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CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib Abbas D. Habib Anwar Haji Karim Hasnain A. Habib Imtiaz Alam Hanfi Murtaza H. Habib Qumail R. Habib Shameem Ahmed Syed Mazhar Abbas Wazir Ali Khoja	<i>Chairman</i> <i>Chief Executive & Managing Director</i> <i>Executive Director</i>
Audit Committee	Syed Mazhar Abbas Ali Raza D. Habib Anwar Haji Karim Shameem Ahmed Murtaza H. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	A. Saeed Siddiqui	
Statutory Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	M/s. Gangjees Registrar Services (Pvt) Ltd. 516, Clifton Centre, Khayaban-e-Roomi, Block - 5, Clifton, Karachi-75600.	
Website	www.bankalhabib.com	



DIRECTORS' REVIEW

The Directors express their deepest grief and sorrow on the loss of precious lives and massive devastation caused by the recent floods. We pray to Almighty Allah that He may grant relief and early rehabilitation to the affected people. We are passing through a most tragic and painful period, as the scale of devastation is unprecedented in our recent history. The Bank and its staff have, as always, contributed to the relief efforts and will continue to do so.

On behalf of the Board of Directors of the Bank, I now present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary Companies M/s. AL Habib Capital Markets (Private) Limited and M/s. AL Habib Financial Services Limited for the nine months period ended September 30, 2010.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 232.0 billion as compared to Rs. 189.3 billion on December 31, 2009. In the same period, advances increased to Rs. 111.7 billion from Rs. 105.9 billion, while investments increased to Rs. 125.2 billion from Rs. 111.0 billion. Foreign Trade Business volume has also continued to show a rising trend. The pre-tax profit of the Bank for the nine months period ended September 30, 2010 rose to Rs. 3,829.1 million as compared to Rs. 3,244.4 million during the corresponding period last year.

Your Bank now has a network of 295 offices, comprising 272 branches, 22 sub-branches, and one Representative Office. Our network includes two overseas offices – a Wholesale Branch in the Kingdom of Bahrain and a Representative Office in Dubai – and six Islamic Banking Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the last quarter of 2010.

Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The ratings of our unsecured, subordinated TFCs have also been maintained at **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Finally, we wish to thank our customers for their continued support and confidence, the State Bank of Pakistan for their guidance, and local and foreign correspondents for their cooperation. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these satisfactory results.

On behalf of the Board of Directors

Karachi: October 12, 2010

ALI RAZA D. HABIB
Chairman



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

Note	Nine months period ended		Quarter ended	
	30-September 2010	30-September 2009	30-September 2010	30-September 2009
	(Rupees in '000)			
Mark-up / return / interest earned	10 19,910,894	16,129,404	6,827,231	5,482,257
Mark-up / return / interest expensed	11 (12,149,423)	(9,438,312)	(4,020,947)	(3,309,778)
Net mark-up / return / interest income	7,761,471	6,691,092	2,806,284	2,172,479
Provision against non-performing loans and advances	5.3 (732,497)	(1,110,925)	(479,538)	(323,720)
Provision for diminution in the value of investments	-	-	-	-
Bad debts written-off directly	-	-	-	-
	(732,497)	(1,110,925)	(479,538)	(323,720)
Net mark-up / return / interest income after provisions	7,028,974	5,580,167	2,326,746	1,848,759
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	873,062	746,566	290,870	239,584
Dividend income	214,875	64,991	84,113	43,818
Income from dealing in foreign currencies	159,086	347,714	39,773	74,066
Gain on sale / redemption of securities	42,661	151,766	329	129,175
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-	-	-
Other income	230,162	195,946	62,606	68,683
Total non mark-up / interest income	1,519,846	1,506,983	477,691	555,326
	8,548,820	7,087,150	2,804,437	2,404,085
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	(4,605,492)	(3,764,783)	(1,686,345)	(1,325,847)
Other provisions / write-offs	(4,286)	-	(3,545)	-
Other charges	(109,911)	(77,986)	(31,402)	(31,490)
Total non mark-up / interest expenses	(4,719,689)	(3,842,769)	(1,721,292)	(1,357,337)
	3,829,131	3,244,381	1,083,145	1,046,748
Extra-ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	3,829,131	3,244,381	1,083,145	1,046,748
Taxation - Current	(1,495,435)	(1,321,136)	(516,090)	(533,363)
- Prior years	-	-	-	-
- Deferred	(62,102)	72,525	9,307	97,788
	(1,557,537)	(1,248,611)	(506,783)	(435,575)
PROFIT AFTER TAXATION	2,271,594	1,995,770	576,362	611,173
		Restated		Restated
Basic and diluted earnings per share - Rupees	3.10	2.73	0.79	0.83

The annexed notes form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

	Nine months period ended		Quarter ended	
	30-September 2010	30-September 2009	30-September 2010	30-September 2009
	(Rupees in '000)			
Net profit for the period	2,271,594	1,995,770	576,362	611,173
Other comprehensive income				
Effect of foreign currency translation of net investment in foreign branch	10,443	26,463	4,195	6,765
Total comprehensive income for the period	<u>2,282,037</u>	<u>2,022,233</u>	<u>580,557</u>	<u>617,938</u>

The annexed notes form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

	Share Capital	Capital Reserve		Revenue Reserves			Total
		Statutory Reserve	Special Reserve	General Reserve	Foreign Currency Translation Reserve	Unapp- ropriated Profit	
(Rupees in '000)							
Balance as at 01 January 2009	4,785,388	2,342,482	126,500	540,000	53,848	2,118,986	9,967,204
Net profit for the period	-	-	-	-	-	1,995,770	1,995,770
Other comprehensive income	-	-	-	-	26,463	-	26,463
Total comprehensive income for the period	-	-	-	-	26,463	1,995,770	2,022,233
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035
Transfer to statutory reserve	-	399,154	-	-	-	(399,154)	-
Cash dividend (Rs. 1.25 per share)	-	-	-	-	-	(598,173)	(598,173)
Issue of bonus shares in the ratio of 27.5 shares for every 100 shares held	1,315,982	-	-	-	-	(1,315,982)	-
Balance as at 30 September 2009	6,101,370	2,741,636	126,500	540,000	80,311	1,824,482	11,414,299
Net profit for the period	-	-	-	-	-	860,524	860,524
Other comprehensive income	-	-	-	-	4,373	-	4,373
Total comprehensive income for the period	-	-	-	-	4,373	860,524	864,897
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678
Transfer to statutory reserve	-	172,105	-	-	-	(172,105)	-
Balance as at 31 December 2009	6,101,370	2,913,741	126,500	540,000	84,684	2,520,579	12,286,874
Net profit for the period	-	-	-	-	-	2,271,594	2,271,594
Other comprehensive income	-	-	-	-	10,443	-	10,443
Total comprehensive income for the period	-	-	-	-	10,443	2,271,594	2,282,037
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035
Transfer to statutory reserve	-	454,319	-	-	-	(454,319)	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,220,273)	(1,220,273)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,220,273	-	-	-	-	(1,220,273)	-
Balance as at 30 September 2010	7,321,643	3,368,060	126,500	540,000	95,127	1,920,343	13,371,673

