charges		76,052	178,305	968	820
Workers welfare fund		465,313	372,348	161,818	124,342
Total non mark-up / interest expenses		21,995,806	19,158,758	7,749,731	6,218,434
Profit before taxation		24,134,804	19,382,733	8,682,796	6,618,288
Taxation					
current		9,046,130	6,545,611	3,216,578	2,208,230
prior		17,488	426,886	-	5,743
deferred		(651,285)	240,017	(246,278)	99,261
		8,412,333	7,212,514	2,970,300	2,313,234
Profit after taxation		15,722,471	12,170,219	5,712,496	4,305,054
Attributable to:					
Equity holders of the Bank		15,610,231	12,035,627	5,702,939	4,248,481
Minority interest		41,931	64,189	17,705	30,819
Minority investor of HBL funds		70,309	70,403	(8,148)	25,754
		15,722,471	12,170,219	5,712,496	4,305,054
------(Rupees)-----					
Basic and diluted earnings per share		14.16	10.92	5.17	3.86

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	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)-----			
Profit for the period	15,722,471	12,170,219	5,712,496	4,305,054
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(70,309)	(70,403)	8,148	(25,754)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(476,305)	798,201	(436,219)	1,418,906
Comprehensive income transferred to equity	<u>15,175,857</u>	<u>12,898,017</u>	<u>5,284,425</u>	<u>5,698,206</u>
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of investments	1,430,297	104,752	1,177,236	(212,105)
Deferred tax on revaluation of investments	(388,134)	(50,916)	(389,006)	84,232
	<u>16,218,020</u>	<u>12,951,853</u>	<u>6,072,655</u>	<u>5,570,333</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	16,089,209	12,812,684	6,069,296	5,479,030
Minority interest	58,502	68,766	11,507	65,549
Minority investor	70,309	70,403	(8,148)	25,754
	<u>16,218,020</u>	<u>12,951,853</u>	<u>6,072,655</u>	<u>5,570,333</u>

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED 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	24,134,804	19,382,733
Dividend income and share of profit of associates and joint venture	(831,740)	(732,848)
Gain on sale of securities - net	(361,150)	(224,578)
	(1,192,890)	(957,426)
	22,941,914	18,425,307
Adjustment for:		
Depreciation / amortisation	1,087,117	1,277,451
Provision against diminution in the value of investments - net	(22,847)	(71,561)
Provision against non-performing loans and advances - net	5,729,519	4,911,491
Unrealised loss on held for sale securities	1,398	11,168
Exchange loss on sub-ordinated loans	617,276	103,965
Gain on sale of property and equipment - net	(30,321)	(21,690)
Miscellaneous provisions - net	(82,964)	24,194
	7,299,178	6,235,018
	30,241,092	24,660,325
Decrease / (increase) in operating assets		
Lendings to financial institutions	19,173,121	(29,476,693)
Advances	8,270,288	13,553,495
Other assets	(10,973,791)	525,437
	16,469,618	(15,397,761)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	109,791,637	1,153,061
Borrowings from financial institutions	4,030,656	(5,808,537)
Bills payable	3,424,593	(301,435)
Other liabilities	10,433,955	1,579,100
	127,680,841	(3,377,811)
	174,391,551	5,884,753
Income tax paid - net	(8,100,176)	(6,179,579)
Net cash flows from / (used in) operating activities	166,291,375	(294,826)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(127,770,460)	1,518,301
Dividend income received	193,534	207,382
Fixed capital expenditure	(3,850,720)	(689,078)
Proceeds from sale of fixed assets	40,989	32,795
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	(493,072)	791,732
Net cash flows (used in) / from investing activities	(131,879,729)	1,861,132
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest impact of exchange adjustment on translation of balances in subsidiary	16,767	6,469
Dividend paid	(6,473,731)	(5,492,286)
Net cash flows used in financing activities	(6,456,964)	(5,485,817)
Increase in cash and cash equivalents during the period	27,954,682	(3,919,511)
Cash and cash equivalents at beginning of the period	117,674,580	118,402,139
Effects of exchange rate changes on cash and cash equivalents	1,378,851	1,804,384
	119,053,431	120,206,523
Cash and cash equivalents at end of the period	147,008,113	116,287,012

