

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

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
Note	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	89,109,608	81,640,246
Balances with other banks	36,381,503	37,413,185
Lendings to financial institutions	9,074,087	30,339,344
Investments	6 282,510,417	254,909,116
Advances	7 462,442,358	459,750,012
Operating fixed assets	16,221,604	16,155,290
Deferred tax asset	9,496,405	9,572,203
Other assets	40,858,756	34,920,007
	<u>946,094,738</u>	<u>924,699,403</u>
<b>LIABILITIES</b>		
Bills payable	9,142,824	9,775,093
Borrowings from financial institutions	9 66,079,903	40,459,860
Deposits and other accounts	10 738,062,611	747,374,799
Sub-ordinated loans	11 4,268,005	4,281,835
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	33,433,383	26,557,045
	<u>850,986,726</u>	<u>828,448,632</u>
<b>NET ASSETS</b>	<u>95,108,012</u>	<u>96,250,771</u>
<b>REPRESENTED BY:</b>		
<b>Shareholders' equity</b>		
Share capital	10,018,800	10,018,800
Reserves	31,155,665	29,355,555
Unappropriated profit	44,458,917	47,467,704
Total equity attributable to the equity holders of the Bank	85,633,382	86,842,059
Minority interest	1,241,298	1,212,656
Surplus on revaluation of assets - net of deferred tax	12 8,233,332	8,196,056
	<u>95,108,012</u>	<u>96,250,771</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	

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

President and Chief Executive Officer

Director

Director

Director

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

	Note	March 31, 2011 (Rupees in '000)	March 31, 2010 (Rupees in '000)
Mark-up / return / interest earned	14	22,520,201	19,431,278
Mark-up / return / interest expensed	15	9,261,039	8,616,992
Net mark-up / interest income		<u>13,259,162</u>	<u>10,814,286</u>
Provision against non-performing loans and advances - net	7.2 / 7.4	<u>2,405,739</u>	<u>1,419,656</u>
Provision against off-balance sheet obligations		30,289	46,446
Provision against diminution in the value of investments - net	6.2	(68,831)	(49,106)
Bad debts written off directly		-	-
		<u>2,367,197</u>	<u>1,416,996</u>
Net mark-up / interest income after provisions		<u>10,891,965</u>	<u>9,397,290</u>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<u>1,245,782</u>	<u>1,315,165</u>
Income / gain on investments	16	411,650	365,080
Income from dealing in foreign currencies		1,117,743	554,688
Other income		702,234	833,712
Total non-mark-up / interest income		<u>3,477,409</u>	<u>3,068,645</u>
		<u>14,369,374</u>	<u>12,465,935</u>
<b>Non mark-up / interest expense</b>			
Administrative expenses		<u>6,597,247</u>	<u>5,883,764</u>
Other provisions / write offs - net		(73,626)	34,928
Other charges		1,029	171,271
Workers welfare fund		153,378	122,171
Total non mark-up / interest expenses		<u>6,678,028</u>	<u>6,212,134</u>
<b>Profit before taxation</b>		<u>7,691,346</u>	<u>6,253,801</u>
<b>Taxation</b>			
current		<u>2,643,545</u>	<u>2,402,983</u>
prior years		(37,359)	(68,857)
deferred		84,799	104,655
		<u>2,690,985</u>	<u>2,438,781</u>
<b>Profit after taxation</b>		<u>5,000,361</u>	<u>3,815,020</u>
<b>Attributable to:</b>			
Equity holders of the Bank		4,956,251	3,749,267
Minority interest		5,100	14,332
Minority investor of HBL funds		39,010	51,421
		<u>5,000,361</u>	<u>3,815,020</u>
		<b>(Rupees)</b>	
Basic and diluted earnings per share		<u>4.95</u>	<u>3.74</u>

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

President and Chief Executive Officer

Director

Director

Director

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

	March 31, 2011	March 31, 2010
<b>Profit for the period</b>	5,000,361	3,815,020
<b>Other comprehensive income</b>		
Minority share of HBL funds transferred to other liabilities	(39,010)	(51,421)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	338,973	(673,743)
<b>Comprehensive income transferred to equity</b>	<u>5,300,324</u>	<u>3,089,856</u>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of investments	80,447	877,612
Deferred tax on revaluation of investments	(11,310)	(282,248)
	<u>5,369,461</u>	<u>3,685,220</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	5,301,809	3,647,481
Minority interest	28,642	(13,682)
Minority investor	39,010	51,421
	<u>5,369,461</u>	<u>3,685,220</u>