The annexed notes form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

	30-September 2010	30-September 2009
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,829,131	3,244,381
Dividend income	(214,875)	(64,991)
	<u>3,614,256</u>	<u>3,179,390</u>
Adjustments for:		
Depreciation	477,026	414,634
Amortisation	29,225	24,139
Provision against non-performing loans and advances	732,497	1,110,925
Gain on sale / redemption of securities	(42,661)	(151,766)
Provision for defined benefit plan	60,000	53,000
Charge for compensated absences	18,000	25,000
Gain on disposal of operating fixed assets	(24,045)	(24,974)
Provision against off-balance sheet items	4,286	-
Financial charges on leased assets	-	15,860
	<u>1,254,328</u>	<u>1,466,818</u>
	4,868,584	4,646,208
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,760,831)	295,396
Advances	(6,467,513)	3,581,780
Other assets	(1,302,729)	(167,927)
	<u>(10,531,073)</u>	<u>3,709,249</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,033,523	399,667
Borrowings	(15,792,168)	8,638,911
Deposits and other accounts	42,744,356	31,470,163
Other liabilities (excluding provision for taxation)	262,413	972,587
	<u>28,248,124</u>	<u>41,481,328</u>
	22,585,635	49,836,785
Income tax paid	(1,354,676)	(1,148,521)
Net cash flow from operating activities	<u>21,230,959</u>	<u>48,688,264</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	14,244,745	(45,401,709)
Net investments in held to maturity securities	(28,875,418)	1,014,561
Investments in associates	-	(50,000)
Dividend received	214,750	61,525
Investments in operating fixed assets	(910,887)	(730,019)
Sale proceeds of operating fixed assets	30,956	30,311
Net cash used in investing activities	<u>(15,295,854)</u>	<u>(45,075,331)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / receipt of sub-ordinated loans - net	(2,340)	1,998,460
Payment of lease obligations	-	(340,651)
Dividend paid	(1,199,696)	(589,387)
Exchange adjustments on translation of net investment in foreign branch	10,443	26,463
Net cash (used in) / from financing activities	<u>(1,191,593)</u>	<u>1,094,885</u>
Increase in cash and cash equivalents	4,743,512	4,707,818
Cash and cash equivalents at the beginning of the period	19,004,315	15,557,427
Cash and cash equivalents at the end of the period	<u>23,747,827</u>	<u>20,265,245</u>

The annexed notes form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED MAZHAR ABBAS	ANWAR HAJI KARIM
<i>Chairman</i>	<i>Chief Executive and Managing Director</i>	<i>Director</i>	<i>Director</i>



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 272 branches, 22 sub-branches, and one representative office (31 December 2009: 255 branches) including a wholesale branch (31 December 2009: 01) in the Kingdom of Bahrain, a branch (31 December 2009 :01) in Karachi Export Processing Zone and 06 Islamic Banking branches (31 December 2009: 06).

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements of the Bank for the nine months period ended 30 September 2010 have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by the SBP.
- 2.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2009.
- 2.4 These are separate interim condensed financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009.



Note	30-September 2010 (Un-Audited)			31-December 2009 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
4. INVESTMENTS						
Available for Sale Securities						
Market Treasury Bills	66,297,454	-	66,297,454	65,526,602	17,262,898	82,789,500
Pakistan Investment Bonds	12,030,692	-	12,030,692	10,528,090	-	10,528,090
Foreign Currency Bonds	795,705	-	795,705	334,161	-	334,161
Sukuks	5,993,339	-	5,993,339	5,890,099	-	5,890,099
Ordinary shares of listed companies and closed end mutual funds	21,087	-	21,087	130,193	-	130,193
Ordinary shares of unlisted companies	39,570	-	39,570	42,021	-	42,021
Listed term finance certificates	767,131	-	767,131	689,891	-	689,891
Unlisted term finance certificates	5,701,605	-	5,701,605	5,801,605	-	5,801,605
Open ended mutual funds	1,200,000	-	1,200,000	925,000	-	925,000
	92,846,583	-	92,846,583	89,867,662	17,262,898	107,130,560
Held to Maturity Securities 4.1						
Market Treasury Bills	28,143,984	-	28,143,984	-	-	-
Pakistan Investment Bonds	2,491,524	-	2,491,524	1,534,695	-	1,534,695
Sukuks	275,000	-	275,000	446,134	-	446,134
Listed term finance certificates	394,227	-	394,227	406,821	-	406,821
Unlisted term finance certificates	208,333	-	208,333	250,000	-	250,000
	31,513,068	-	31,513,068	2,637,650	-	2,637,650
Associates						
Habib Sugar Mills Limited	180,977	-	180,977	180,977	-	180,977
Habib Asset Management Limited	33,750	-	33,750	33,750	-	33,750
First Habib Income Fund	750,000	-	750,000	750,000	-	750,000
First Habib Stock Fund	50,000	-	50,000	50,000	-	50,000
	1,014,727	-	1,014,727	1,014,727	-	1,014,727
Subsidiaries						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
AL Habib Financial Services Limited	62,850	-	62,850	62,850	-	62,850
	262,850	-	262,850	262,850	-	262,850
Investments at cost	125,637,228	-	125,637,228	93,782,889	17,262,898	111,045,787
Provision for diminution in the value of investments	(5,700)	-	(5,700)	(83,254)	-	(83,254)
Investments (net of provisions)	125,631,528	-	125,631,528	93,699,635	17,262,898	110,962,533
(Deficit) / surplus on revaluation of available for sale investments-net	(443,884)	-	(443,884)	34,085	21,083	55,168
Investments after revaluation of available for sale investments	125,187,644	-	125,187,644	93,733,720	17,283,981	111,017,701

4.1 The aggregate market value of held of maturity securities as on 30 September 2010 amounted to Rs. 31,025 (31 December 2009: 2,452) million.