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

Share capital	Attributable to shareholders of the Group						Minority interest	Total	
	Reserves								
	Exchange translation reserve	Statutory requirement		Other reserves		Subtotal			
	Joint venture and subsidiaries	Bank	General	Unappropriated profit					
(Rupees in '000)									
Balance as at December 31, 2009	9,108,000	8,982,804	221,953	12,248,811	6,073,812	38,498,335	75,133,715	1,143,241	76,276,956
Total comprehensive income for the period									
Profit for the nine months ended September 30, 2010	-	-	-	-	-	12,106,030	12,106,030	64,189	12,170,219
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(70,403)	(70,403)	-	(70,403)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	791,732	-	-	-	-	791,732	6,469	798,201
	-	791,732	-	-	-	12,035,627	12,827,359	70,658	12,898,017
Transactions with owners, recorded directly in equity									
Cash dividend at Rs. 6 per share	-	-	-	-	-	(5,464,800)	(5,464,800)	-	(5,464,800)
Cash dividend at Rs. 1.10 per certificate by modarab: Issued as bonus shares	910,800	-	-	-	-	(910,800)	-	(39,312)	(39,312)
	910,800	-	-	-	-	(6,375,600)	(5,464,800)	(39,312)	(5,504,112)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	92,037	92,037	-	92,037
Transferred to statutory reserves	-	-	18,552	1,129,283	-	(1,147,835)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(1,892)	(1,892)
Balance as at September 30, 2010	10,018,800	9,774,536	240,505	13,378,094	6,073,812	43,102,564	82,588,311	1,172,695	83,761,006
Total comprehensive income for the period									
Profit for the period ended December 31, 2010	-	-	-	-	-	4,811,875	4,811,875	52,286	4,864,161
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(31,323)	(31,323)	-	(31,323)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(557,550)	-	-	-	-	(557,550)	(19,186)	(576,736)
	-	(557,550)	-	-	-	4,780,552	4,223,002	33,100	4,256,102
Transactions with owners, recorded directly in equity									
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	30,746	30,746	-	30,746
Transferred to statutory reserves	-	-	14,136	432,022	-	(446,158)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	6,861	6,861
Balance as at December 31, 2010	10,018,800	9,216,986	254,641	13,810,116	6,073,812	47,467,704	86,842,059	1,212,656	88,054,715
Total comprehensive income for the period									
Profit for the nine months ended September 30, 2011	-	-	-	-	-	15,680,540	15,680,540	41,931	15,722,471
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(70,309)	(70,309)	-	(70,309)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(493,072)	-	-	-	-	(493,072)	16,767	(476,305)
	-	(493,072)	-	-	-	15,610,231	15,117,159	58,698	15,175,857
Transactions with owners, recorded directly in equity									
Cash dividend at Rs. 6.5 per share	-	-	-	-	-	(6,512,220)	(6,512,220)	-	(6,512,220)
Cash dividend at Rs. 1.3 per certificate by modaraba Issued as bonus shares	1,001,880	-	-	-	-	(1,001,880)	-	(46,458)	(46,458)
	1,001,880	-	-	-	-	(7,514,100)	(6,512,220)	(46,458)	(6,558,678)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	93,237	93,237	-	93,237
Transferred to statutory reserves	-	-	26,689	1,443,512	-	(1,470,201)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(196)	(196)
Balance as at September 30, 2011	11,020,680	8,723,914	281,330	15,253,628	6,073,812	54,186,871	95,540,235	1,224,700	96,764,935