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President and Chief Executive Officer

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

	March 31, 2011	March 31, 2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,691,346	6,253,801
Dividend income and share of profit of associates and joint venture	(269,657)	(274,445)
Gain on sale of securities - net	(143,789)	(82,692)
	(413,446)	(357,137)
	7,277,900	5,896,664
<b>Adjustment for:</b>		
Depreciation / amortisation	363,945	432,654
Provision against diminution in the value of investments	(68,831)	(49,106)
Provision against non-performing loans and advances - net	2,405,739	1,419,656
Unrealised loss / (gain) on held for sale securities	1,796	(7,943)
Exchange loss on sub-ordinated loans	(13,830)	(7,690)
Gain on sale of property and equipment - net	(7,731)	(4,090)
Miscellaneous provisions	(43,337)	81,374
	2,637,751	1,864,855
	9,915,651	7,761,519
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	21,265,257	(18,023,960)
Loans and advances	(5,098,085)	19,011,546
Other assets	(3,603,951)	6,081,215
	12,563,221	7,068,801
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	(9,312,188)	(10,680,783)
Borrowings from financial institutions	25,620,043	(7,234,968)
Bills payable	(632,269)	(1,533,028)
Other liabilities	6,291,585	435,377
	21,967,171	(19,013,402)
	44,446,043	(4,183,082)
Income tax paid - net	(4,815,087)	(2,489,259)
<b>Net cash flows / (used in) operating activities</b>	39,630,956	(6,672,341)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities, associates and joint venture	(27,160,823)	1,753,809
Dividend income received	47,057	45,215
Fixed capital expenditure	(432,694)	(183,541)
Proceeds from sale of fixed assets	10,166	6,792
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	316,242	(638,053)
<b>Net cash (used in) / flows investing activities</b>	(27,220,052)	984,222
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Minority interest impact of exchange adjustment on translation of balances in subsidiary	22,731	(35,690)
Dividend paid	(5,995,955)	(5,004,620)
<b>Net cash flows used in financing activities</b>	(5,973,224)	(5,040,310)
Increase in cash and cash equivalents during the period	6,437,680	(10,728,429)
Cash and cash equivalents at beginning of the year	118,284,718	122,201,555
Effects of exchange rate changes on cash and cash equivalents	768,713	(1,995,032)
	119,053,431	120,206,523
Cash and cash equivalents at end of the period	125,491,111	109,478,094