	Note	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
(Rupees in '000)			
5. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		98,583,352	93,912,512
Outside Pakistan		3,205,771	1,594,681
		101,789,123	95,507,193
Net investment in finance lease / ijara financing			
In Pakistan		691,578	670,242
Outside Pakistan		-	-
		691,578	670,242
Murabaha receivable		1,075,518	2,268,080
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		1,867,558	2,028,863
Payable outside Pakistan		9,393,547	7,898,634
		11,261,105	9,927,497
Advances - gross		114,817,324	108,373,012
Provision against non-performing loans and advances			
Specific provision	5.1	(1,168,522)	(1,210,572)
General provision against consumer advances (as per SBP regulations)	5.2	(29,445)	(27,121)
General provision	5.3	(1,900,000)	(1,150,000)
		(3,097,967)	(2,387,693)
Advances - net of provisions		111,719,357	105,985,319

5.1 Advances include Rs. 1,685.004 (31 December 2009: Rs. 2,067.656) million which have been placed under non-performing status as detailed below:

Category of classification	30-September 2010 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets									
especially mentioned	325	-	325	-	-	-	-	-	-
Substandard	302,615	-	302,615	71,775	-	71,775	71,775	-	71,775
Doubtful	319,890	-	319,890	159,950	-	159,950	159,950	-	159,950
Loss	1,021,675	40,499	1,062,174	896,298	40,499	936,797	896,298	40,499	936,797
	1,644,505	40,499	1,685,004	1,128,023	40,499	1,168,522	1,128,023	40,499	1,168,522



31-December 2009 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	712,684	-	712,684	172,813	-	172,813	172,813	-	172,813
Doubtful	323,251	-	323,251	158,642	-	158,642	158,642	-	158,642
Loss	992,198	39,523	1,031,721	839,594	39,523	879,117	839,594	39,523	879,117
	<u>2,028,133</u>	<u>39,523</u>	<u>2,067,656</u>	<u>1,171,049</u>	<u>39,523</u>	<u>1,210,572</u>	<u>1,171,049</u>	<u>39,523</u>	<u>1,210,572</u>

5.2 The Bank has made general provision for consumer portfolio as required by the SBP's Prudential Regulations amounting to Rs. 29.445 (31 December 2009: Rs. 27.121) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 750 million during the period, bringing the total of such provision to Rs. 1,900 (31 December 2009: Rs. 1,150) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

30-September 2010 **31-December 2009**
(Un-Audited) (Audited)
(Rupees in '000)

6. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	13,740,903	13,646,270
Long term financing for export oriented projects	905,645	1,116,815
Long term financing for imported and locally manufactured plant and machinery	2,927,706	1,415,994
	17,574,254	16,179,079
Repurchase agreement borrowings	-	17,221,778
	17,574,254	33,400,857

Unsecured

Borrowings from financial institutions	-	42,121
Overdrawn nostros	150,687	74,131
	150,687	116,252
	17,724,941	33,517,109



Note **30-September 2010** 31-December 2009
(Un-Audited) (Audited)
(Rupees in '000)

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	85,674,723	70,993,523
Savings deposits	51,916,957	35,309,299
Current accounts - Remunerative	25,993,885	21,274,425
Current accounts - Non-remunerative	60,411,856	53,881,225
	223,997,421	181,458,472

Financial Institutions

Remunerative deposits	7,784,297	7,611,935
Non-remunerative deposits	242,700	209,655
	8,026,997	7,821,590
	232,024,418	189,280,062

8. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	8.1	1,747,114	1,770,147
Available for sale securities	8.2	(290,831)	47,937
		1,456,283	1,818,084

8.1 Operating fixed assets

Surplus on revaluation of land and buildings	2,287,708	2,323,144
Related deferred tax liability	(540,594)	(552,997)
	1,747,114	1,770,147

8.2 Available for sale securities

Federal Government Securities	(417,770)	67,139
Fully paid-up ordinary shares	(863)	48,215
Term finance certificates, sukuks and bonds	(29,772)	(91,175)
Open ended mutual funds	4,521	30,989
	(443,884)	55,168
Related deferred tax asset / (liability)	153,053	(7,231)
	(290,831)	47,937



30-September 2010 **31-December 2009**
(Un-Audited) **(Audited)**
 (Rupees in '000)

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct Credit Substitutes

Stand-by letter of credit	473,089	1,501,123
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9.2 Transaction-related Contingent Liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions issued in favour of:

Government	7,309,461	6,052,504
Financial Institutions	220,103	302,603
Others	4,584,767	2,809,840
	12,114,331	9,164,947

9.3 Trade-related Contingent Liabilities

Letters of credit	30,971,989	28,152,079
Acceptances	7,859,013	3,816,563
	38,831,002	31,968,642

9.4 Tax Contingencies

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2008. Income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2008.

In respect of assessment years 1995-1996, 1999-2000 to 2002-2003 and tax years 2003 and 2004, the Income Tax Department has filed appeals against the appellate orders of the Commissioner Income Tax Appeals (CIT Appeals) before the Income Tax Appellate Tribunal (ITAT) on which tax liability, if any, of Rs. 40 million may arise.

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off directly, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate tax impact of Rs.156.28 (net of provision made by the Bank of Rs.61.391) million. The Bank has preferred appeal before ITAT against the above referred orders of the CIT Appeals.



The aggregate financial impact of the above matters over the tax provisions made by the Bank in the financial statements works out to be Rs. 196.28 (31 December 2009: Rs. 198.14) million. However, the management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these interim condensed financial statements.

For the tax year 2009, proceedings u/s 122(5A) of the Income Tax Ordinance, 2001 were initiated against which the Bank has filed writ petition before Lahore High Court, Multan Bench. The Honourable Court has stayed the proceedings.