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as given in its annual consolidated financial statements including Habibsons Bank Limited acquired by Habib Allied International Bank Plc., United Kingdom during the year 2011.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the framework as referred to in the annual consolidated financial statements. The disclosures made in these condensed interim consolidated 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 consolidated financial statements should be read in conjunction with the consolidated 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 Group for the year ended December 31, 2010.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6	INVESTMENTS	Note	September 30, 2011			December 31, 2010		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
Held-for-trading (HFT)								
	- Pakistan Investment Bonds		143,904	-	143,904	-	-	-
	- Market Treasury Bills		11,182,017	-	11,182,017	66,845	-	66,845
	- Shares		-	-	-	2,499	-	2,499
	- Investments of Mutual Funds		163,902	-	163,902	138,916	-	138,916
			11,489,823	-	11,489,823	208,260	-	208,260
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	8,085,140	-	8,085,140	8,260,726	-	8,260,726
Debentures and Corporate Debt Instruments								
			207,532	-	207,532	225,554	-	225,554
			8,292,672	-	8,292,672	8,486,280	-	8,486,280
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	11,737,563	709,392	12,446,955
	- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
	- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		15,771,138	-	15,771,138	8,317,811	-	8,317,811
	Overseas Government Securities		17,597,230	-	17,597,230	11,122,209	-	11,122,209
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		2,089,141	-	2,089,141	1,457,073	-	1,457,073
	- 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		80,607,115	-	80,607,115	82,637,559	-	82,637,559
	NIT Units		19,883	-	19,883	22,492	-	22,492
	Preference Shares		100,000	-	100,000	125,000	-	125,000
	Other Investments		1,476,227	-	1,476,227	1,581,864	-	1,581,864
	<i>Investments of Mutual Funds</i>		3,639,750	-	3,639,750	3,174,654	-	3,174,654
			356,019,447	4,161,912	360,181,359	241,442,098	709,392	242,151,490
Investment in associates and Joint Venture								
			5,144,745	-	5,144,745	4,063,086	-	4,063,086
			<u>380,946,687</u>	<u>4,161,912</u>	<u>385,108,599</u>	<u>254,199,724</u>	<u>709,392</u>	<u>254,909,116</u>

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2011 amounted to Rs. 7,427 million (2010: Rs. 7,195 million).

6.2 Particulars of provision held against diminution in value of investments

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

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
Opening balance	2,122,286	2,572,470
Charge for the period / year - net	91,705	(186,489)
Impairment reversal on listed securities - net	(114,552)	(99,182)
Impairment loss on associate	-	238,000
Total charge - net	(22,847)	(47,671)
Amount written off	-	(3,293)
Transfer to advances	-	(260,665)
Transfer to other liability	-	(138,555)
Exchange adjustment	5,045	-
Closing balance	<u>2,104,484</u>	<u>2,122,286</u>

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

	Based on the financial statements as on
Diamond Trust Bank Limited, Kenya	June 30, 2011
Himalayan Bank Limited, Nepal	June 30, 2011
Kyrgyz Investment and Credit Bank	June 30, 2011
New Jubilee Life Insurance Co. Ltd.	June 30, 2011
New Jubilee Insurance Co. Ltd.	June 30, 2011
HBL Islamic Stock Fund	September 30, 2011
HBL Islamic Money Market Fund	September 30, 2011
HBL Money Market Fund	September 30, 2011

7 ADVANCES

	Note	September 30, 2011	December 31, 2010
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		356,540,419	383,960,649
Outside Pakistan		90,073,525	74,796,103
		<u>446,613,944</u>	<u>458,756,752</u>
Net investment in finance lease - in Pakistan		3,721,268	3,857,452
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		9,928,123	9,120,283
Payable outside Pakistan		32,704,024	30,711,150
		42,632,147	39,831,433
Provision against non-performing advances	7.2	(47,217,154)	(42,695,625)
		<u>445,750,205</u>	<u>459,750,012</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	(14,009,104)	(12,527,683)
		<u>-</u>	<u>-</u>

- 7.1 Advances include Rs. 59,064.066 million (2010: Rs. 53,607.643 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category.

Category of classification	September 30, 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	3,793,158	9,332,799	977,767	603,915	1,581,682	4,561,874	3,189,243	7,751,117
Doubtful	4,593,706	2,510,607	7,104,313	2,256,759	1,459,050	3,715,809	2,336,947	1,051,557	3,388,504
Loss	29,436,879	11,299,259	40,736,138	29,073,473	11,148,814	40,222,287	363,406	150,445	513,851
	41,461,042	17,603,024	59,064,066	32,307,999	13,211,779	45,519,778	9,153,043	4,391,245	13,544,288
General provision	-	-	-	1,248,994	448,382	1,697,376	-	-	-
	41,461,042	17,603,024	59,064,066	33,556,993	13,660,161	47,217,154	9,153,043	4,391,245	13,544,288

