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## CORPORATE INFORMATION

<b>Board of Directors</b>	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 &amp; Managing Director</i>     <i>Executive Director</i>
<b>Audit Committee</b>	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>
<b>Company Secretary</b>	A. Saeed Siddiqui	
<b>Statutory Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
<b>Legal Advisor</b>	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
<b>Registered Office</b>	126-C, Old Bahawalpur Road, Multan	
<b>Principal Office</b>	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
<b>Share Registrar</b>	M/s. Gangjees Registrar Services (Pvt) Ltd. 516, Clifton Centre, Khayaban-e-Roomi, Block - 5, Clifton, Karachi-75600.	
<b>Website</b>	<a href="http://www.bankalhabib.com">www.bankalhabib.com</a>	



## DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my pleasure to 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 M/s. AL Habib Capital Markets (Private) Limited for the half year ended June 30, 2011.

Alhamdulillah, during the period under review, the performance of the Bank continues to be encouraging. The deposits increased to Rs. 279.6 billion as compared to Rs. 249.8 billion on December 31, 2010. In the same period, advances decreased to Rs. 118.5 billion from Rs. 125.8 billion, while investments increased to Rs. 180.7 billion from Rs. 137.2 billion. Foreign Trade Business volume has also shown a rising trend. The pre-tax profit of the Bank for the half year ended June 30, 2011 was Rs. 3,418.1 million as compared to Rs. 2,745.9 million during the corresponding period last year.

Your Bank now has a network of 336 offices, comprising 285 branches, 50 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 ten Islamic Banking Branches. Continuing with our branch expansion policy, the Bank intends to open more branches and sub-branches during the year 2011.

By the grace of Allah, in June 2011, the Bank successfully completed its fourth issue of rated, unsecured, and subordinated Term Finance Certificates (TFCs) amounting to Rs. 3,000 million, through private placement. This private placement was managed and arranged by your Bank. These TFCs will further enhance the Bank's capital adequacy and also support future growth in our operations.

We are pleased to advise that in May 2011 your Bank has received an "Award of Recognition" from International Finance Corporation (IFC) as the Most Active GTFP (Global Trade Finance Program) Issuing Bank in Middle East & North Africa for "South-South" Trade. This is the second consecutive year that your Bank has received an award from IFC in recognition of our participation in GTFP.

The 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: August 11, 2011

ALI RAZA D. HABIB  
*Chairman*



## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Bank AL Habib Limited (the Bank) as at 30 June 2011 and the related interim condensed profit and loss account, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed statement of changes in equity and explanatory notes (here-in-after referred to as the "interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi - 11 August 2011

Ernst & Young Ford Rhodes Sidat Hyder  
**Chartered Accountants**  
**Audit Engagement Partner: Arslan Khalid**



**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	30-June 2011 (Un-Audited) (Rupees in '000)	31-December 2010 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		21,012,722	19,000,978
Balances with other banks		1,778,771	2,132,403
Lendings to financial institutions		–	1,139,268
Investments	4	180,699,165	137,167,680
Advances	5	118,476,506	125,773,064
Operating fixed assets	6	10,622,625	10,213,390
Deferred tax assets		–	–
Other assets		6,230,145	6,125,678
		<b>338,819,934</b>	<b>301,552,461</b>
<b>LIABILITIES</b>			
Bills payable		3,823,506	2,989,989
Borrowings	7	24,248,230	22,579,348
Deposits and other accounts	8	279,558,283	249,774,212
Sub-ordinated loans	9	7,840,890	4,842,260
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		940,625	642,675
Other liabilities		5,487,154	4,657,866
		<b>321,898,688</b>	<b>285,486,350</b>
<b>NET ASSETS</b>		<b>16,921,246</b>	<b>16,066,111</b>
<b>REPRESENTED BY:</b>			
Share capital		8,785,972	7,321,643
Reserves		4,809,307	4,392,264
Unappropriated profit		1,740,919	2,992,475
		<b>15,336,198</b>	<b>14,706,382</b>
Surplus on revaluation of assets - net of tax	10	1,585,048	1,359,729
		<b>16,921,246</b>	<b>16,066,111</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

The annexed notes 1 to 19 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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

Note	Half year ended		Quarter ended		
	30-June 2011	30-June 2010 (Rupees in '000)	30-June 2011	30-June 2010	
Mark-up / return / interest earned	12	16,783,963	13,083,663	8,532,792	6,769,156
Mark-up / return / interest expensed	13	(10,196,318)	(8,128,476)	(5,257,391)	(4,164,543)
Net mark-up / return / interest income		6,587,645	4,955,187	3,275,401	2,604,613
Provision against non-performing loans and advances	5.3	(770,066)	(252,959)	(285,877)	(131,014)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	-	-	-
		(770,066)	(252,959)	(285,877)	(131,014)
Net mark-up / return / interest income after provisions		5,817,579	4,702,228	2,989,524	2,473,599
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		659,182	582,192	332,297	294,498
Dividend income		58,761	130,762	24,309	50,399
Income from dealing in foreign currencies		440,102	119,313	282,803	67,279
(Loss) / gain on sale / redemption of securities - net		(1,494)	42,332	29	42,240
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Other income		186,332	167,556	85,311	87,403
Total non mark-up / interest income		1,342,883	1,042,155	724,749	541,819
		7,160,462	5,744,383	3,714,273	3,015,418
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		(3,667,821)	(2,919,147)	(1,911,338)	(1,544,842)
Other provisions / write-offs		(4,703)	(741)	360	609
Other charges		(69,887)	(78,509)	(36,123)	(50,728)
Total non mark-up / interest expenses		(3,742,411)	(2,998,397)	(1,947,101)	(1,594,961)
		3,418,051	2,745,986	1,767,172	1,420,457
Extra-ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		3,418,051	2,745,986	1,767,172	1,420,457
Taxation - Current		(1,196,227)	(979,345)	(671,765)	(499,580)
- Prior years		-	-	-	-
- Deferred		(146,426)	(71,409)	(54,828)	(106,246)
		(1,342,653)	(1,050,754)	(726,593)	(605,826)
<b>PROFIT AFTER TAXATION</b>		2,075,398	1,695,232	1,040,579	814,631
			Restated		Restated
<b>Basic and diluted earnings per share - Rupees</b>	14	2.36	1.93	1.18	0.93

The annexed notes 1 to 19 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 COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>30-June</u>	<u>30-June</u>	<u>30-June</u>	<u>30-June</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(Rupees in '000)			
<b>Net profit for the period</b>	<b>2,075,398</b>	1,695,232	<b>1,040,579</b>	814,631
<b>Other comprehensive income</b>				
Effect of foreign currency translation of net investment in foreign branch	<b>1,963</b>	6,248	<b>3,614</b>	7,346
<b>Total comprehensive income for the period</b>	<b><u>2,077,361</u></b>	<u>1,701,480</u>	<b><u>1,044,193</u></b>	<u>821,977</u>

The annexed notes 1 to 19 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 HALF YEAR ENDED 30 JUNE 2011**

	Share Capital	Statutory Reserve	Revenue Reserves			Unapp- ropriated Profit	Total
			Special Reserve	General Reserve	Foreign Currency Translation Reserve		
(Rupees in '000)							
Balance as at 01 January 2010	6,101,370	2,913,741	126,500	540,000	84,684	2,520,579	12,286,874
Total comprehensive income for the period	-	-	-	-	6,248	1,695,232	1,701,480
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	15,356	15,356
Transfer to statutory reserve	-	339,046	-	-	-	(339,046)	-
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 June 2010	7,321,643	3,252,787	126,500	540,000	90,932	1,451,575	12,783,437
Total comprehensive income for the period	-	-	-	-	659	1,906,929	1,907,588
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	15,357	15,357
Transfer to statutory reserve	-	381,386	-	-	-	(381,386)	-
Balance as at 31 December 2010	7,321,643	3,634,173	126,500	540,000	91,591	2,992,475	14,706,382
Total comprehensive income for the period	-	-	-	-	1,963	2,075,398	2,077,361
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	16,784	16,784
Transfer to statutory reserve	-	415,080	-	-	-	(415,080)	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,464,329)	(1,464,329)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,464,329	-	-	-	-	(1,464,329)	-
Balance as at 30 June 2011	8,785,972	4,049,253	126,500	540,000	93,554	1,740,919	15,336,198