	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
	(Rupees in '000)	
9.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>866,218</u>	<u>1,147,277</u>
9.6 Commitments in respect of forward purchase of securities		
Sukuks	<u>194,303</u>	<u>712,371</u>
9.7 Commitments in respect of forward exchange contracts		
Purchase	<u>22,787,489</u>	<u>11,702,277</u>
Sale	<u>17,899,152</u>	<u>8,584,253</u>
The maturities of above contracts are spread over a period upto one year.		
9.8 Commitments for the acquisition of operating fixed assets	<u>155,945</u>	<u>138,147</u>



Nine months period ended
30-September 2010 **30-September 2009**
(Un-Audited)
(Rupees in '000)

10. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	9,091,168	9,147,648
Financial institutions	195,039	290,188
	9,286,207	9,437,836

On investments in:

Available for sale securities	9,613,081	5,993,954
Held to maturity securities	866,856	480,938
	10,479,937	6,474,892

On deposits with financial institutions	32,976	18,466
On securities purchased under resale agreements	111,435	194,827
On call money lendings	339	3,383

	19,910,894	16,129,404
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11. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	10,326,768	8,129,372
Repurchase agreement borrowings	378,002	161,520
Sub-ordinated loans	492,616	374,204
Borrowings from SBP	931,693	623,695
Other borrowings	20,344	149,521
	12,149,423	9,438,312

12. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), retirement benefit funds, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.



Transactions with related parties during the period, are summarized as follows:

	30-September 2010 (Un-Audited)					Total
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)					
Deposits						
At the beginning of the period	130,142	674,596	13,966	80,124	513,212	1,412,040
Placement during the period	3,022,977	36,858,051	154,386	409,042	3,067,471	43,511,927
Withdrawal during the period	(2,929,597)	(37,079,279)	(154,093)	(385,615)	(3,248,908)	(43,797,492)
At the end of the period	<u>223,522</u>	<u>453,368</u>	<u>14,259</u>	<u>103,551</u>	<u>331,775</u>	<u>1,126,475</u>
Advances						
At the beginning of the period	-	399,584	26	164	-	399,774
Given during the period	-	497,422	442	27,573	-	525,437
Repaid during the period	-	(582,313)	(449)	(9,338)	-	(592,100)
At the end of the period	<u>-</u>	<u>314,693</u>	<u>19</u>	<u>18,399</u>	<u>-</u>	<u>333,111</u>
Contingencies and commitments	<u>-</u>	<u>653,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,982</u>
Purchase of fixed assets	<u>2,631</u>	<u>791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,422</u>
Sale of securities	<u>-</u>	<u>36,004</u>	<u>-</u>	<u>-</u>	<u>264,827</u>	<u>300,831</u>
	31-December 2009 (Audited)					
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
Deposits						
At the beginning of the year	46,459	572,537	3,843	44,710	321,102	988,651
Placement during the year	5,557,123	49,523,388	152,320	8,302,102	3,320,962	66,855,895
Withdrawal during the year	(5,473,440)	(49,421,329)	(142,197)	(8,266,688)	(3,128,852)	(66,432,506)
At the end of the year	<u>130,142</u>	<u>674,596</u>	<u>13,966</u>	<u>80,124</u>	<u>513,212</u>	<u>1,412,040</u>
Advances						
At the beginning of the year	-	369,000	54	641	-	369,695
Given during the year	178,302	542,438	987	8,381	-	730,108
Repaid during the year	(178,302)	(511,854)	(1,015)	(8,858)	-	(700,029)
At the end of the year	<u>-</u>	<u>399,584</u>	<u>26</u>	<u>164</u>	<u>-</u>	<u>399,774</u>
Contingencies and commitments	<u>-</u>	<u>229,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,073</u>
Purchase of fixed assets	<u>-</u>	<u>1,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,503</u>
Sale of securities	<u>-</u>	<u>35,576</u>	<u>-</u>	<u>-</u>	<u>243,017</u>	<u>278,593</u>



Nine months period ended 30-September 2010 (Un-Audited)

	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
			(Rupees in '000)			
Mark-up earned	-	19,968	-	185	-	20,153
Mark-up expensed	11,152	42,954	1,213	7,932	33,972	97,223
Bank charges and commission	118	1,841	1	1	-	1,961
Gain on sale of securities	-	36	-	-	65	101
Salaries and allowances	-	-	-	68,521	-	68,521
Bonus	-	-	-	9,390	-	9,390
Contribution to defined contribution plan	-	-	-	2,509	-	2,509
Contribution to defined benefit plan	-	-	-	6,895	-	6,895
Staff provident fund	-	-	-	-	80,644	80,644
Staff gratuity fund	-	-	-	-	60,000	60,000
Directors' fee	-	-	1,030	-	-	1,030
Insurance claim received	-	6,874	-	-	-	6,874
Insurance premium paid	-	105,604	-	-	-	105,604
Dividend income	-	66,479	-	-	-	66,479
Dividend paid	-	22,802	-	-	-	22,802
Rental income	1,838	-	-	-	-	1,838
Others	16	-	-	-	-	16

Nine months period ended 30-September 2009 (Un-Audited)

	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
			(Rupees in '000)			
Mark-up earned	2	22,075	3	22	-	22,102
Mark-up expensed	6,801	43,029	810	4,581	54,573	109,794
Bank charges and commission	39	1,115	40	124	-	1,318
Gain on sale of securities	-	30	-	-	16	46
Salaries and allowances	-	-	-	53,326	-	53,326
Bonus	-	-	-	7,869	-	7,869
Contribution to defined contribution plan	-	-	-	1,810	-	1,810
Contribution to defined benefit plan	-	-	-	5,983	-	5,983
Staff provident fund	-	-	-	-	66,799	66,799
Staff gratuity fund	-	-	-	-	53,000	53,000
Directors' fee	-	-	620	-	-	620
Insurance claim received	-	5,317	-	-	-	5,317
Insurance premium paid	-	86,742	-	-	-	86,742
Dividend income	-	33,433	-	-	-	33,433
Dividend paid	-	11,177	-	-	-	11,177
Rental income	1,662	-	-	-	-	1,662
Others	-	-	-	-	-	-



13. ISLAMIC BANKING BUSINESS

The Bank is operating 06 Islamic banking branches (31 December 2009: 06) . The statement of financial position of these branches as at 30 September 2010 is as follows:

	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	174,648	195,926
Balances with and due from financial institutions	5,230	2,291
Investments	970,498	949,431
Financing and receivables		
– Murabaha	1,075,518	2,268,080
– Ijara	367,274	485,659
– Diminishing musharika	1,244,233	327,565
– Istisna	73,000	–
Other assets	587,212	142,268
	4,497,613	4,371,220
LIABILITIES		
Bills payable	23,761	6,723
Due to financial institutions	494,329	191,017
Deposits and other accounts		
– Current accounts	645,440	427,044
– Saving accounts	267,258	214,741
– Term deposits	1,382,067	1,225,491
– Others	2,956	1,744
– Deposits from financial institutions-remunerative	873,101	1,264,453
– Deposits from financial institutions-non-remunerative	402	657
Due to head office	140,000	456,099
Other liabilities	157,288	146,200
	3,986,602	3,934,169
NET ASSETS	511,011	437,051
REPRESENTED BY		
Islamic banking fund	400,000	350,000
Unappropriated profit	109,391	106,498
	509,391	456,498
Surplus / (deficit) on revaluation of assets	1,620	(19,447)
	511,011	437,051



14. GENERAL

Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison.

15. DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Board of Directors in their meeting held on 12 October 2010.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010**

	Note	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		18,041,767	14,377,626
Balances with other banks		5,711,561	4,642,110
Lendings to financial institutions		2,760,831	-
Investments	4	124,998,652	110,907,416
Advances	5	111,719,563	105,985,495
Operating fixed assets		10,024,381	9,620,148
Deferred tax assets		-	-
Other assets		5,552,942	4,284,277
		278,809,697	249,817,072
LIABILITIES			
Bills payable		4,220,906	3,187,383
Borrowings	6	17,724,941	33,517,109
Deposits and other accounts	7	231,802,337	189,148,427
Sub-ordinated loans		4,842,660	4,845,000
Liabilities against assets subject to finance lease		572	1,508
Deferred tax liabilities		718,685	816,557
Other liabilities		4,566,326	4,080,559
		263,876,427	235,596,543
NET ASSETS			
		14,933,270	14,220,529
REPRESENTED BY			
Share capital		7,321,643	6,101,370
Reserves		4,151,362	3,685,350
Unappropriated profit		1,890,229	2,496,135
Non-controlling interest		110,356	106,683
		13,473,590	12,389,538
Surplus on revaluation of assets - net of tax	8	1,459,680	1,830,991
		14,933,270	14,220,529
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED MAZHAR ABBAS	ANWAR HAJI KARIM
<i>Chairman</i>	<i>Chief Executive and Managing Director</i>	<i>Director</i>	<i>Director</i>



**CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

Note	Nine months period ended		Quarter ended		
	30-September 2010	30-September 2009	30-September 2010	30-September 2009	
	(Rupees in '000)				
Mark-up / return / interest earned	10	19,910,972	16,132,006	6,827,259	5,482,373
Mark-up / return / interest expensed	11	(12,138,334)	(9,430,840)	(4,015,941)	(3,305,282)
Net mark-up / return / interest income		7,772,638	6,701,166	2,811,318	2,177,091
Provision against non-performing loans and advances	5.3	(732,497)	(1,110,925)	(479,538)	(323,720)
Provision for diminution in the value of investments		(229)	(831)	(173)	(831)
Bad debts written-off directly		-	-	-	-
		(732,726)	(1,111,756)	(479,711)	(324,551)
Net mark-up / return / interest income after provisions		7,039,912	5,589,410	2,331,607	1,852,540
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		881,406	756,293	292,412	242,781
Dividend income		151,158	34,111	66,679	29,705
Income from dealing in foreign currencies		158,726	347,714	39,413	74,066
Gain on sale / redemption of securities		62,505	153,099	(162)	130,132
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Share of profit from associates		77,805	65,094	29,790	25,368
Other income		228,852	203,641	62,054	68,460
Total non mark-up / interest income		1,560,452	1,559,952	490,186	570,512
		8,600,364	7,149,362	2,821,793	2,423,052
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(4,657,620)	(3,815,260)	(1,703,670)	(1,343,947)
Other provisions / write-offs		(4,286)	-	(3,545)	-
Other charges		(110,199)	(77,986)	(31,690)	(31,490)
Total non mark-up / interest expenses		(4,772,105)	(3,893,246)	(1,738,905)	(1,375,437)
		3,828,259	3,256,116	1,082,888	1,047,615
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		3,828,259	3,256,116	1,082,888	1,047,615
Taxation - Current		(1,496,764)	(1,319,743)	(516,284)	(533,740)
- Prior years		-	-	-	-
- Deferred		(61,898)	74,067	9,652	99,096
		(1,558,662)	(1,245,676)	(506,632)	(434,644)
PROFIT AFTER TAXATION		2,269,597	2,010,440	576,256	612,971
Attributable to:					
Equity holders of parent		2,265,924	2,008,943	577,330	613,018
Non-controlling interest		3,673	1,497	(1,074)	(47)
		2,269,597	2,010,440	576,256	612,971
			Restated		Restated
Basic and diluted earnings per share - Rupees		3.09	2.74	0.79	0.84

The annexed notes form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

	<u>Nine months period ended</u>		<u>Quarter ended</u>	
	<u>30-September 2010</u>	<u>30-September 2009</u>	<u>30-September 2010</u>	<u>30-September 2009</u>
	(Rupees in '000)			
Net profit for the period	2,269,597	2,010,440	576,256	612,971
Other comprehensive income				
Effect of foreign currency translation of net investment in foreign operations	11,693	30,513	4,683	8,633
Total comprehensive income for the period	<u>2,281,290</u>	<u>2,040,953</u>	<u>580,939</u>	<u>621,604</u>
Attributable to:				
Equity holders of parent	2,277,617	2,039,456	582,013	621,651
Non-controlling interest	3,673	1,497	(1,074)	(47)
	<u>2,281,290</u>	<u>2,040,953</u>	<u>580,939</u>	<u>621,604</u>