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	1,370,212	-	1,370,212	530	-	530	1,369,682	-	1,369,682
Substandard	2,846,786	3,915,683	6,762,469	684,433	636,643	1,321,076	2,162,353	3,279,040	5,441,393
Doubtful	7,277,208	2,194,403	9,471,611	3,638,295	1,448,400	5,086,695	3,638,913	746,003	4,384,916
Loss	25,242,271	10,761,080	36,003,351	24,449,037	10,320,311	34,769,348	793,234	440,769	1,234,003
	36,736,477	16,871,166	53,607,643	28,772,295	12,405,354	41,177,649	7,964,182	4,465,812	12,429,994
General provision	-	-	-	1,153,477	364,499	1,517,976	-	-	-
	36,736,477	16,871,166	53,607,643	29,925,772	12,769,853	42,695,625	7,964,182	4,465,812	12,429,994

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	41,177,649	1,517,976	42,695,625	34,624,137	723,947	35,348,084
Exchange adjustment / other movement	519,469	12,905	532,374	173,611	3,577	177,188
Charge for the period / year	6,254,217	184,510	6,438,727	8,689,492	842,094	9,531,586
Reversals	(98,039)	(18,015)	(116,054)	(910,513)	(51,642)	(962,155)
	6,156,178	166,495	6,322,673	7,778,979	790,452	8,569,431
Write offs	(223,532)	-	(223,532)	(483,511)	-	(483,511)
Transferred to over 5 years category	(2,109,986)	-	(2,109,986)	(915,567)	-	(915,567)
Closing balance	45,519,778	1,697,376	47,217,154	41,177,649	1,517,976	42,695,625

- 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 Group 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 Group, 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	December 31, 2010
	(Rupees in '000)	
Opening balance	12,527,683	12,914,798
Reversals	(593,154)	(966,991)
Transferred during the period / year	2,109,986	915,567
Write offs	(35,411)	(335,691)
	14,009,104	12,527,683

7.5 Particulars of loans and advances to directors, associated companies, 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 Group 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 or their spouse are interested	589,036	597,536	301,086	201,508	489,458	531,128	235,228	276,354
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members	991,604	1,029,196	698,792	313,186	605,998	1,157,647	292,616	842,118
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 Group to its executives as per their terms of employment).

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

8	FIXED ASSETS	Note	September 30, December 31, 2011 2010	
			(Rupees in '000)	
	Tangible fixed assets		16,682,996	15,650,986
	Intangible assets	8.1.1	1,446,141	38,128
	Capital work-in-progress		779,088	466,176
			<u>18,908,225</u>	<u>16,155,290</u>

8.1	Additions to fixed assets	For the nine months ended September 30, September 30, 2011 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		404,217	285,812
Furniture, fixtures and office equipments		642,982	380,613
Vehicles		29,942	13,080
Intangible assets	8.1.1	1,442,684	1,865
Capital work-in-progress		312,903	5,440
		<u>3,850,720</u>	<u>689,078</u>

8.1.1 Intangible assets include goodwill amounting to Rs. 1,390 million arising on acquisition of Habibsons Bank Limited.

8.2	Disposal of fixed assets	For the nine months ended September 30, September 30, 2011 2010	
		(Rupees in '000)	

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

Tangible fixed assets

Land		92	-
Building including related machinery		-	7,282
Furniture, fixtures and office equipments		253,767	196,662
Vehicles		36,829	23,754
Intangible assets		1,237	3,267
		<u>291,925</u>	<u>230,965</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	<u>4,131,205</u>	<u>714,039</u>
	<u>25,900,398</u>	<u>28,666,997</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	8,975,181	3,750,000
Outside Pakistan:		
Overdrawn nostro accounts	290,472	261,601
Borrowings of overseas branches and subsidiaries	9,324,465	7,781,262
	<u>9,614,937</u>	<u>8,042,863</u>
	<u>18,590,118</u>	<u>11,792,863</u>
	<u>44,490,516</u>	<u>40,459,860</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers		
Fixed deposits	262,436,323	203,018,996
Savings chequing account	360,596,763	341,086,487
Current accounts - remunerative	1,845,265	1,725,974
Current accounts - non-remunerative	<u>220,758,189</u>	<u>186,234,235</u>
	845,636,540	732,065,692
Financial institutions		
Remunerative deposits	5,548,569	9,302,286
Non-remunerative deposits	5,981,327	6,006,821
	<u>11,529,896</u>	<u>15,309,107</u>
	<u>857,166,436</u>	<u>747,374,799</u>