The annexed notes 1 to 19 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 CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	30-June 2011	30-June 2010
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,418,051	2,745,986
Dividend income	(58,761)	(130,762)
	<b>3,359,290</b>	2,615,224
<b>Adjustments for non-cash changes:</b>		
Depreciation	368,621	314,220
Amortisation	20,672	18,093
Provision against non-performing loans and advances	770,066	252,959
Loss / (gain) on sale / redemption of securities	1,494	(42,332)
Provision for defined benefit plan	51,900	39,000
Charge for compensated absences	11,768	5,000
Gain on disposal of operating fixed assets	(22,179)	(23,813)
Provision against off-balance sheet items	4,703	741
	<b>1,207,045</b>	563,868
	<b>4,566,335</b>	3,179,092
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,139,268	-
Advances	6,526,492	(9,017,002)
Other assets	(109,072)	(765,501)
	<b>7,556,688</b>	(9,782,503)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	833,517	245,814
Borrowings	1,569,908	(6,576,729)
Deposits and other accounts	29,784,071	36,819,156
Other liabilities (excluding provision for taxation)	1,034,209	609,088
	<b>33,221,705</b>	31,097,329
Cash inflow before tax	<b>45,344,728</b>	24,493,918
Income tax paid	(1,488,080)	(1,034,792)
Net cash flow from operating activities	<b>43,856,648</b>	23,459,126
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(30,798,833)	(6,566,299)
Net investments in held to maturity securities	(12,507,898)	(12,959,722)
Net investments in associates	(51,657)	-
Dividend received	58,561	131,638
Investments in operating fixed assets	(598,968)	(608,093)
Sale proceeds of operating fixed assets	39,413	28,918
Net cash used in investing activities	<b>(43,859,382)</b>	(19,973,558)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts of sub-ordinated loans	3,000,000	-
Payments of sub-ordinated loans	(1,370)	(1,370)
Dividend paid	(1,438,721)	(1,197,578)
Net cash from / (used in) financing activities	<b>1,559,909</b>	(1,198,948)
Exchange adjustment on translation of net investment in foreign branch	1,963	6,248
Increase in cash and cash equivalents	<b>1,559,138</b>	2,292,868
Cash and cash equivalents at the beginning of the period	<b>19,916,758</b>	19,004,315
Cash and cash equivalents at the end of the period	<b>21,475,896</b>	21,297,183

The annexed notes 1 to 19 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 HALF YEAR ENDED 30 JUNE 2011

### 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 285 branches (31 December 2010: 277), 50 sub-branches (31 December 2010: 25) and one representative office (31 December 2010 :01). The branch network of the Bank includes a wholesale branch in the Kingdom of Bahrain (31 December 2010: 01), a branch in Karachi Export Processing Zone (31 December 2010 :01) and 10 Islamic Banking branches (31 December 2010: 08).

### 2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements of the Bank 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 2010.
- 2.4 These are separate interim condensed financial statements of the Bank in which investments in subsidiary 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 of the previous financial year except as follows:

#### **New and amended standards and interpretations**

The Bank has adopted the following IFRS and IFRIC interpretation which became effective during the period:

IAS 24 - Related Party Disclosures (Revised)  
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)  
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)  
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

*Improvements to various standards and IFRIC issued by IASB in May 2010.*

IFRS 3 - Business Combinations  
IAS 27- Consolidated and Separate Financial Statements  
IFRS 7 - Financial Instruments Disclosures  
IAS 1 - Presentation of Financial Statements  
IFRIC 13 - Customer Loyalty Programmes  
IAS 34 - Interim Financial Reporting

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the interim condensed financial statements of the Bank.



Note	30-June 2011 (Un-Audited)			31-December 2010 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
<b>4. INVESTMENTS</b>						
<i>Available for Sale Securities</i>						
Market Treasury Bills	57,663,017	3,841,152	61,504,169	33,472,250	1,284,437	34,756,687
Pakistan Investment Bonds	14,740,988	-	14,740,988	12,027,781	-	12,027,781
Foreign Currency Bonds	800,914	-	800,914	792,247	-	792,247
Sukuks	7,104,060	-	7,104,060	6,044,979	-	6,044,979
Ordinary shares of listed companies and closed end mutual funds	67,561	-	67,561	20,228	-	20,228
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	623,687	-	623,687	650,441	-	650,441
Unlisted term finance certificates	5,801,545	-	5,801,545	5,801,565	-	5,801,565
Open ended mutual funds	1,375,000	-	1,375,000	1,125,000	-	1,125,000
	<b>88,216,342</b>	<b>3,841,152</b>	<b>92,057,494</b>	<b>59,974,061</b>	<b>1,284,437</b>	<b>61,258,498</b>
<i>Held to Maturity Securities</i> 4.1						
Market Treasury Bills	75,656,570	-	75,656,570	70,662,330	-	70,662,330
Pakistan Investment Bonds	11,467,947	-	11,467,947	3,897,385	-	3,897,385
Sukuks	272,299	-	272,299	275,000	-	275,000
Listed term finance certificates	381,671	-	381,671	394,208	-	394,208
Unlisted term finance certificates	166,667	-	166,667	208,333	-	208,333
	<b>87,945,154</b>	<b>-</b>	<b>87,945,154</b>	<b>75,437,256</b>	<b>-</b>	<b>75,437,256</b>
<i>Associates</i>						
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	550,000	-	550,000	600,000	-	600,000
First Habib Stock Fund	50,000	-	50,000	50,000	-	50,000
First Habib Cash Fund	100,000	-	100,000	-	-	-
	<b>914,727</b>	<b>-</b>	<b>914,727</b>	<b>864,727</b>	<b>-</b>	<b>864,727</b>
<i>Subsidiary</i>						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
<b>Investments at cost</b>	<b>177,276,223</b>	<b>3,841,152</b>	<b>181,117,375</b>	<b>136,476,044</b>	<b>1,284,437</b>	<b>137,760,481</b>
Provision for diminution in the value of investments	(5,700)	-	(5,700)	(5,700)	-	(5,700)
<b>Investments (net of provisions)</b>	<b>177,270,523</b>	<b>3,841,152</b>	<b>181,111,675</b>	<b>136,470,344</b>	<b>1,284,437</b>	<b>137,754,781</b>
Deficit on revaluation of available for sale investments-net 10.2	(413,358)	848	(412,510)	(585,913)	(1,188)	(587,101)
<b>Investments after revaluation of available for sale investments</b>	<b>176,857,165</b>	<b>3,842,000</b>	<b>180,699,165</b>	<b>135,884,431</b>	<b>1,283,249</b>	<b>137,167,680</b>

4.1 The aggregate market value of held to maturity securities as on 30 June 2011 amounts to Rs. 87,870 (31 December 2010: 75,207) million.



	Note	30-June 2011 (Un-Audited) (Rupees in '000)	31-December 2010 (Audited)
<b>5. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		100,404,344	109,815,548
Outside Pakistan		5,524,365	1,934,958
		<b>105,928,709</b>	111,750,506
Net investment in finance lease / ijarah financing			
In Pakistan		460,498	513,601
Outside Pakistan		–	–
		<b>460,498</b>	513,601
Ijarah financing under IFAS 2		119,961	131,575
Murabaha		2,918,938	2,018,596
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,390,730	2,401,449
Payable outside Pakistan		10,738,129	12,267,818
		<b>13,128,859</b>	14,669,267
Advances - gross		122,556,965	129,083,545
Provision against non-performing loans and advances			
Specific provision	5.1	(2,150,250)	(1,682,297)
General provision against consumer advances (as per SBP regulations)	5.2	(30,209)	(28,184)
General provision	5.3	(1,900,000)	(1,600,000)
		<b>(4,080,459)</b>	(3,310,481)
Advances - net of provisions		<b>118,476,506</b>	125,773,064

5.1 Advances include Rs. 3,010.680 (31 December 2010: Rs. 2,943.863) million which have been placed under non-performing status as detailed below:

Category of classification	30-June 2011 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	24,416	–	24,416	5,282	–	5,282	5,282	–	5,282
Doubtful	1,466,828	–	1,466,828	729,489	–	729,489	729,489	–	729,489
Loss	1,517,795	1,641	1,519,436	1,413,838	1,641	1,415,479	1,413,838	1,641	1,415,479
	<u>3,009,039</u>	<u>1,641</u>	<u>3,010,680</u>	<u>2,148,609</u>	<u>1,641</u>	<u>2,150,250</u>	<u>2,148,609</u>	<u>1,641</u>	<u>2,150,250</u>