The annexed notes form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

	Capital Reserve		Revenue Reserves			Total	Non-controlling Interest	Total	
	Share Capital	Statutory Reserve	Special Reserve	General Reserve	Foreign Currency Translation Reserve				Unappropriated Profit
	(Rupees in '000)								
Balance as at 01 January 2009	4,785,388	2,342,482	126,500	540,000	70,096	2,047,596	9,912,062	101,397	10,013,459
Net profit for the period	-	-	-	-	-	2,008,943	2,008,943	1,497	2,010,440
Other comprehensive income	-	-	-	-	30,513	-	30,513	-	30,513
Total comprehensive income for the period	-	-	-	-	30,513	2,008,943	2,039,456	1,497	2,040,953
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035	-	23,035
Transfer to statutory reserve	-	399,154	-	-	-	(399,154)	-	-	-
Cash dividend (Rs. 1.25 per share)	-	-	-	-	-	(598,173)	(598,173)	-	(598,173)
Issue of bonus shares in the ratio of 27.5 shares for every 100 shares held	1,315,982	-	-	-	-	(1,315,982)	-	-	-
Balance as at 30 September 2009	6,101,370	2,741,636	126,500	540,000	100,609	1,766,265	11,376,380	102,894	11,479,274
Net profit for the period	-	-	-	-	-	894,297	894,297	3,789	898,086
Other comprehensive income	-	-	-	-	4,500	-	4,500	-	4,500
Total comprehensive income for the period	-	-	-	-	4,500	894,297	898,797	3,789	902,586
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678	-	7,678
Transfer to statutory reserve	-	172,105	-	-	-	(172,105)	-	-	-
Balance as at 31 December 2009	6,101,370	2,913,741	126,500	540,000	105,109	2,496,135	12,282,855	106,683	12,389,538
Net profit for the period	-	-	-	-	-	2,265,924	2,265,924	3,673	2,269,597
Other comprehensive income	-	-	-	-	11,693	-	11,693	-	11,693
Total comprehensive income for the period	-	-	-	-	11,693	2,265,924	2,277,617	3,673	2,281,290
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035	-	23,035
Transfer to statutory reserve	-	454,319	-	-	-	(454,319)	-	-	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,220,273)	(1,220,273)	-	(1,220,273)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,220,273	-	-	-	-	(1,220,273)	-	-	-
Balance as at 30 September 2010	7,321,643	3,368,060	126,500	540,000	116,802	1,890,229	13,363,234	110,356	13,473,590

The annexed notes form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

1. STATUS AND NATURE OF BUSINESS

The Group consists of :

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)
- AL Habib Financial Services Limited (Subsidiary Company)

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking network of 272 branches, 22 sub-branches, and one representative office (31 December 2009: 255 branches) including a wholesale branch (31 December 2009: 01) in the Kingdom of Bahrain, a branch (31 December 2009 :01) in Karachi Export Processing Zone and 06 Islamic Banking branches (31 December 2009: 06) .The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The principal objective of the company is to engage in the business of equity, money market and foreign exchange, brokerage, equity research and corporate financial advisory and consultancy services. AL Habib Capital Markets (Private) Limited (the Company) was incorporated in Pakistan as a (Private) Limited Company on 23 August 2005 under the Companies Ordinance, 1984 and started operations from 14 December 2005.

AL Habib Financial Services Limited is a wholly owned subsidiary of the Bank. The principal objective of the company is to engage in arranging / advising on financial products and services. AL Habib Financial Services Limited was incorporated in Dubai on 05 March 2008.

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated interim condensed financial statements of the Group for the nine months period ended 30 September 2010 have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by the SBP.
- 2.3 The disclosures made in these consolidated interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these consolidated interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009.

3. ACCOUNTING POLICIES

- 3.1 The accounting policies adopted in the preparation of these consolidated interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2009.
- 3.2 The basis of consolidation of the financial statements of subsidiaries is same as that applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2009.



Note	30-September 2010 (Un-Audited)			31-December 2009 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
(Rupees in '000)						
4. INVESTMENTS						
Available for Sale Securities						
Market Treasury Bills	66,297,454	-	66,297,454	65,526,602	17,262,898	82,789,500
Pakistan Investment Bonds	12,030,692	-	12,030,692	10,528,090	-	10,528,090
Foreign Currency Bonds	795,705	-	795,705	334,161	-	334,161
Sukuks	5,993,339	-	5,993,339	5,890,099	-	5,890,099
Ordinary shares of listed companies and closed end mutual funds	30,743	-	30,743	176,840	-	176,840
Ordinary shares of unlisted companies	39,570	-	39,570	42,021	-	42,021
Listed term finance certificates	767,131	-	767,131	689,891	-	689,891
Unlisted term finance certificates	5,701,605	-	5,701,605	5,801,605	-	5,801,605
Open ended mutual funds	1,200,000	-	1,200,000	975,000	-	975,000
	92,856,239	-	92,856,239	89,964,309	17,262,898	107,227,207
Held to Maturity Securities 4.1						
Market Treasury Bills	28,143,984	-	28,143,984	-	-	-
Pakistan Investment Bonds	2,491,524	-	2,491,524	1,534,695	-	1,534,695
Sukuks	275,000	-	275,000	446,134	-	446,134
Listed term finance certificates	394,227	-	394,227	406,821	-	406,821
Unlisted term finance certificates	208,333	-	208,333	250,000	-	250,000
	31,513,068	-	31,513,068	2,637,650	-	2,637,650
Associates						
Habib Sugar Mills Limited	230,144	-	230,144	210,573	-	210,573
Habib Asset Management Limited	33,613	-	33,613	33,500	-	33,500
First Habib Income Fund	767,848	-	767,848	771,680	-	771,680
First Habib Stock Fund	47,715	-	47,715	49,435	-	49,435
	1,079,320	-	1,079,320	1,065,188	-	1,065,188
Investments at cost	125,448,627	-	125,448,627	93,667,147	17,262,898	110,930,045
Provision for diminution in the value of investments	(6,683)	-	(6,683)	(90,704)	-	(90,704)
Investments (net of provisions)	125,441,944	-	125,441,944	93,576,443	17,262,898	110,839,341
(Deficit) / surplus on revaluation of available for sale investments-net	(443,292)	-	(443,292)	46,992	21,083	68,075
Investments after revaluation of available for sale investments	124,998,652	-	124,998,652	93,623,435	17,283,981	110,907,416

4.1 The aggregate market value of held to maturity securities as on 30 September 2010 amounted to Rs. 31,025 (31 December 2009: 2,452) million.