11 **SUB-ORDINATED LOANS**

The Group 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 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

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

Note	September 30, 2011	December 31, 2010
	(Rupees in '000)	

Surplus arising on revaluation of:

- fixed assets	12.1	8,512,644	8,605,881
- investments	12.2	632,534	(409,825)
Surplus on revaluation of assets - net of deferred tax		<u>9,145,178</u>	<u>8,196,056</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1		9,476,539	9,512,531
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		(93,150)	(122,783)
Related deferred tax liability of incremental depreciation charged during the period / year		<u>(50,158)</u>	<u>(66,114)</u>
Surplus on revaluation of fixed assets as at period / year end		9,333,144	9,476,539

Less: related deferred tax liability on:

- revaluation as at January 1	870,658	924,432
- 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>(50,158)</u>	<u>(66,114)</u>
	820,500	870,658
	<u>8,512,644</u>	<u>8,605,881</u>

12.2 **Deficit on revaluation of investments**

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	797,424	583,555
NIT Units	8,354	10,963
Other Investments	74,915	96,470
	563,539	(866,954)
Add: related deferred tax asset	68,995	457,129
	<u>632,534</u>	<u>(409,825)</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>

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	1,528,851	1,644,786
- Financial institutions	1,813,783	94,145
- Others	33,586,094	28,455,811
	<u>36,928,728</u>	<u>30,194,742</u>
13.3 Trade-related commitments		
Credit cash	74,208,632	80,891,494
Credit documentary acceptances	15,014,525	8,048,267
Credit acceptances	31,590,657	16,042,474
	<u>120,813,814</u>	<u>104,982,235</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>84,113,931</u>	<u>82,648,725</u>

13.5 Commitments in respect of forward lending

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

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	96,360,167	90,133,552
Sale	96,114,631	89,948,906

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
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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 consolidated financial statements.

The Scheme, needs to be accounted for by the covered entities, including the Group, 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 Group 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 Group.

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	41,457,487	39,914,676
- Financial institutions	260,944	215,585
<i>On investments:</i>		
- Available-for-sale	26,525,886	17,016,089
- Held-for-trading	382,898	40,256
- Held-to-maturity	345,749	354,732
On deposits with financial institutions	509,224	770,157
On lendings to financial institutions	2,082,546	1,690,154
	<u>71,564,734</u>	<u>60,001,649</u>

16 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	27,290,913	23,019,699
Securities sold under repurchase agreement borrowings	630,161	253,843
Other short term borrowings	2,189,334	1,934,015
Long term borrowings	421,255	391,762
	<u>30,531,663</u>	<u>25,599,319</u>

17 INCOME / GAIN ON INVESTMENTS

Dividend income	215,809	237,193
Share of profit of associates and joint venture	615,931	495,655
Gain on sale of securities - net	361,150	224,578
Unrealised loss on held for sale securities	(1,398)	(11,168)
	<u>1,191,492</u>	<u>946,258</u>

18 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The Group has related party relationship with its associated undertakings, joint venture companies, employee benefit schemes of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors and Executive officers.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of loans and advances to related parties are given in note 7.5 to these financial statements.

Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

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

	September 30, 2011	December 31, 2010
	(Rupees in '000)	
Balances outstanding as at the period / year end		
- Borrowings / Deposits from		
- Joint venture and associates	1,883,064	1,925,497
- 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	1,068,516
- Investment in associates and joint venture	5,144,745	4,063,086
- Investments in companies in which directors are interested	491,260	459,033
- Investment in companies in which key management personnel are interested	28,613	28,613
- Payable to defined benefit schemes	1,863,123	170,882
- Mark-up / Other Receivables from:		
- Companies in which key management personnel are interested / Companies in which Directors are interested	562,200	33,692
- Mark-up / Other Payables to:		
- AKFED Group companies	182	1
- Companies in which key management personnel are interested	1,092	703
- Companies in which directors are interested	3,188	32,041
- Associates	3,432	9,742
- Retirement benefit funds	23,648	27,496
- Placements with associate	82,271	238,513
- Lending to AKFED Group companies	447,084	171,273
- Lending to Companies in which directors are interested	138,292	881,885
- Overdrawn nostro balances with joint venture and associates / AKFED Group Companies	934,695	1,186,499
- Payable to HBL Foundation	403,576	261,012
- Other contingencies:		
- Companies in which key management personnel directors are interested	34,389	880
	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
- 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	255,935	190,553
- Interest income		
- Joint venture and associates	175	71
- 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 from associates	553,957	359,934
- Share of profit of associates and joint venture - net of tax	480,567	365,563
- Dividend income		
- 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)	923,550	778,043
Contribution to provident and benevolent fund	15,368	13,851
Medical	21,858	19,051
	<u>960,776</u>	<u>810,945</u>
Number of persons	<u>158</u>	<u>154</u>