31-December 2010 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	1,287,494	-	1,287,494	321,873	-	321,873	321,873	-	321,873
Doubtful	330,370	-	330,370	157,654	-	157,654	157,654	-	157,654
Loss	1,325,510	489	1,325,999	1,202,281	489	1,202,770	1,202,281	489	1,202,770
	<u>2,943,374</u>	<u>489</u>	<u>2,943,863</u>	<u>1,681,808</u>	<u>489</u>	<u>1,682,297</u>	<u>1,681,808</u>	<u>489</u>	<u>1,682,297</u>

5.2 The Bank has made general provision for consumer portfolio as required by the SBP's Prudential Regulations amounting to Rs. 30.209 (31 December 2010: Rs. 28.184) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 300 million during the period, bringing the total of such provision to Rs. 1,900 (31 December 2010: Rs. 1,600) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

**Half year ended**

<b>30-June</b>	<b>30-June</b>
<b>2011</b>	<b>2010</b>
(Rupees in '000)	

**6. OPERATING FIXED ASSETS**

**6.1 Additions during the period - at cost:**

Leasehold land	<b>12,235</b>	64,762
Buildings on leasehold land	<b>116,195</b>	116,314
Improvements to leasehold buildings	<b>108,914</b>	38,108
Furniture and fixtures	<b>25,908</b>	20,722
Electrical, office and computer equipments	<b>265,419</b>	201,102
Vehicles	<b>119,183</b>	49,722
Intangible assets	<b>7,253</b>	26,141
	<u><b>655,107</b></u>	<u>516,871</u>

**6.2 Deletions during the period - at cost:**

Leasehold land	<b>2,266</b>	-
Improvements to leasehold buildings	<b>14,664</b>	-
Furniture and fixtures	<b>1,835</b>	523
Electrical, office and computer equipments	<b>13,042</b>	11,460
Vehicles	<b>24,779</b>	24,213
	<u><b>56,586</b></u>	<u>36,196</u>



6.3 In accordance with the Bank's accounting policy, the leasehold land and buildings have been revalued during the period. The revaluation was carried out by independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of professional assessment of present market values and resulted in a net surplus of Rs. 219.037 million over the book value of the respective properties as of 30 June 2011. As a result of the revaluation, the carrying value of leasehold land and buildings as of 30 June 2011 amounts to Rs. 8,162 (31 December 2010: Rs. 7,886) million.

6.4 During the period, the Bank has made a change in estimate in respect of useful lives of buildings on leasehold land, which resulted in the revision of depreciation rates from 2.22% - 8.33% to 2.27% - 7.69%. The management considers that the revision would result in more accurate reflection of depreciation charge over the useful lives of the related assets. The change has been accounted for as change in accounting estimate in accordance with the requirements of IAS - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' whereby the effect of these changes are recognised prospectively.

Had the Bank not made the above referred change in accounting estimate, profit before tax would have been increased by Rs. 2.296 million and the carrying value of operating fixed assets would have been increased by the same amount.

	<b>30-June 2011 (Un-Audited)</b>	31-December 2010 (Audited)
	(Rupees in '000)	
<b>7. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export Refinance Scheme	<b>14,034,593</b>	16,381,224
Long term Financing for Export Oriented Projects	<b>682,388</b>	812,229
Long term Financing for Imported and Locally Manufactured Plant and Machinery	<b>3,260,670</b>	2,886,572
	<b>17,977,651</b>	20,080,025
Repurchase agreement borrowings	<b>3,837,433</b>	1,282,700
	<b>21,815,084</b>	21,362,725
<b>Unsecured</b>		
Borrowings from financial institutions	<b>1,117,549</b>	-
Overdrawn nostros	<b>1,315,597</b>	1,216,623
	<b>2,433,146</b>	1,216,623
	<b>24,248,230</b>	22,579,348



Note **30-June** 31-December  
**2011** 2010  
**(Un-Audited)** (Audited)  
(Rupees in '000)

## 8. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	<b>106,645,065</b>	91,146,967
Savings deposits	<b>60,976,812</b>	54,512,033
Current accounts - Remunerative	<b>31,301,653</b>	29,197,690
Current accounts - Non-remunerative	<b>73,574,615</b>	64,333,688
	<b>272,498,145</b>	239,190,378

### Financial Institutions

Remunerative deposits	<b>6,755,456</b>	10,319,598
Non-remunerative deposits	<b>304,682</b>	264,236
	<b>7,060,138</b>	10,583,834
	<b>279,558,283</b>	249,774,212

## 9. SUB-ORDINATED LOANS - unsecured

Term Finance Certificates (TFCs) - I (Quoted)	9.1	<b>1,346,490</b>	1,346,760
Term Finance Certificates (TFCs) - II (Quoted)	9.2	<b>1,497,600</b>	1,497,900
Term Finance Certificates (TFCs) - III (Unquoted)	9.3	<b>1,996,800</b>	1,997,600
Term Finance Certificates (TFCs) - IV (Unquoted)	9.4	<b>3,000,000</b>	-
		<b>7,840,890</b>	4,842,260

### 9.1 Term Finance Certificates - I (Quoted)

Total issue	Rupees 1,350 million
Rating	<b>AA</b>
Rate	Payable six monthly at average six months' KIBOR plus 150 bps
Floor	3.50% p.a.
Ceiling	10.00% p.a.
Redemption	6 - 78th month: 0.25%; 84th, 90th and 96th month: 33.25% each
Tenor	8 years
Maturity	July 2012

### 9.2 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	<b>AA</b>
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015



### 9.3 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	<b>AA</b>
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

### 9.4 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	<b>AA</b>
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.02%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

Note	<b>30-June 2011 (Un-Audited)</b>	31-December 2010 (Audited)
	(Rupees in '000)	

### 10. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	10.1	<b>1,829,864</b>	1,739,434
Available for sale investments	10.2	<b>(244,816)</b>	(379,705)
		<b>1,585,048</b>	1,359,729

#### 10.1 Operating fixed assets

Balance at the beginning of the period / year		<b>2,275,893</b>	2,323,144
Surplus on revaluation of the Bank's properties during the period / year		<b>219,037</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(25,822)</b>	(47,251)
		<b>2,469,108</b>	2,275,893
Related deferred tax liability on:			
Balance at the beginning of the period / year		<b>536,459</b>	552,997
Revaluation of Bank's properties during the period / year		<b>111,823</b>	-
Incremental depreciation charged during the period / year transferred to profit and loss account		<b>(9,038)</b>	(16,538)
		<b>(639,244)</b>	(536,459)
		<b>1,829,864</b>	1,739,434



	<b>30-June 2011 (Un-Audited)</b>	<b>31-December 2010 (Audited)</b>
	(Rupees in '000)	
<b>10.2 Available for sale investments</b>		
Federal Government Securities	<b>(510,143)</b>	(602,753)
Fully paid-up ordinary shares	<b>4,065</b>	8,708
Term finance certificates, sukuks and bonds	<b>824</b>	(31,812)
Open ended mutual funds	<b>92,744</b>	38,756
	<b>(412,510)</b>	(587,101)
Related deferred tax	<b>167,694</b>	207,396
	<b>(244,816)</b>	(379,705)
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>11.1 Direct Credit Substitutes</b>		
Stand-by letters of credit	<b>454,013</b>	453,931
<b>11.2 Transaction-related Contingent Liabilities</b>		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions issued in favour of:		
– Government	<b>7,645,533</b>	7,200,376
– Financial institutions	<b>173,620</b>	260,140
– Others	<b>4,444,644</b>	4,193,866
	<b>12,263,797</b>	11,654,382
<b>11.3 Trade-related Contingent Liabilities</b>		
Letters of credit	<b>35,332,794</b>	40,994,674
Acceptances	<b>7,122,040</b>	6,901,923
	<b>42,454,834</b>	47,896,597
<b>11.4 Other Contingencies</b>		

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2009. The income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2010.

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.124.353 million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.



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.