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

President and Chief Executive Officer

Director

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

	Attributable to shareholders of the Group							Minority interest	Total	
	Share capital	Exchange translation reserve	Reserves			Subtotal				
			Statutory requirement	Other reserves						
		Joint venture and subsidiaries	Bank	Reserve for issue of bonus shares	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
<b>Total comprehensive income for the period</b>										
Profit for the three months ended March 31, 2010	-	-	-	-	-	-	3,800,688	3,800,688	14,332	3,815,020
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(51,421)	(51,421)	-	(51,421)
<b>- Other comprehensive income</b>										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(638,053)	-	-	-	-	-	(638,053)	(35,690)	(673,743)
	-	(638,053)	-	-	-	-	3,749,267	3,111,214	(21,358)	3,089,856
<b>Transactions with owners, recorded directly in equity</b>										
Cash dividend at Rs. 6 per share	-	-	-	-	-	-	(5,464,800)	(5,464,800)	-	(5,464,800)
Transferred to reserve for issue as bonus shares	-	-	-	-	910,800	-	(910,800)	-	-	-
	-	-	-	-	910,800	-	(6,375,600)	(5,464,800)	-	(5,464,800)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	30,679	30,679	-	30,679
Transferred to statutory reserves	-	-	6,824	360,260	-	-	(367,084)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	-	7,676	7,676
Balance as at March 31, 2010	9,108,000	8,344,751	228,777	12,609,071	910,800	6,073,812	35,535,597	72,810,808	1,129,559	73,940,367
<b>Total comprehensive income for the period</b>										
Profit for the period ended December 31, 2010	-	-	-	-	-	-	13,117,217	13,117,217	102,143	13,219,360
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(50,305)	(50,305)	-	(50,305)
<b>- Other comprehensive income</b>										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	872,235	-	-	-	-	-	872,235	22,973	895,208
	-	872,235	-	-	-	-	13,066,912	13,939,147	125,116	14,064,263
<b>Transactions with owners, recorded directly in equity</b>										
Issued as bonus shares	910,800	-	-	-	(910,800)	-	-	-	-	-
Cash dividend paid at Rs 1.10 per certificate by modaraba	-	-	-	-	-	-	-	-	(39,312)	(39,312)
	910,800	-	-	-	(910,800)	-	-	-	(39,312)	(39,312)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	92,104	92,104	-	92,104
Transferred to statutory reserves	-	-	25,864	1,201,045	-	-	(1,226,909)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(2,707)	(2,707)
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
<b>Total comprehensive income for the period</b>										
Profit for the three months ended March 31, 2011	-	-	-	-	-	-	4,995,261	4,995,261	5,100	5,000,361
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(39,010)	(39,010)	-	(39,010)
<b>- Other comprehensive income</b>										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	316,242	-	-	-	-	-	316,242	22,731	338,973
	-	316,242	-	-	-	-	4,956,251	5,272,493	27,831	5,300,324
<b>Transactions with owners, recorded directly in equity</b>										
Cash dividend at Rs. 6.5 per share	-	-	-	-	-	-	(6,512,220)	(6,512,220)	-	(6,512,220)
Transferred to reserve for issue as bonus shares	-	-	-	-	1,001,880	-	(1,001,880)	-	-	-
	-	-	-	-	1,001,880	-	(7,514,100)	(6,512,220)	-	(6,512,220)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	31,050	31,050	-	31,050
Transferred to statutory reserves	-	-	11,911	470,077	-	-	(481,988)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	811	811
Balance as at March 31, 2011	10,018,800	9,533,228	266,552	14,280,193	1,001,880	6,073,812	44,458,917	85,633,382	1,241,298	86,874,680

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

President and Chief Executive Officer

Director

Director

Director

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

**2 BASIS OF PREPARATION**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the 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	March 31, 2011			December 31, 2010		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
----- (Rupees in '000) -----								
<b>Held-for-trading (HFT)</b>								
	- Pakistan Investment Bonds		439,147	-	439,147	-	-	-
	- Market Treasury Bills		7,576,856	-	7,576,856	66,845	-	66,845
	- Shares		-	-	-	2,499	-	2,499
	- Investments of Mutual Funds		250,622	-	250,622	138,916	-	138,916
			8,266,625	-	8,266,625	208,260	-	208,260
<b>Held-to-maturity securities (HTM)</b>								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	8,202,277	-	8,202,277	8,260,726	-	8,260,726
	<b>Debentures and Corporate Debt Instruments</b>		222,031	-	222,031	225,554	-	225,554
			8,424,308	-	8,424,308	8,486,280	-	8,486,280
<b>Available-for-sale securities (AFS)</b>								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		112,700,963	18,784,486	131,485,449	115,398,461	-	115,398,461
	- Pakistan Investment Bonds		13,123,072	1,028,538	14,151,610	11,737,563	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)		10,475,057	-	10,475,057	8,317,811	-	8,317,811
	<b>Overseas Government Securities</b>		9,137,396	-	9,137,396	11,122,209	-	11,122,209
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		1,312,869	-	1,312,869	1,457,073	-	1,457,073
	- Unlisted companies		719,787	-	719,787	719,787	-	719,787
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		4,702,471	-	4,702,471	4,722,625	-	4,722,625
	- Unlisted securities		83,535,987	-	83,535,987	82,637,559	-	82,637,559
	<b>NIT Units</b>		22,604	-	22,604	22,492	-	22,492
	<b>Preference Shares</b>		100,000	-	100,000	125,000	-	125,000
	<b>Other Investments</b>		1,544,654	-	1,544,654	1,581,864	-	1,581,864
	<i>Investments of Mutual Funds</i>		3,624,161	-	3,624,161	3,174,654	-	3,174,654
			241,424,021	19,813,024	261,237,045	241,442,098	709,392	242,151,490
<b>Investment in associates and Joint Venture</b>								
			4,582,439	-	4,582,439	4,063,086	-	4,063,086
			<u>262,697,393</u>	<u>19,813,024</u>	<u>282,510,417</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 March 31, 2011 amounted to Rs. 7,171.724 million (2010: Rs. 7,194.986 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:

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
Opening balance	2,122,286	2,572,470
Charge for the year - net	(6,502)	(186,489)
Impairment reversal on listed securities - net	(62,329)	(99,182)
Impairment loss on associate	-	238,000
Total charge - net	(68,831)	(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>2,058,500</u>	<u>2,122,286</u>

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

Diamond Trust Bank Limited, Kenya  
Himalayan Bank Limited, Nepal  
Kyrgyz Investment and Credit Bank  
New Jubilee Life Insurance Co. Ltd.  
New Jubilee Insurance Co. Ltd.

### Based on the financial statements as on

December 31, 2010  
December 31, 2010  
December 31, 2010  
December 31, 2010  
December 31, 2010

## 7 ADVANCES

	Note	March 31, 2011	December 31, 2010
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		381,682,990	383,960,649
Outside Pakistan		<u>75,838,666</u>	<u>74,796,103</u>
		457,521,656	458,756,752
Net investment in finance lease - in Pakistan		3,911,395	3,857,452
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		12,436,072	9,120,283
Payable outside Pakistan		<u>33,842,552</u>	<u>30,711,150</u>
		46,278,624	39,831,433
Provision against non-performing advances	7.2	<u>(45,269,317)</u>	<u>(42,695,625)</u>
		<u>462,442,358</u>	<u>459,750,012</u>

### Fully provided non-performing advances classified as loss for more than five years

In Pakistan		12,535,549	12,527,683
Provision	7.4	<u>(12,535,549)</u>	<u>(12,527,683)</u>
		-	-



- 7.1 Advances include Rs. 59,080.618 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	March 31, 2011								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	2,034,785	-	2,034,785	-	-	-	2,034,785	-	2,034,785
Substandard	7,343,500	4,783,240	12,126,740	1,137,349	690,793	1,828,142	6,206,151	4,092,447	10,298,598
Doubtful	4,527,223	1,940,649	6,467,872	2,271,152	1,902,639	4,173,791	2,256,071	38,010	2,294,081
Loss	28,457,011	9,994,210	38,451,221	27,724,007	9,938,041	37,662,048	733,004	56,169	789,173
	42,362,518	16,718,099	59,080,618	31,132,508	12,531,473	43,663,981	11,230,010	4,186,626	15,416,637
<b>General provision</b>	-	-	-	1,184,405	420,931	1,605,336	-	-	-
	42,362,518	16,718,099	59,080,618	32,316,913	12,952,404	45,269,317	11,230,010	4,186,626	15,416,637

Category of classification	December 31, 2010								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,370,212	-	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
<b>General provision</b>	-	-	-	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	March 31, 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	222,414	14,810	237,224	173,611	3,577	177,188
Charge for the period / year	2,475,534	76,533	2,552,067	8,689,492	842,094	9,531,586
Reversals	(5,628)	(3,983)	(9,611)	(910,513)	(51,642)	(962,155)
	2,469,906	72,550	2,542,456	7,778,979	790,452	8,569,431
Write offs	(48,840)	-	(48,840)	(483,511)	-	(483,511)
Transferred to over 5 years category	(157,148)	-	(157,148)	(915,567)	-	(915,567)
Closing balance	43,663,981	1,605,336	45,269,317	41,177,649	1,517,976	42,695,625

- 7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Group has further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 765.685 million (2010: Rs. 778.636 million) and profit before taxation for the period ended March 31, 2011 would have been higher by approximately Rs. 13 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in profits net of tax amounting to Rs. 497.695 would not be available for the distribution of cash and stock dividend to share holders.