Note **30-September 2010** 31-December 2009
(Un-Audited) (Audited)
(Rupees in '000)

5. ADVANCES

Loans, cash credits, running finances, etc.		
In Pakistan	98,583,558	93,912,688
Outside Pakistan	3,205,771	1,594,681
	101,789,329	95,507,369
Net investment in finance lease / ijara financing		
In Pakistan	691,578	670,242
Outside Pakistan	-	-
	691,578	670,242
Murabaha receivable	1,075,518	2,268,080
Bills discounted and purchased (excluding market treasury bills)		
Payable in Pakistan	1,867,558	2,028,863
Payable outside Pakistan	9,393,547	7,898,634
	11,261,105	9,927,497
Advances - gross	114,817,530	108,373,188
Provision against non-performing loans and advances		
Specific provision	5.1 (1,168,522)	(1,210,572)
General provision against consumer advances (as per SBP regulations)	5.2 (29,445)	(27,121)
General provision	5.3 (1,900,000)	(1,150,000)
	(3,097,967)	(2,387,693)
Advances - net of provisions	111,719,563	105,985,495

5.1 Advances include Rs. 1,685.004 (31 December 2009: Rs. 2,067.656) million which have been placed under non-performing status as detailed below:

Category of classification	30-September 2010 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	325	-	325	-	-	-	-	-	-
Substandard	302,615	-	302,615	71,775	-	71,775	71,775	-	71,775
Doubtful	319,890	-	319,890	159,950	-	159,950	159,950	-	159,950
Loss	1,021,675	40,499	1,062,174	896,298	40,499	936,797	896,298	40,499	936,797
	1,644,505	40,499	1,685,004	1,128,023	40,499	1,168,522	1,128,023	40,499	1,168,522



31-December 2009 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	712,684	-	712,684	172,813	-	172,813	172,813	-	172,813
Doubtful	323,251	-	323,251	158,642	-	158,642	158,642	-	158,642
Loss	992,198	39,523	1,031,721	839,594	39,523	879,117	839,594	39,523	879,117
	<u>2,028,133</u>	<u>39,523</u>	<u>2,067,656</u>	<u>1,171,049</u>	<u>39,523</u>	<u>1,210,572</u>	<u>1,171,049</u>	<u>39,523</u>	<u>1,210,572</u>

5.2 The Bank has made general provision for consumer portfolio as required by the SBP's Prudential Regulations amounting to Rs. 29.445 (31 December 2009: Rs. 27.121) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 750 million during the period, bringing the total of such provision to Rs. 1,900 (31 December 2009: Rs. 1,150) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

30-September 2010 **31-December 2009**
(Un-Audited) (Audited)
(Rupees in '000)

6. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	13,740,903	13,646,270
Long term financing for export oriented projects	905,645	1,116,815
Long term financing for imported and locally manufactured plant and machinery	2,927,706	1,415,994
	17,574,254	16,179,079
Repurchase agreement borrowings	-	17,221,778
	17,574,254	33,400,857

Unsecured

Borrowings from financial institutions	-	42,121
Overdrawn nostros	150,687	74,131
	150,687	116,252
	17,724,941	33,517,109



Note **30-September 2010** 31-December 2009
(Un-Audited) (Audited)
(Rupees in '000)

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	85,674,723	70,993,523
Savings deposits	51,916,957	35,309,221
Current accounts - Remunerative	25,993,885	21,174,817
Current accounts - Non-remunerative	60,411,856	53,878,930
	223,997,421	181,356,491

Financial Institutions

Remunerative deposits	7,563,694	7,582,281
Non-remunerative deposits	241,222	209,655
	7,804,916	7,791,936
	231,802,337	189,148,427

8. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	8.1	1,747,114	1,770,147
Available for sale securities	8.2	(287,434)	60,844
		1,459,680	1,830,991

8.1 Operating fixed assets

Surplus on revaluation of land and buildings	2,287,708	2,323,144
Related deferred tax liability	(540,594)	(552,997)
	1,747,114	1,770,147

8.2 Available for sale securities

Federal Government Securities	(417,770)	67,139
Fully paid-up ordinary shares	(271)	60,531
Term finance certificates, sukuks, bonds and others	(26,967)	(91,175)
Open ended mutual funds	4,521	31,580
	(440,487)	68,075
Related deferred tax asset / (liability)	153,053	(7,231)
	(287,434)	60,844



30-September 2010 **31-December 2009**
(Un-Audited) **(Audited)**
 (Rupees in '000)

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct Credit Substitutes

Stand-by letter of credit	<u>473,089</u>	<u>1,501,123</u>
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9.2 Transaction-related Contingent Liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions issued in favour of:

Government	7,309,461	6,052,504
Financial Institutions	220,103	302,603
Others	4,584,767	2,809,840
	<u>12,114,331</u>	<u>9,164,947</u>

9.3 Trade-related Contingent Liabilities

Letters of credit	30,971,989	28,152,079
Acceptances	7,859,013	3,816,563
	<u>38,831,002</u>	<u>31,968,642</u>

9.4 Tax Contingencies

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2008. Income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2008.

In respect of assessment years 1995-1996, 1999-2000 to 2002-2003 and tax years 2003 and 2004, the Income Tax Department has filed appeals against the appellate orders of the Commissioner Income Tax Appeals (CIT Appeals) before the Income Tax Appellate Tribunal (ITAT) on which tax liability, if any, of Rs. 40 million may arise.

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off directly, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate tax impact of Rs.156.28 (net of provision made by the Bank of Rs.61.391) million. The Bank has preferred appeal before ITAT against the above referred orders of the CIT Appeals.



The aggregate financial impact of the above matters over the tax provisions made by the Bank in the financial statements works out to be Rs. 196.28 (31 December 2009: Rs. 198.14) million. However, the management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these consolidated interim condensed financial statements.

For the tax year 2009, proceedings u/s 122(5A) of Income Tax Ordinance, 2001 were initiated against which the Bank has filed writ petition before Lahore High Court, Multan Bench. The Honourable Court has stayed the proceedings.

	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
	(Rupees in '000)	
9.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>866,218</u>	<u>1,147,277</u>
9.6 Commitments in respect of forward purchase of securities		
Sukuks	<u>194,303</u>	<u>712,371</u>
9.7 Commitments in respect of forward exchange contracts		
Purchase	<u>22,787,489</u>	<u>11,702,277</u>
Sale	<u>17,899,152</u>	<u>8,584,253</u>
The maturities of above contracts are spread over a period upto one year.		
9.8 Commitments for the acquisition of operating fixed assets	<u>155,945</u>	<u>138,147</u>



Nine months period ended
30-September 2010 30-September 2009
(Un-Audited)
(Rupees in '000)

10. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	9,091,196	9,147,696
Financial institutions	195,039	290,188
	9,286,235	9,437,884

On investments in:

Available for sale securities	9,613,081	5,993,954
Held to maturity securities	866,856	480,938
	10,479,937	6,474,892

On deposits with financial institutions	33,026	18,856
On securities purchased under resale agreements	111,435	196,991
On call money lendings	339	3,383
	19,910,972	16,132,006

11. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	10,315,679	8,121,929
Repurchase agreement borrowings	378,002	161,520
Sub-ordinated loans	492,616	374,204
Borrowings from SBP	931,693	623,695
Other borrowings	20,344	149,492
	12,138,334	9,430,840

12. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.