	<b>30-June 2011 (Un-Audited)</b>	31-December 2010 (Audited)
	(Rupees in '000)	
<b>11.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	<u>6,630,946</u>	<u>1,232,005</u>
<b>11.6 Commitments in respect of forward purchase of securities</b>		
Sukuks	<u>—</u>	<u>121,294</u>
<b>11.7 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>37,522,337</u>	<u>27,675,282</u>
Sale	<u>38,068,991</u>	<u>24,435,789</u>
<p>The maturities of above contracts are spread over a period upto one year.</p>		
<b>11.8 Commitments for the acquisition of operating fixed assets</b>	<u>135,895</u>	<u>158,104</u>



	Half year ended		Quarter ended	
	30-June 2011	30-June 2010	30-June 2011	30-June 2010
	(Un-Audited)			
	(Rupees in '000)			
<b>12. MARK-UP / RETURN / INTEREST EARNED</b>				
On loans and advances to:				
Customers	6,987,911	6,057,323	3,269,760	3,086,006
Financial institutions	134,751	134,563	71,681	53,955
	<b>7,122,662</b>	6,191,886	<b>3,341,441</b>	3,139,961
On investments:				
Available for sale securities	4,692,323	6,509,221	2,515,341	3,361,824
Held to maturity securities	4,750,823	279,460	2,543,674	224,526
	<b>9,443,146</b>	6,788,681	<b>5,059,015</b>	3,586,350
On deposits with financial institutions	35,133	24,798	22,395	10,851
On securities purchased under resale agreements	179,869	78,097	108,101	31,933
On call money lendings	3,153	201	1,840	61
	<b>16,783,963</b>	13,083,663	<b>8,532,792</b>	6,769,156
<b>13. MARK-UP / RETURN / INTEREST EXPENSED</b>				
Deposits	8,811,009	6,868,478	4,578,818	3,602,656
Sub-ordinated loans	347,072	325,717	180,951	163,863
Repurchase agreement borrowings	155,661	310,610	41,800	63,041
Borrowings from SBP	847,693	608,313	434,580	327,677
Other borrowings	34,883	15,358	21,242	7,306
	<b>10,196,318</b>	8,128,476	<b>5,257,391</b>	4,164,543

#### 14. BASIC AND DILUTED - EARNINGS PER SHARE

The weighted average number of shares for 2010 has been adjusted for the effect of bonus shares issued during the period.

#### 15. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), retirement benefit funds, major share holders, 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 are summarised as follows:

	30-June 2011 (Un-Audited)					
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
<b>Deposits</b>						
At the beginning of the period	20,009	1,687,940	13,638	126,804	310,525	2,158,916
Placement during the period	2,682,016	31,241,451	169,191	300,850	2,833,267	37,226,775
Withdrawal during the period	(2,699,753)	(31,108,394)	(152,171)	(238,014)	(3,030,177)	(37,228,509)
At the end of the period	<u>2,272</u>	<u>1,820,997</u>	<u>30,658</u>	<u>189,640</u>	<u>113,615</u>	<u>2,157,182</u>
<b>Advances</b>						
At the beginning of the period	-	369,808	214	17,525	-	387,547
Given during the period	-	1,523,242	968	25,219	-	1,549,429
Repaid during the period	-	(508,554)	(1,163)	(9,729)	-	(519,446)
At the end of the period	<u>-</u>	<u>1,384,496</u>	<u>19</u>	<u>33,015</u>	<u>-</u>	<u>1,417,530</u>
Contingencies and commitments	<u>-</u>	<u>390,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,037</u>
Purchase of fixed assets	<u>-</u>	<u>1,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,251</u>
Sale of securities	<u>-</u>	<u>37,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,748</u>
Redemption of mutual funds units	<u>-</u>	<u>48,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,343</u>
Purchase of mutual funds units	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	31-December 2010 (Audited)					
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
<b>Deposits</b>						
At the beginning of the year	130,142	674,596	13,966	80,124	513,212	1,412,040
Placement during the year	4,415,186	72,043,744	175,774	653,408	3,542,965	80,831,077
Withdrawal during the year	(4,525,319)	(71,030,400)	(176,102)	(606,728)	(3,745,652)	(80,084,201)
At the end of the year	<u>20,009</u>	<u>1,687,940</u>	<u>13,638</u>	<u>126,804</u>	<u>310,525</u>	<u>2,158,916</u>
<b>Advances</b>						
At the beginning of the year	-	399,584	26	164	-	399,774
Given during the year	-	742,345	934	29,295	-	772,574
Repaid during the year	-	(772,121)	(746)	(11,934)	-	(784,801)
At the end of the year	<u>-</u>	<u>369,808</u>	<u>214</u>	<u>17,525</u>	<u>-</u>	<u>387,547</u>
Contingencies and commitments	<u>-</u>	<u>716,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,726</u>
Purchase of fixed assets	<u>2,631</u>	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,039</u>
Sale of securities	<u>-</u>	<u>36,004</u>	<u>-</u>	<u>-</u>	<u>264,827</u>	<u>300,831</u>
Redemption of mutual funds units	<u>-</u>	<u>151,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,783</u>
Purchase of mutual funds units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>





## 16. ISLAMIC BANKING BUSINESS

The Bank is operating 10 Islamic Banking branches (31 December 2010: 08). The statement of financial position of these branches as at 30 June 2011 is as follows:

	<b>30-June 2011 (Un-Audited)</b>	<b>31-December 2010 (Audited)</b>
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	<b>258,400</b>	262,642
Balances with and due from financial institutions	<b>5,332</b>	5,013
Investments	<b>1,468,062</b>	970,498
Financing and receivables		
– Murabaha	<b>2,668,009</b>	1,495,783
– Ijarah	<b>108,640</b>	311,897
– Diminishing mushraka	<b>1,919,826</b>	1,320,098
– Export refinance murabaha	<b>250,929</b>	522,813
– Export refinance istisna	<b>1,035,096</b>	326,000
– Istisna	<b>144,955</b>	–
	<b>6,127,455</b>	3,976,591
Other assets	<b>555,626</b>	1,076,168
	<b>8,414,875</b>	6,290,912
<b>LIABILITIES</b>		
Bills payable	<b>51,779</b>	12,299
Due to financial institutions	<b>1,280,025</b>	842,716
Deposits and other accounts		
– Current accounts	<b>826,749</b>	699,030
– Saving accounts	<b>529,300</b>	273,493
– Term deposits	<b>1,931,510</b>	1,685,109
– Others	<b>2,837</b>	34,257
– Deposits from financial institutions-remunerative	<b>1,435,955</b>	1,670,567
– Deposits from financial institutions-non-remunerative	<b>510</b>	416
	<b>4,726,861</b>	4,362,872
Due to head office	<b>1,057,000</b>	230,000
Other liabilities	<b>212,994</b>	185,045
	<b>7,328,659</b>	5,632,932
<b>NET ASSETS</b>	<b>1,086,216</b>	657,980
<b>REPRESENTED BY :</b>		
Islamic banking fund	<b>900,000</b>	500,000
Unremitted profit	<b>184,396</b>	156,360
	<b>1,084,396</b>	656,360
Surplus on revaluation of assets	<b>1,820</b>	1,620
	<b>1,086,216</b>	657,980



## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

Half year ended 30-June 2011 (Un-Audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
(Rupees in '000)				
Total income	7,195,050	15,832,173	(4,900,377)	18,126,846
Total expenses	(5,127,865)	(14,481,307)	4,900,377	(14,708,795)
Net income	2,067,185	1,350,866	–	3,418,051

As of 30-June 2011 (Un-Audited)				
Segment assets	230,002,976	328,616,298	(219,799,340)	338,819,934
Segment liabilities	228,742,383	312,955,645	(219,799,340)	321,898,688

Half year ended 30-June 2010 (Un-Audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
(Rupees in '000)				
Total income	6,583,260	12,482,309	(4,939,751)	14,125,818
Total expenses	(5,207,714)	(11,111,869)	4,939,751	(11,379,832)
Net income	1,375,546	1,370,440	–	2,745,986

As of 30-June 2010 (Un-Audited)				
Segment assets	192,761,747	271,921,988	(182,843,197)	281,840,538
Segment liabilities	191,776,964	258,433,958	(182,843,197)	267,367,725

## 18. GENERAL

18.1 Figures of the profit and loss account for the quarters ended 30 June 2011 and 30 June 2010 have not been subjected to limited scope review by the auditors.