7.4 Particulars of provision against fully provided non-performing advances classified as loss for more than five years

Note	March 31, 2011	December 31, 2010
	(Rupees in '000)	
Opening balance	12,527,683	12,914,798
Reversal	(136,717)	(966,991)
Transferred during the period / year	157,148	915,567
Write offs	(12,565)	(335,691)
	12,535,549	12,527,683

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

	March 31, 2011				December 31, 2010			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
----- (Rupees in '000) -----								
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives * (Other than KMPs)	994,400	1,022,900	92,156	31,456	933,700	1,277,800	384,860	489,160
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	312,928	325,643	49,693	76,223	339,458	381,128	85,228	126,354
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	1,029,196	1,029,196	615,217	192,019	605,998	1,157,647	292,616	842,118
Debts due by associated companies in which key management personnel are interested								
- Guaranteed by Government	9,330,835	10,429,165	3,445,609	4,482,729	10,367,955	13,628,965	10,000,217	12,296,727
- Others	191,152	192,934	150,551	153,196	193,797	202,729	178,349	187,281

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 OPERATING FIXED ASSETS

8.1 Addition to fixed assets

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

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

Land	104	2,268
Building including related machinery	167,232	105,979
Furniture, fixtures and office equipments	153,358	70,345
Vehicles	8,117	2,341
Intangible assets	110	-
Capital work-in-progress	103,773	2,608
	<b>432,694</b>	<b>183,541</b>

8.2 Disposal of fixed assets

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

Furniture, fixtures and office equipments	147,079	35,324
Vehicles	3,424	4,975
Intangible assets	126	90
	<b>150,629</b>	<b>40,389</b>

9 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	19,480,411	20,515,415
Long term financing facility - locally manufactured and imported plant & machinery	4,223,931	4,212,938
Long term finance - export oriented projects	2,844,597	3,224,605
Repurchase agreement borrowings	<u>19,771,022</u>	<u>714,039</u>
	46,319,961	28,666,997
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings including borrowings by domestic subsidiaries	8,790,036	3,750,000
Outside Pakistan:		
Overdrawn nostro accounts	431,136	261,601
Borrowings of overseas branches and subsidiaries	<u>10,538,770</u>	<u>7,781,262</u>
	19,969,906	8,042,863
	19,759,942	11,792,863
	<u>66,079,903</u>	<u>40,459,860</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

<b>Customers</b>		
Fixed deposits	182,098,276	203,018,996
Savings chequing account	351,500,311	341,086,487
Current accounts - remunerative	1,668,570	1,725,974
Current accounts - non-remunerative	<u>190,590,431</u>	<u>186,234,235</u>
	725,857,588	732,065,692
<b>Financial institutions</b>		
Remunerative deposits	5,980,346	9,302,286
Non-remunerative deposits	<u>6,224,677</u>	<u>6,006,821</u>
	12,205,023	15,309,107
	<u>738,062,611</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	March 31, 2011	December 31, 2010
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(Rupees in '000)

Surplus arising on revaluation of:

- fixed assets	12.1	8,574,831	8,605,881
- investments	12.2	(341,499)	(409,825)
Surplus on revaluation of assets - net of deferred tax		<u>8,233,332</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
Transferred to accumulated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(31,050)	(122,783)
Related deferred tax liability of incremental depreciation charged during the period / year		(16,719)	(66,114)
Surplus on revaluation of fixed assets as at period / year end		<u>9,428,770</u>	<u>9,476,539</u>

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		(16,719)	(66,114)
		<u>853,939</u>	<u>870,658</u>
		<u>8,574,831</u>	<u>8,605,881</u>

12.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		(35,795)	(156,017)
Pakistan Investment Bonds		(1,036,026)	(1,160,607)
Sukuk and Euro Bonds		(377,323)	(241,318)
Listed Securities		519,990	583,555
NIT Units		11,076	10,963
Other Investments		130,760	96,470
		(787,318)	(866,954)
Add: related deferred tax asset		445,819	457,129
		<u>(341,499)</u>	<u>(409,825)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		382,003	359,428
- Financial institutions		308,196	23,776
- Others		34,393,226	37,786,477
		<u>35,083,424</u>	<u>38,169,681</u>

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>13.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
- Government	1,587,932	1,644,786
- Financial institutions	231,267	94,145
- Others	29,624,843	28,455,811
	<u>31,444,042</u>	<u>30,194,742</u>
<b>13.3 Trade-related commitments</b>		
Credit cash	74,703,282	80,891,494
Credit documentary acceptances	7,903,383	8,048,267
Credit acceptances	26,727,029	16,042,474
	<u>109,333,694</u>	<u>104,982,235</u>
<b>13.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>84,298,559</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.