19 SEGMENT DETAILS 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	3,606	139	41,033
Inter segment revenue - net	44,632	(28,736)	(18,286)	-	2,390	0
Non-funded income	3,275	1,876	2,275	3,085	278	10,788
Net interest and non-markup income	32,521	6,976	2,826	6,691	2,807	51,821
Total expenses including provision (excluding impairment)	9,403	5,746	92	4,882	7,586	27,710
Impairment against investments	-	103	(70)	-	(56)	(23)
Inter segment administrative cost	5,340	1,068	154	588	(7,150)	0
Total expenses including provision	14,743	6,917	176	5,471	380	27,687
Net income before tax	17,778	59	2,650	1,220	2,427	24,135
Segment assets gross	111,585	410,820	293,796	231,398	64,875	1,112,473
Segment non-performing loans	4,355	26,988	-	17,603	10,119	59,064
Segment provision required including general provision	6,593	26,009	433	13,752	2,889	49,676
Segment liabilities including equity	645,114	99,617	14,062	148,446	155,557	1,062,796
Segment gross earnings on liability / asset %	12.54%	12.69%	11.21%	4.81%	5.33%	-
Segment cost of funds %	5.31%	10.49%	9.78%	1.15%	0.81%	-
	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	3,087	480	34,402
Inter segment revenue - net	34,543	(26,830)	(9,084)	-	1,371	-
Non-funded income	2,954	2,044	1,407	2,530	68	9,003
Net interest and non-markup income	25,722	8,081	2,066	5,617	1,919	43,405
Total expenses including provision (excluding impairment)	8,650	5,254	90	3,809	6,291	24,094
Impairment against investments	-	16	(97)	-	9	(72)
Inter segment administrative cost	4,799	960	138	529	(6,426)	-
Total expenses including provision	13,449	6,230	131	4,338	(126)	24,022
Net income before tax	12,273	1,851	1,935	1,279	2,045	19,383
Segment assets gross	97,525	419,207	157,439	179,963	57,169	911,303
Segment non-performing loans	8,272	19,174	-	16,359	9,077	52,882
Segment provision required including general provision	5,913	23,954	-	12,941	289	43,097
Segment liabilities including equity	521,156	87,543	17,980	151,902	89,625	868,206
Segment gross earnings on liability / asset %	11.74%	12.72%	9.61%	4.92%	2.43%	-
Segment cost of funds %	5.01%	10.15%	7.98%	1.10%	0.08%	-

20 **ISLAMIC BANKING BRANCH AND FIRST HABIB BANK MODARABA**

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

	Note	September 30, 2011	December 31, 2010
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		522,101	327,375
Balances with other banks		33,744	16,400
Lendings to financial institutions		-	100,000
Investments - net		14,040,239	6,670,855
Murabaha	20.1	132,427	51,727
Ijarah	20.2	763,230	829,663
Musharaka		36,518	79,167
Other assets		686,203	403,367
Operating fixed assets		829	1,024
		<u>16,215,291</u>	<u>8,479,578</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		1,484,395	342,072
		<u>14,964,045</u>	<u>7,568,608</u>
NET ASSETS		<u>1,251,246</u>	<u>910,970</u>
REPRESENTED BY:			
Islamic banking fund / certificate capital		647,072	647,072
Reserves		218,460	208,568
Unappropriated profit		312,070	172,840
		<u>1,177,602</u>	<u>1,028,480</u>
Surplus / (deficit) on revaluation of assets		73,644	(117,510)
		<u>1,251,246</u>	<u>910,970</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 assets sold under Murabaha agreement.
- 20.2 This represents fixed assets given to customers under Ijarah agreement.

21. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated 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