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

## 19. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on 11 August 2011.

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 Company





**CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

Note	Half year ended		Quarter ended	
	30-June 2011	30-June 2010 (Rupees in '000)	30-June 2011	30-June 2010
Mark-up / return / interest earned	12	16,797,463	13,083,713	6,769,152
Mark-up / return / interest expensed	13	(10,195,945)	(8,122,393)	(4,160,900)
Net mark-up / return / interest income		6,601,518	4,961,320	2,608,252
Provision against non-performing loans and advances	5.3	(770,066)	(252,959)	(131,014)
Provision / (reversal) for diminution in the value of investments		23	(56)	(46)
Bad debts written-off directly		-	-	-
		(770,043)	(253,015)	(131,060)
Net mark-up / return / interest income after provisions		5,831,475	4,708,305	2,477,192
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income		665,217	588,994	298,078
Dividend income		19,226	84,479	34,240
Income from dealing in foreign currencies		440,102	119,313	67,279
Gain on sale / redemption of securities - net		163	62,667	62,544
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-
Share of profit from associates		48,202	48,015	26,612
Other income		184,863	166,798	87,002
Total non mark-up / interest income		1,357,773	1,070,266	575,755
		7,189,248	5,778,571	3,052,947
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses		(3,686,673)	(2,953,950)	(1,562,241)
Other provisions / write-offs		(4,703)	(741)	609
Other charges		(69,887)	(78,509)	(50,728)
Total non mark-up / interest expenses		(3,761,263)	(3,033,200)	(1,612,360)
Extra-ordinary / unusual items		3,427,985	2,745,371	1,440,587
		-	-	-
		3,427,985	2,745,371	1,440,587
<b>PROFIT BEFORE TAXATION</b>				
Taxation - Current		(1,196,832)	(980,480)	(500,245)
- Prior years		-	-	-
- Deferred		(146,311)	(71,550)	(107,327)
		(1,343,143)	(1,052,030)	(607,572)
<b>PROFIT AFTER TAXATION</b>				
		2,084,842	1,693,341	833,015
<b>Attributable to:</b>				
Shareholders of the Holding Company		2,084,895	1,688,594	827,562
Non-controlling interest		(53)	4,747	5,453
		2,084,842	1,693,341	833,015
			Restated	Restated
<b>Basic and diluted earnings per share to shareholders of the Holding Company - Rupees</b>	14	2.37	1.92	1.19
				0.94

The annexed notes 1 to 19 form an integral part of these consolidated interim condensed financial statements.

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



**CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
(UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>30-June</u> <u>2011</u>	<u>30-June</u> <u>2010</u>	<u>30-June</u> <u>2011</u>	<u>30-June</u> <u>2010</u>
	(Rupees in '000)			
<b>Net profit for the period</b>	<b>2,084,842</b>	1,693,341	<b>1,049,487</b>	833,015
<b>Other comprehensive income</b>				
Effect of foreign currency translation of net investment in foreign operations	1,963	7,010	3,614	8,202
<b>Total comprehensive income for the period</b>	<b>2,086,805</b>	1,700,351	<b>1,053,101</b>	841,217
<b>Attributable to:</b>				
Shareholders of the Holding Company	2,086,858	1,695,604	1,053,259	835,764
Non-controlling interest	(53)	4,747	(158)	5,453
	<b>2,086,805</b>	1,700,351	<b>1,053,101</b>	841,217

The annexed notes 1 to 19 form an integral part of these consolidated 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*



**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Attributable to the shareholders of the Holding Company								Total
	Share Capital	Statutory Reserve	Special Reserve	General Reserve	Foreign Currency Translation Reserve	Unappropriated Profit	Non-controlling interest	Total	
Balance as at 01 January 2010	6,101,370	2,913,741	126,500	540,000	105,109	2,496,135	106,683	12,282,855	12,389,538
Total comprehensive income for the period	-	-	-	-	7,010	1,688,594	4,747	1,695,604	1,700,351
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	15,356	-	15,356	15,356
Transfer to statutory reserve	-	339,046	-	-	-	(339,046)	-	-	-
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 June 2010	7,321,643	3,252,787	126,500	540,000	112,119	1,420,493	111,430	12,773,542	12,884,972
Total comprehensive income for the period	-	-	-	-	(20,528)	1,975,735	(1,096)	1,955,207	1,954,111
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	15,357	-	15,357	15,357
Transfer to statutory reserve	-	381,386	-	-	-	(381,386)	-	-	-
Balance as at 31 December 2010	7,321,643	3,634,173	126,500	540,000	91,591	3,030,199	110,334	14,744,106	14,854,440
Total comprehensive income for the period	-	-	-	-	1,963	2,084,895	(53)	2,086,858	2,086,805
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	16,784	-	16,784	16,784
Transfer to statutory reserve	-	415,080	-	-	-	(415,080)	-	-	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,464,329)	-	(1,464,329)	(1,464,329)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,464,329	-	-	-	-	(1,464,329)	-	-	-
Balance as at 30 June 2011	8,785,972	4,049,253	126,500	540,000	93,554	1,788,140	110,281	15,383,419	15,493,700

The annexed notes 1 to 19 form an integral part of these consolidated 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*



**CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	30-June 2011	30-June 2010
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,427,985	2,745,371
Dividend income	(19,226)	(84,479)
	<b>3,408,759</b>	<b>2,660,892</b>
<b>Adjustments for non-cash changes:</b>		
Depreciation	370,479	317,074
Amortisation	20,707	18,137
Provision against non-performing loans and advances	770,066	252,959
(Reversal) / provision for diminution in the value of investments	(23)	56
Gain on sale / redemption of securities	(163)	(62,667)
Provision for defined benefit plan	51,900	39,356
Charge for compensated absences	11,768	5,000
Share of profit from associates	(48,202)	(48,015)
Gain on disposal of operating fixed assets	(22,179)	(23,970)
Provision against off-balance sheet items	4,703	741
Financial charges on leased assets	18	77
	<b>1,159,074</b>	<b>498,748</b>
	<b>4,567,833</b>	<b>3,159,640</b>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	1,139,268	-
Advances	6,526,610	(9,017,076)
Other assets	(57,189)	(736,354)
	<b>7,608,689</b>	<b>(9,753,430)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	833,517	245,814
Borrowings	1,569,908	(6,502,628)
Deposits and other accounts	29,792,500	36,720,356
Other liabilities (excluding provision for taxation)	1,004,685	585,940
	<b>33,200,610</b>	<b>31,049,482</b>
Cash inflow before tax	45,377,132	24,455,692
Income tax paid	(1,490,280)	(1,036,164)
Net cash flow from operating activities	<b>43,886,852</b>	<b>23,419,528</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(30,822,965)	(6,463,644)
Net investments in held to maturity securities	(12,509,436)	(12,959,722)
Net investments in associates	(15,241)	46,280
Dividend received	19,026	85,416
Investments in operating fixed assets	(599,040)	(609,147)
Sale proceeds of operating fixed assets	39,413	29,545
Net cash used in investing activities	<b>(43,888,243)</b>	<b>(19,871,272)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts of sub-ordinated loans	3,000,000	-
Payments of sub-ordinated loans	(1,370)	(1,370)
Payment of lease obligations	(319)	(831)
Dividend paid	(1,438,721)	(1,197,578)
Net cash from / (used in) financing activities	<b>1,559,590</b>	<b>(1,199,779)</b>
Exchange adjustment on translation of net investment in foreign operations	1,963	7,010
Increase in cash and cash equivalents	<b>1,560,162</b>	<b>2,355,487</b>
Cash and cash equivalents at the beginning of the period	<b>19,917,173</b>	<b>18,945,605</b>
Cash and cash equivalents at the end of the period	<b>21,477,335</b>	<b>21,301,092</b>

The annexed notes 1 to 19 form an integral part of these consolidated interim condensed financial statements.

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



## NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2011

### 1. STATUS AND NATURE OF BUSINESS

The Group consists of :

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) 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 with a network of 285 branches (31 December 2010: 277), 50 sub-branches (31 December 2010: 25) and one representative office (31 December 2010 :01). The branch network of the Bank includes a wholesale branch in the Kingdom of Bahrain (31 December 2010: 01), a branch in Karachi Export Processing Zone (31 December 2010 :01) and 10 Islamic Banking branches (31 December 2010: 08). 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.