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>13.6 Commitments in respect of forward foreign and local exchange contracts</b>		
Purchase	103,819,015	90,133,552
Sale	103,441,360	89,948,906
The above commitments have maturities falling within one year.		
<b>Commitments in respect of local currency interest rate swaps</b>		
Purchase	369,894	371,092
Sale	369,894	371,092
<b>13.7 Commitments for acquisition of operating fixed assets / intangibles</b>	501,731	422,502

**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.

Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances.

Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2.902 billion.

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

	For the three months ended	
	March 31, 2011	March 31, 2010
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	13,796,508	13,144,148
- Financial institutions	119,655	76,750
<i>On investments:</i>		
- Available-for-sale	7,651,688	5,457,366
- Held-for-trading	44,991	10,592
- Held-to-maturity	114,451	121,507
On deposits with financial institutions	191,031	257,282
On lendings to financial institutions	601,877	363,633
	22,520,201	19,431,278

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

Deposits	8,319,897	7,858,658
Securities sold under repurchase agreement borrowings	147,741	65,669
Other short term borrowings	651,313	578,180
Long term borrowings	142,088	114,485
	9,261,039	8,616,992

#### 16 INCOME / GAIN ON INVESTMENTS

Dividend income	119,639	115,880
Share of profit of associates and joint venture	150,018	158,565
Gain on sale of securities - net	143,789	82,692
Unrealised (loss) / gain on held for sale securities	(1,796)	7,943
	411,650	365,080

#### 17 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development, S.A, Switzerland holds 51% shares of the Bank. The Group has related party relationship with its associated undertakings, joint venture 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:

	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>Balances outstanding as at the period / year end</b>		
<b>- Borrowings / Deposits from</b>		
- Joint venture and associates	2,895,552	1,925,497
- Retirement benefit funds	2,029,099	1,959,736
- Companies in which directors are interested	147,061	2,940,247
- Companies in which key management personnel are interested	161,321	125,447
- AKFED Group Companies	843,572	1,068,516
- Investment in associates and joint venture	4,582,439	4,063,086
- Investments in companies in which Directors are interested	214,723	459,033
- Investment in companies in which key management personnel are interested	28,613	28,613
- Payable to defined benefit schemes	531,340	170,882
<b>- Mark-up / Other Payables to:</b>		
- AKFED Group Companies	333	1
- Companies in which key management personnel are interested	978	703
- Companies in which Directors are interested	2,624	32,041
- Associates	3,202	9,742
- Retirement benefit funds	-	27,496
<b>- Mark-up / Other Receivables from:</b>		
- Companies in which key management personnel are interested / Companies in which Directors are interested	466,210	33,692
- Placements with associate	-	238,513
- Overdrawn nostro balances with joint venture and associates / companies in which key management personnel are interested / AKFED Group Companies	822,500	1,186,499
- Payable to HBL Foundation	400,009	349,512
	<b>For the three months ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	(Rupees in '000)	
<b>Profit / Expense for the period</b>		
<b>- Interest paid</b>		
- Joint venture and associates	45,776	24,381
- Retirement benefit funds	81,597	416,176
- Companies in which Directors are interested	1,598	76
- Companies in which key management personnel are interested	2,308	1,091
- AKFED Group Companies	390	644
- Premium paid to companies in which Directors are interested	37,041	18,616
<b>- Interest income</b>		
- Joint venture and associates	85	6
- Companies in which Directors are interested	39,184	7,048
- Companies in which key management personnel are interested	393,654	163,683
- In respect of debts due by key management personnel	21,200	24,600
- AKFED Group Companies	-	4
- Other income from associates	145,435	156,996
- Share of profit of associates and joint venture - net of tax	121,489	128,475
- Insurance claim received from associate	1,181	-
- Dividend income		
- Companies in which Directors are interested	1,000	6,311
- Companies in which key management personnel are interested	-	4,927