Transactions with related parties during the period, are summarized as follows:

	30-September 2010 (Un-Audited)				Total
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)				
Deposits					
At the beginning of the period	674,596	13,966	80,124	513,212	1,281,898
Placement during the period	36,858,051	154,386	409,042	3,067,471	40,488,950
Withdrawal during the period	(37,079,279)	(154,093)	(385,615)	(3,248,908)	(40,867,895)
At the end of the period	<u>453,368</u>	<u>14,259</u>	<u>103,551</u>	<u>331,775</u>	<u>902,953</u>
Advances					
At the beginning of the period	399,584	26	164	-	399,774
Given during the period	497,422	442	27,573	-	525,437
Repaid during the period	(582,313)	(449)	(9,338)	-	(592,100)
At the end of the period	<u>314,693</u>	<u>19</u>	<u>18,399</u>	<u>-</u>	<u>333,111</u>
Contingencies and commitments	<u>653,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,982</u>
Purchase of fixed assets	<u>791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>791</u>
Sale of securities	<u>36,004</u>	<u>-</u>	<u>-</u>	<u>264,827</u>	<u>300,831</u>
	31-December 2009 (Audited)				
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Deposits					
At the beginning of the year	572,537	3,843	44,710	321,102	942,192
Placement during the year	49,523,388	152,320	8,302,102	3,320,962	61,298,772
Withdrawal during the year	(49,421,329)	(142,197)	(8,266,688)	(3,128,852)	(60,959,066)
At the end of the year	<u>674,596</u>	<u>13,966</u>	<u>80,124</u>	<u>513,212</u>	<u>1,281,898</u>
Advances					
At the beginning of the year	369,000	54	641	-	369,695
Given during the year	542,438	987	8,381	-	551,806
Repaid during the year	(511,854)	(1,015)	(8,858)	-	(521,727)
At the end of the year	<u>399,584</u>	<u>26</u>	<u>164</u>	<u>-</u>	<u>399,774</u>
Contingencies and commitments	<u>229,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,073</u>
Purchase of fixed assets	<u>1,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,503</u>
Sale of securities	<u>35,576</u>	<u>-</u>	<u>-</u>	<u>243,017</u>	<u>278,593</u>



Nine months period ended 30-September 2010 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Mark-up earned	19,968	-	185	-	20,153
Mark-up expensed	42,954	1,213	7,932	33,972	86,071
Bank charges and commission	1,841	1	1	-	1,843
Gain on sale of securities	36	-	-	65	101
Salaries and allowances	-	-	82,018	-	82,018
Bonus	-	-	9,390	-	9,390
Contribution to defined contribution plan	-	-	2,914	-	2,914
Contribution to defined benefit plan	-	-	7,334	-	7,334
Staff provident fund	-	-	-	81,713	81,713
Staff gratuity fund	-	-	-	60,553	60,553
Directors' fee	-	1,030	-	-	1,030
Insurance claim received	7,474	-	-	-	7,474
Insurance premium paid	107,000	-	-	-	107,000
Dividend income	66,479	-	-	-	66,479
Dividend paid	22,802	-	-	-	22,802
Commission income	447	-	-	-	447

Nine months period ended 30-September 2009 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Mark-up earned	22,075	3	22	-	22,100
Mark-up expensed	43,029	810	4,581	54,573	102,993
Bank charges and commission	1,115	40	124	-	1,279
Gain on sale of securities	30	-	-	16	46
Salaries and allowances	-	-	66,551	-	66,551
Bonus	-	-	7,869	-	7,869
Contribution to defined contribution plan	-	-	2,215	-	2,215
Contribution to defined benefit plan	-	-	6,385	-	6,385
Staff provident fund	-	-	-	67,846	67,846
Staff gratuity fund	-	-	-	53,440	53,440
Directors' fee	-	620	-	-	620
Insurance claim received	5,422	-	-	-	5,422
Insurance premium paid	89,136	-	-	-	89,136
Dividend income	33,433	-	-	-	33,433
Dividend paid	11,177	-	-	-	11,177
Commission income	868	-	-	-	868



13. ISLAMIC BANKING BUSINESS

The Bank is operating 06 Islamic banking branches (31 December 2009: 06) . The statement of financial position of these branches as at 30 September 2010 is as follows:

	30-September 2010 (Un-Audited)	31-December 2009 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	174,648	195,926
Balances with and due from financial institutions	5,230	2,291
Investments	970,498	949,431
Financing and receivables		
– Murabaha	1,075,518	2,268,080
– Ijara	367,274	485,659
– Diminishing musharika	1,244,233	327,565
– Istisna	73,000	–
Other assets	587,212	142,268
	4,497,613	4,371,220
LIABILITIES		
Bills payable	23,761	6,723
Due to financial institutions	494,329	191,017
Deposits and other accounts		
– Current accounts	645,440	427,044
– Saving accounts	267,258	214,741
– Term deposits	1,382,067	1,225,491
– Others	2,956	1,744
– Deposits from financial institutions-remunerative	873,101	1,264,453
– Deposits from financial institutions-non-remunerative	402	657
Due to head office	140,000	456,099
Other liabilities	157,288	146,200
	3,986,602	3,934,169
NET ASSETS	511,011	437,051
REPRESENTED BY		
Islamic banking fund	400,000	350,000
Unappropriated profit	109,391	106,498
	509,391	456,498
Surplus / (deficit) on revaluation of assets	1,620	(19,447)
	511,011	437,051



14. GENERAL

Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison.

15. DATE OF AUTHORIZATION

These consolidated interim condensed financial statements were authorized for issue by the Board of Directors in their meeting held on 12 October 2010.

ALI RAZA D. HABIB ABBAS D. HABIB SYED MAZHAR ABBAS ANWAR HAJI KARIM
Chairman *Chief Executive and* *Director* *Director*
Managing Director