### 2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated interim condensed financial statements of the Group 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 2010.



### 3. ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these consolidated interim condensed financial statements are consistent with those of the previous financial year except as follows:

#### **New and amended standards and interpretations**

The Group has adopted the following IFRS and IFRIC interpretation which became effective during the period:

IAS 24 - Related Party Disclosures (Revised)  
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)  
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)  
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

*Improvements to various standards and IFRIC issued by IASB in May 2010.*

IFRS 3 - Business Combinations  
IAS 27- Consolidated and Separate Financial Statements  
IFRS 7 - Financial Instruments Disclosures  
IAS 1 - Presentation of Financial Statements  
IFRIC 13 - Customer Loyalty Programmes  
IAS 34 - Interim Financial Reporting

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the consolidated interim condensed financial statements of the Group.

3.2 The basis of consolidation of the financial statement of subsidiary is same as that applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2010.



Note	30-June 2011 (Un-Audited)			31-December 2010 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
<b>4. INVESTMENTS</b>						
<i>Available for Sale Securities</i>						
Market Treasury Bills	57,663,017	3,841,152	61,504,169	33,472,250	1,284,437	34,756,687
Pakistan Investment Bonds	14,740,988	-	14,740,988	12,027,781	-	12,027,781
Foreign Currency Bonds	800,914	-	800,914	792,247	-	792,247
Sukuks	7,104,060	-	7,104,060	6,044,979	-	6,044,979
Ordinary shares of listed companies and closed end mutual funds	102,320	-	102,320	30,832	-	30,832
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	623,687	-	623,687	650,441	-	650,441
Unlisted term finance certificates	5,801,545	-	5,801,545	5,801,565	-	5,801,565
Open ended mutual funds	1,375,000	-	1,375,000	1,125,000	-	1,125,000
	<b>88,251,101</b>	<b>3,841,152</b>	<b>92,092,253</b>	<b>59,984,665</b>	<b>1,284,437</b>	<b>61,269,102</b>
<i>Held to Maturity Securities</i> 4.1						
Market Treasury Bills	75,862,757	-	75,862,757	70,866,979	-	70,866,979
Pakistan Investment Bonds	11,467,947	-	11,467,947	3,897,385	-	3,897,385
Sukuks	272,299	-	272,299	275,000	-	275,000
Listed term finance certificates	381,671	-	381,671	394,208	-	394,208
Unlisted term finance certificates	166,667	-	166,667	208,333	-	208,333
	<b>88,151,341</b>	<b>-</b>	<b>88,151,341</b>	<b>75,641,905</b>	<b>-</b>	<b>75,641,905</b>
<i>Associates</i>						
Habib Sugar Mills Limited	242,064	-	242,064	235,398	-	235,398
Habib Asset Management Limited	35,112	-	35,112	33,747	-	33,747
First Habib Income Fund	543,762	-	543,762	592,266	-	592,266
First Habib Stock Fund	55,120	-	55,120	55,270	-	55,270
First Habib Cash Fund	104,066	-	104,066	-	-	-
	<b>980,124</b>	<b>-</b>	<b>980,124</b>	<b>916,681</b>	<b>-</b>	<b>916,681</b>
<b>Investments at cost</b>	<b>177,382,566</b>	<b>3,841,152</b>	<b>181,223,718</b>	<b>136,543,251</b>	<b>1,284,437</b>	<b>137,827,688</b>
Provision for diminution in the value of investments	(6,586)	-	(6,586)	(6,609)	-	(6,609)
<b>Investments (net of provisions)</b>	<b>177,375,980</b>	<b>3,841,152</b>	<b>181,217,132</b>	<b>136,536,642</b>	<b>1,284,437</b>	<b>137,821,079</b>
Deficit on revaluation of available for sale investments-net	(412,692)	848	(411,844)	(585,235)	(1,188)	(586,423)
<b>Investments after revaluation of available for sale investments</b>	<b>176,963,288</b>	<b>3,842,000</b>	<b>180,805,288</b>	<b>135,951,407</b>	<b>1,283,249</b>	<b>137,234,656</b>

4.1 The aggregate market value of held to maturity securities as on 30 June 2011 amounts to Rs. 88,076 (31 December 2010: 75,411) million.



	Note	30-June 2011 (Un-Audited) (Rupees in '000)	31-December 2010 (Audited)
<b>5. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		<b>100,404,454</b>	109,815,776
Outside Pakistan		<b>5,524,365</b>	1,934,958
		<b>105,928,819</b>	111,750,734
Net investment in finance lease / ijarah financing			
In Pakistan		<b>460,498</b>	513,601
Outside Pakistan		<b>-</b>	-
		<b>460,498</b>	513,601
Ijarah financing under IFAS 2		<b>119,961</b>	131,575
Murabaha		<b>2,918,938</b>	2,018,596
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		<b>2,390,730</b>	2,401,449
Payable outside Pakistan		<b>10,738,129</b>	12,267,818
		<b>13,128,859</b>	14,669,267
Advances - gross		<b>122,557,075</b>	129,083,773
Provision against non-performing loans and advances			
Specific provision	5.1	<b>(2,150,250)</b>	(1,682,297)
General provision against consumer advances (as per SBP regulations)	5.2	<b>(30,209)</b>	(28,184)
General provision	5.3	<b>(1,900,000)</b>	(1,600,000)
		<b>(4,080,459)</b>	(3,310,481)
Advances - net of provisions		<b>118,476,616</b>	125,773,292

5.1 Advances include Rs. 3,010.680 (31 December 2010: Rs. 2,943.863) million which have been placed under non-performing status as detailed below:

Category of classification	30-June 2011 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	24,416	-	24,416	5,282	-	5,282	5,282	-	5,282
Doubtful	1,466,828	-	1,466,828	729,489	-	729,489	729,489	-	729,489
Loss	1,517,795	1,641	1,519,436	1,413,838	1,641	1,415,479	1,413,838	1,641	1,415,479
	<u>3,009,039</u>	<u>1,641</u>	<u>3,010,680</u>	<u>2,148,609</u>	<u>1,641</u>	<u>2,150,250</u>	<u>2,148,609</u>	<u>1,641</u>	<u>2,150,250</u>



31-December 2010 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	1,287,494	-	1,287,494	321,873	-	321,873	321,873	-	321,873
Doubtful	330,370	-	330,370	157,654	-	157,654	157,654	-	157,654
Loss	1,325,510	489	1,325,999	1,202,281	489	1,202,770	1,202,281	489	1,202,770
	<u>2,943,374</u>	<u>489</u>	<u>2,943,863</u>	<u>1,681,808</u>	<u>489</u>	<u>1,682,297</u>	<u>1,681,808</u>	<u>489</u>	<u>1,682,297</u>

5.2 The Bank has made general provision for consumer portfolio as required by the SBP's Prudential Regulations amounting to Rs. 30.209 (31 December 2010: Rs. 28.184) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 300 million during the period, bringing the total of such provision to Rs. 1,900 (31 December 2010: Rs. 1,600) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

#### Half year ended

<b>30-June</b>	30-June
<b>2011</b>	2010
(Rupees in '000)	

## 6. OPERATING FIXED ASSETS

### 6.1 Additions during the period - at cost:

Leasehold land	<b>12,235</b>	64,762
Buildings on leasehold land	<b>116,195</b>	116,314
Improvements to leasehold buildings	<b>108,914</b>	38,108
Furniture and fixtures	<b>25,908</b>	20,758
Electrical, office and computer equipments	<b>265,491</b>	202,118
Vehicles	<b>119,183</b>	49,722
Intangible assets	<b>7,253</b>	26,141
	<u><b>655,179</b></u>	<u>517,923</u>

### 6.2 Deletions during the period - at cost:

Leasehold land	<b>2,266</b>	-
Improvements to leasehold buildings	<b>14,664</b>	-
Furniture and fixtures	<b>1,835</b>	523
Electrical, office and computer equipments	<b>13,042</b>	12,110
Vehicles	<b>24,779</b>	24,213
	<u><b>56,586</b></u>	<u>36,846</u>



6.3 In accordance with the Bank's accounting policy, the leasehold land and buildings have been revalued during the period. The revaluation was carried out by independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of professional assessment of present market values and resulted in a net surplus of Rs. 219.037 million over the book value of the respective properties as of 30 June 2011. As a result of the revaluation, the carrying value of leasehold land and buildings as of 30 June 2011 amounts to Rs. 8,173 (31 December 2010 Rs. 7,897) million.