#### 17.1 Key management personnel

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

	<b>For the three months ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	(Rupees in '000)	
Managerial remuneration (including allowances)	260,138	230,981
Contribution to provident and benevolent fund	4,644	4,112
Medical	6,527	5,916
	<u>271,309</u>	<u>241,009</u>
Number of persons	<u>149</u>	<u>148</u>

## 18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2011					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(4,430)	11,677	4,955	1,103	(45)	13,259
Inter segment revenue - net	13,606	(9,786)	(4,812)	-	993	-
Non-funded income	1,055	598	954	735	135	3,477
Net interest and non-markup income	10,231	2,488	1,097	1,838	1,083	16,737
Total expenses including provision (excluding impairment)	3,030	2,211	30	1,283	2,555	9,108
Impairment against investments	-	-	(39)	-	(24)	(62)
Inter segment administrative cost	1,800	360	52	198	(2,410)	-
Total expenses including provision	4,829	2,570	43	1,481	122	9,046
Net income before tax	5,401	(82)	1,054	357	961	7,691
Segment assets gross	104,663	437,342	208,083	189,155	54,533	993,777
Segment non-performing loans	9,875	32,235	-	16,718	254	59,080
Segment provision required including general provision	7,798	26,602	(450)	13,050	682	47,682
Segment liabilities including equity	577,914	90,634	29,998	117,220	130,329	946,095
Segment return on net liability / asset %	12.37%	12.72%	11.31%	4.54%	5.34%	-
Segment cost of funds %	5.14%	10.41%	9.30%	1.21%	0.53%	-

	For the three months ended March 31, 2010					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(3,964)	10,534	3,095	935	215	10,815
Inter segment revenue - net	11,186	(8,632)	(2,917)	-	363	-
Non-funded income	1,079	660	380	855	94	3,068
Net interest and non-markup income	8,301	2,562	558	1,790	672	13,883
Total expenses including provision (excluding impairment)	2,783	1,431	31	1,196	2,241	7,682
Impairment against investments	-	-	(51)	-	(2)	(53)
Inter segment administrative cost	1,604	321	46	177	(2,148)	-
Total expenses including provision	4,387	1,752	26	1,373	91	7,629
Net income before tax	3,914	810	532	417	581	6,254
Segment assets gross	94,527	407,933	157,496	175,662	47,765	883,383
Segment non-performing loans	9,063	25,712	-	16,435	442	51,652
Segment provision required including general provision	5,487	20,811	-	12,404	1,153	39,855
Segment liabilities including equity	504,013	103,349	13,135	113,238	109,793	843,528
Segment return on net liability / asset %	11.44%	12.54%	9.34%	4.69%	2.29%	-
Segment cost of funds %	4.89%	10.06%	7.95%	1.05%	0.35%	-



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

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

Note	March 31, 2011	December 31, 2010
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	362,028	327,375
Balances with other banks	25,630	16,400
Lendings to financial institutions	-	100,000
Investments - net	8,724,545	6,670,855
Murabaha	19.1 47,853	51,727
Ijara	19.2 771,032	829,663
Musharaka	75,833	79,167
Other assets	1,184,889	403,367
Operating fixed assets	896	1,024
	<u>11,192,706</u>	<u>8,479,578</u>
<b>LIABILITIES</b>		
Bills payable	156	60
Borrowings from financial institutions	3,000,000	1,500,000
Deposit and other accounts	7,048,138	5,726,476
Other liabilities	247,461	403,938
	<u>10,295,755</u>	<u>7,630,474</u>
<b>NET ASSETS</b>	<u>896,951</u>	<u>849,104</u>
<b>REPRESENTED BY:</b>		
Islamic banking fund / certificate capital	647,072	647,072
Reserves	211,667	208,568
Unappropriated profit	112,164	110,974
	<u>970,903</u>	<u>966,614</u>
Deficit on revaluation of assets	(73,952)	(117,510)
	<u>896,951</u>	<u>849,104</u>

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

19.1 This represents assets sold under Murabaha agreement.

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

20. **DATE OF AUTHORISATION FOR ISSUE**

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

President and Chief Executive Officer

Director

Director

Director