6.4 During the period, the Bank has made a change in estimate in respect of useful lives of buildings on leasehold land, which resulted in the revision of depreciation rates from 2.22% - 8.33% to 2.27% - 7.69%. The management considers that the revision would result in more accurate reflection of depreciation charge over the useful lives of the related assets. The change has been accounted for as change in accounting estimate in accordance with the requirements of IAS - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' whereby the effect of these changes are recognised prospectively.

Had the Bank not made the above referred change in accounting estimate, profit before tax would have been increased by Rs. 2.296 million and the carrying value of operating fixed assets would have been increased by the same amount.

**30-June**      **31-December**  
**2011**              **2010**  
**(Un-Audited)**      **(Audited)**  
**(Rupees in '000)**

## 7. BORROWINGS

### Secured

Borrowings from State Bank of Pakistan		
Export Refinance Scheme	<b>14,034,593</b>	16,381,224
Long Term Financing for Export Oriented Projects	<b>682,388</b>	812,229
Long Term Financing for Imported and Locally Manufactured Plant and Machinery	<b>3,260,670</b>	2,886,572
	<b>17,977,651</b>	20,080,025
Repurchase agreement borrowings	<b>3,837,433</b>	1,282,700
	<b>21,815,084</b>	21,362,725

### Unsecured

Borrowings from financial institutions	<b>1,117,549</b>	-
Overdrawn nostros	<b>1,315,597</b>	1,216,623
	<b>2,433,146</b>	1,216,623
	<b>24,248,230</b>	22,579,348



Note **30-June** 31-December  
**2011** 2010  
**(Un-Audited)** (Audited)  
(Rupees in '000)

## 8. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	<b>106,645,065</b>	91,146,967
Savings deposits	<b>60,976,812</b>	54,512,033
Current accounts - Remunerative	<b>31,301,653</b>	29,197,690
Current accounts - Non-remunerative	<b>73,574,615</b>	64,333,688
	<b>272,498,145</b>	239,190,378

### Financial Institutions

Remunerative deposits	<b>6,752,668</b>	10,314,218
Non-remunerative deposits	<b>302,572</b>	256,289
	<b>7,055,240</b>	10,570,507
	<b>279,553,385</b>	249,760,885

## 9. SUB-ORDINATED LOANS - unsecured

Term Finance Certificates (TFCs) - I (Quoted)	9.1	<b>1,346,490</b>	1,346,760
Term Finance Certificates (TFCs) - II (Quoted)	9.2	<b>1,497,600</b>	1,497,900
Term Finance Certificates (TFCs) - III (Unquoted)	9.3	<b>1,996,800</b>	1,997,600
Term Finance Certificates (TFCs) - IV (Unquoted)	9.4	<b>3,000,000</b>	-
		<b>7,840,890</b>	4,842,260

### 9.1 Term Finance Certificates - I (Quoted)

Total issue	Rupees 1,350 million
Rating	<b>AA</b>
Rate	Payable six monthly at average six months' KIBOR plus 150 bps
Floor	3.50% p.a.
Ceiling	10.00% p.a.
Redemption	6 - 78th month: 0.25%; 84th, 90th and 96th month: 33.25% each
Tenor	8 years
Maturity	July 2012

### 9.2 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	<b>AA</b>
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015



### 9.3 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	<b>AA</b>
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

### 9.4 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	<b>AA</b>
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.02%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

Note	<b>30-June 2011 (Un-Audited)</b>	31-December 2010 (Audited)
	(Rupees in '000)	

### 10. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	10.1	<b>1,829,864</b>	1,739,434
Available for sale investments	10.2	<b>(237,108)</b>	(377,091)
		<b>1,592,756</b>	1,362,343

#### 10.1 Operating fixed assets

Balance at the beginning of the period / year		<b>2,275,893</b>	2,323,144
Surplus on revaluation of the Bank's properties during the period / year		<b>219,037</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(25,822)</b>	(47,251)
		<b>2,469,108</b>	2,275,893
Related deferred tax liability on:			
Balance at the beginning of the period / year		<b>536,459</b>	552,997
Revaluation of Bank's properties during the period / year		<b>111,823</b>	-
Incremental depreciation charged during the period / year transferred to profit and loss account		<b>(9,038)</b>	(16,538)
		<b>(639,244)</b>	(536,459)
		<b>1,829,864</b>	1,739,434



	<b>30-June 2011 (Un-Audited)</b>	<b>31-December 2010 (Audited)</b>
	(Rupees in '000)	
<b>10.2 Available for sale investments</b>		
Federal Government Securities	<b>(510,143)</b>	(602,753)
Fully paid-up ordinary shares	<b>4,732</b>	9,386
Term finance certificates, sukuks, bonds and others	<b>7,865</b>	(29,876)
Open ended mutual funds	<b>92,744</b>	38,756
	<b>(404,802)</b>	(584,487)
Related deferred tax	<b>167,694</b>	207,396
	<b>(237,108)</b>	(377,091)
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>11.1 Direct Credit Substitutes</b>		
Stand-by letters of credit	<b>454,013</b>	453,931
<b>11.2 Transaction-related Contingent Liabilities</b>		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions issued in favour of:		
– Government	<b>7,645,533</b>	7,200,376
– Financial institutions	<b>173,620</b>	260,140
– Others	<b>4,444,644</b>	4,193,866
	<b>12,263,797</b>	11,654,382
<b>11.3 Trade-related Contingent Liabilities</b>		
Letters of credit	<b>35,332,794</b>	40,994,674
Acceptances	<b>7,122,040</b>	6,901,923
	<b>42,454,834</b>	47,896,597
<b>11.4 Other Contingencies</b>		

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2009. The income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2010.

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.124.353 million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.



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 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.

	<b>30-June 2011 (Un-Audited)</b>	31-December 2010 (Audited)
	(Rupees in '000)	
<b>11.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	<u><b>6,630,946</b></u>	<u>1,232,005</u>
<b>11.6 Commitments in respect of forward purchase of securities</b>		
Sukuks	<u>–</u>	<u>121,294</u>
<b>11.7 Commitments in respect of forward exchange contracts</b>		
Purchase	<u><b>37,522,337</b></u>	<u>27,675,282</u>
Sale	<u><b>38,068,991</b></u>	<u>24,435,789</u>
The maturities of above contracts are spread over a period upto one year.		
<b>11.8 Commitments for the acquisition of operating fixed assets</b>	<u><b>135,895</b></u>	<u>158,104</u>



	Half year ended		Quarter ended	
	30-June 2011	30-June 2010	30-June 2011	30-June 2010
	(Un-Audited)			
	(Rupees in '000)			
<b>12. MARK-UP / RETURN / INTEREST EARNED</b>				
On loans and advances to:				
Customers	6,988,201	6,057,342	3,270,050	3,086,017
Financial institutions	134,751	134,563	71,681	53,955
	<u>7,122,952</u>	<u>6,191,905</u>	<u>3,341,731</u>	<u>3,139,972</u>
On investments:				
Available for sale securities	4,692,323	6,509,221	2,515,341	3,361,824
Held to maturity securities	4,764,016	279,460	2,550,420	224,526
	<u>9,456,339</u>	<u>6,788,681</u>	<u>5,065,761</u>	<u>3,586,350</u>
On deposits with financial institutions	35,150	24,829	22,406	10,836
On securities purchased under resale agreements	179,869	78,097	108,101	31,933
On call money lendings	3,153	201	1,840	61
	<u>16,797,463</u>	<u>13,083,713</u>	<u>8,539,839</u>	<u>6,769,152</u>
<b>13. MARK-UP / RETURN / INTEREST EXPENSED</b>				
Deposits	8,810,567	6,862,395	4,578,685	3,599,037
Sub-ordinated loans	347,072	325,717	180,951	163,863
Repurchase agreement borrowings	155,661	310,610	41,800	63,041
Borrowings from SBP	847,693	608,313	434,580	327,677
Other borrowings	34,952	15,358	21,311	7,282
	<u>10,195,945</u>	<u>8,122,393</u>	<u>5,257,327</u>	<u>4,160,900</u>

#### 14. BASIC AND DILUTED - EARNINGS PER SHARE

The weighted average number of shares for 2010 has been adjusted for the effect of bonus shares issued during the period.

#### 15. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major share holders, 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 are summarised as follows:

	30-June 2011 (Un-Audited)				Total
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)				
<b>Deposits</b>					
At the beginning of the period	1,687,940	13,638	126,804	310,525	2,138,907
Placement during the period	31,241,451	169,191	300,850	2,833,267	34,544,759
Withdrawal during the period	(31,108,394)	(152,171)	(238,014)	(3,030,177)	(34,528,756)
At the end of the period	<u>1,820,997</u>	<u>30,658</u>	<u>189,640</u>	<u>113,615</u>	<u>2,154,910</u>
<b>Advances</b>					
At the beginning of the period	369,808	214	17,525	-	387,547
Given during the period	1,523,242	968	25,219	-	1,549,429
Repaid during the period	(508,554)	(1,163)	(9,729)	-	(519,446)
At the end of the period	<u>1,384,496</u>	<u>19</u>	<u>33,015</u>	<u>-</u>	<u>1,417,530</u>
Contingencies and commitments	<u>390,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,037</u>
Purchase of fixed assets	<u>1,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,251</u>
Sale of securities	<u>37,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,748</u>
Redemption of mutual funds units	<u>49,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,083</u>
Purchase of mutual funds units	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	31-December 2010 (Audited)				
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
<b>Deposits</b>					
At the beginning of the year	674,596	13,966	80,124	513,212	1,281,898
Placement during the year	72,043,744	175,774	653,408	3,542,965	76,415,891
Withdrawal during the year	(71,030,400)	(176,102)	(606,728)	(3,745,652)	(75,558,882)
At the end of the year	<u>1,687,940</u>	<u>13,638</u>	<u>126,804</u>	<u>310,525</u>	<u>2,138,907</u>
<b>Advances</b>					
At the beginning of the year	399,584	26	164	-	399,774
Given during the year	742,345	934	29,295	-	772,574
Repaid during the year	(772,121)	(746)	(11,934)	-	(784,801)
At the end of the year	<u>369,808</u>	<u>214</u>	<u>17,525</u>	<u>-</u>	<u>387,547</u>
Contingencies and commitments	<u>716,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,726</u>
Purchase of fixed assets	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,408</u>
Sale of securities	<u>36,004</u>	<u>-</u>	<u>-</u>	<u>264,827</u>	<u>300,831</u>
Redemption of mutual funds units	<u>176,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,687</u>
Purchase of mutual funds units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**Half year ended 30-June 2011 (Un-Audited)**

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Mark-up earned	18,322	–	909	–	19,231
Mark-up expensed	43,003	1,290	5,757	11,214	61,264
Bank charges and commission	4,019	1	29	–	4,049
Loss on sale of securities	(1,503)	–	–	–	(1,503)
Salaries and allowances	–	–	79,350	–	79,350
Bonus	–	–	6,885	–	6,885
Contribution to defined contribution plan	–	–	3,370	–	3,370
Contribution to defined benefit plan	–	–	10,248	–	10,248
Staff provident fund	–	–	–	65,159	65,159
Staff gratuity fund	–	–	–	51,900	51,900
Directors' fee	–	1,250	–	–	1,250
Insurance claim received	7,958	–	–	–	7,958
Insurance premium paid	120,885	–	–	–	120,885
Dividend income	40,164	–	–	–	40,164
Dividend paid	27,362	–	–	–	27,362
Brokerage and advisory income	386	–	–	–	386

**Half Year ended 30-June 2010 (Un-Audited)**

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Mark-up earned	14,596	–	–	–	14,596
Mark-up expensed	30,445	832	6,182	22,520	59,979
Bank charges and commission	1,614	–	–	–	1,614
Gain on sale of securities	36	–	–	65	101
Salaries and allowances	–	–	53,606	–	53,606
Bonus	–	–	4,766	–	4,766
Contribution to defined contribution plan	–	–	1,872	–	1,872
Contribution to defined benefit plan	–	–	7,194	–	7,194
Staff provident fund	–	–	–	54,200	54,200
Staff gratuity fund	–	–	–	39,356	39,356
Directors' fee	–	705	–	–	705
Insurance claim received	5,323	–	–	–	5,323
Insurance premium paid	77,708	–	–	–	77,708
Dividend income	48,418	–	–	–	48,418
Dividend paid	22,802	–	–	–	22,802
Brokerage and advisory income	431	–	–	–	431



## 16. ISLAMIC BANKING BUSINESS

The Bank is operating 10 Islamic Banking branches (31 December 2010: 08). The statement of financial position of these branches as at 30 June 2011 is as follows:

	30-June 2011 (Un-Audited)	31-December 2010 (Audited)
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	258,400	262,642
Balances with and due from financial institutions	5,332	5,013
Investments	1,468,062	970,498
Financing and receivables		
– Murabaha	2,668,009	1,495,783
– Ijarah	108,640	311,897
– Diminishing musharaka	1,919,826	1,320,098
– Export refinance murabaha	250,929	522,813
– Export refinance istisna	1,035,096	326,000
– Istisna	144,955	–
	6,127,455	3,976,591
Other assets	555,626	1,076,168
	<b>8,414,875</b>	<b>6,290,912</b>
<b>LIABILITIES</b>		
Bills payable	51,779	12,299
Due to financial institutions	1,280,025	842,716
Deposits and other accounts		
– Current accounts	826,749	699,030
– Saving accounts	529,300	273,493
– Term deposits	1,931,510	1,685,109
– Others	2,837	34,257
– Deposits from financial institutions-remunerative	1,435,955	1,670,567
– Deposits from financial institutions-non-remunerative	510	416
	4,726,861	4,362,872
Due to head office	1,057,000	230,000
Other liabilities	212,994	185,045
	<b>7,328,659</b>	<b>5,632,932</b>
<b>NET ASSETS</b>	<b>1,086,216</b>	<b>657,980</b>
<b>REPRESENTED BY :</b>		
Islamic banking fund	900,000	500,000
Unremitted profit	184,396	156,360
	<b>1,084,396</b>	<b>656,360</b>
Surplus on revaluation of assets	1,820	1,620
	<b>1,086,216</b>	<b>657,980</b>



## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

### Half year ended 30-June 2011 (Un-Audited)

	Retail Banking	Commercial Banking	Retail Brokerage	Advisory Service	Inter Segment Elimination	Total
	(Rupees in '000)					
Total income	7,195,051	15,844,112	20,673	–	(4,904,600)	18,155,236
Total expenses	(5,127,864)	(14,479,514)	(24,473)	–	4,904,600	(14,727,251)
Net income	<u>2,067,187</u>	<u>1,364,598</u>	<u>(3,800)</u>	<u>–</u>	<u>–</u>	<u>3,427,985</u>

### As of 30-June 2011 (Un-Audited)

Segment assets	230,002,976	328,637,025	398,958	–	(219,988,789)	339,050,170
Segment liabilities	228,742,383	312,950,912	259,208	–	(219,988,789)	321,963,714

### Half year ended 30-June 2010 (Un-Audited)

	Retail Banking	Commercial Banking	Retail Brokerage	Advisory Service	Inter Segment Elimination	Total
	(Rupees in '000)					
Total income	6,583,190	12,482,031	35,491	385	(4,947,118)	14,153,979
Total expenses	(5,207,712)	(11,104,564)	(26,210)	(17,240)	4,947,118	(11,408,608)
Net income	<u>1,375,478</u>	<u>1,377,467</u>	<u>9,281</u>	<u>(16,855)</u>	<u>–</u>	<u>2,745,371</u>

### As of 30-June 2010 (Un-Audited)

Segment assets	192,761,743	271,700,158	332,441	38,372	(183,115,698)	281,717,016
Segment liabilities	191,776,964	258,203,651	189,740	85,542	(183,115,698)	267,140,199

## 18. GENERAL

18.1 Figures of the profit and loss account for the quarters ended 30 June 2011 and 30 June 2010 have not been subjected to limited scope review by the auditors.

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

## 19. DATE OF AUTHORISATION

These consolidated interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on 11 August 2011.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*