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CORPORATE INFORMATION

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



DIRECTORS' REVIEW

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 quarter ended March 31, 2011.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 258.2 billion as compared to Rs. 249.8 billion on December 31, 2010. In the same period, advances increased to Rs. 129.8 billion from Rs. 125.8 billion, while investments increased to Rs. 145.9 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 quarter ended March 31, 2011 was Rs. 1,650.9 million as compared to Rs. 1,325.5 million during the corresponding period last year.

Your Bank now has a network of 314 offices, comprising 279 branches, 34 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 eight Islamic Banking Branches. Continuing with our branch expansion policy, the Bank intends to open more branches and sub-branches during the year 2011.

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: April 12, 2011

ALI RAZA D. HABIB
Chairman



**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	Note	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		18,351,935	19,000,978
Balances with other banks		1,185,242	2,132,403
Lendings to financial institutions		8,830,913	1,139,268
Investments	4	145,857,207	137,167,680
Advances	5	129,780,398	125,773,064
Operating fixed assets		10,217,808	10,213,390
Deferred tax assets		—	—
Other assets		6,909,039	6,125,678
		321,132,542	301,552,461
LIABILITIES			
Bills payable		3,453,432	2,989,989
Borrowings	6	32,577,791	22,579,348
Deposits and other accounts	7	258,172,321	249,774,212
Sub-ordinated loans		4,841,290	4,842,260
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		756,153	642,675
Other liabilities		5,616,599	4,657,866
		305,417,586	285,486,350
NET ASSETS		15,714,956	16,066,111
REPRESENTED BY :			
Share capital		8,785,972	7,321,643
Reserves		4,597,577	4,392,264
Unappropriated profit		899,350	2,992,475
		14,282,899	14,706,382
Surplus on revaluation of assets - net of tax	8	1,432,057	1,359,729
		15,714,956	16,066,111
CONTINGENCIES AND COMMITMENTS	9		

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

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	Note	Three months period ended	
		31-March 2011	31-March 2010
		(Rupees in '000)	
Mark-up / return / interest earned	10	8,251,171	6,314,507
Mark-up / return / interest expensed	11	(4,938,927)	(3,963,933)
Net mark-up / return / interest income		3,312,244	2,350,574
Provision against non-performing loans and advances	5.3	(484,189)	(121,945)
Provision for diminution in the value of investments		-	-
Bad debts written-off directly		-	-
		(484,189)	(121,945)
Net mark-up / return / interest income after provisions		2,828,055	2,228,629
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		326,885	287,694
Dividend income		34,452	80,363
Income from dealing in foreign currencies		157,299	52,034
(Loss) / gain on sale / redemption of securities - net		(1,523)	92
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		101,021	80,153
Total non mark-up / interest income		618,134	500,336
		3,446,189	2,728,965
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses		(1,756,483)	(1,374,305)
Other provisions / write-offs		(5,063)	(1,350)
Other charges		(33,764)	(27,781)
Total non mark-up / interest expenses		(1,795,310)	(1,403,436)
		1,650,879	1,325,529
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,650,879	1,325,529
Taxation - Current		(524,462)	(479,765)
- Prior years		-	-
- Deferred		(91,598)	34,837
		(616,060)	(444,928)
PROFIT AFTER TAXATION		1,034,819	880,601
			Restated
Basic and diluted earnings per share – Rupees		1.18	1.00

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

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	Three months period ended	
	31-March 2011	31-March 2010
	(Rupees in '000)	
Net profit for the period	1,034,819	880,601
Other comprehensive income		
Effect of foreign currency translation of net investment in foreign branch	(1,651)	(1,098)
Total comprehensive income for the period	1,033,168	879,503

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

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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	-	-	-	-	(1,098)	880,601	879,503
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678
Transfer to statutory reserve	-	176,120	-	-	-	(176,120)	-
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 31 March 2010	7,321,643	3,089,861	126,500	540,000	83,586	792,192	11,953,782
Total comprehensive income for the period	-	-	-	-	8,005	2,721,560	2,729,565
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035
Transfer to statutory reserve	-	544,312	-	-	-	(544,312)	-
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	-	-	-	-	(1,651)	1,034,819	1,033,168
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678
Transfer to statutory reserve	-	206,964	-	-	-	(206,964)	-
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 31 March 2011	8,785,972	3,841,137	126,500	540,000	89,940	899,350	14,282,899

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

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	31-March 2011	31-March 2010
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,650,879	1,325,529
Dividend income	(34,452)	(80,363)
	1,616,427	1,245,166
Adjustments for:		
Depreciation	180,904	155,836
Amortisation	10,552	8,529
Provision against non-performing loans and advances	484,189	121,945
Loss / (gain) on sale / redemption of securities	1,523	(92)
Provision for defined benefit plan	25,950	19,000
Provision for compensated absences	10,439	-
Gain on sale of operating fixed assets	(17,527)	(10,644)
Provision against off-balance sheet items	5,063	1,350
	701,093	295,924
	2,317,520	1,541,090
Increase in operating assets		
Lendings to financial institutions	(7,691,645)	(2,255,938)
Advances	(4,491,523)	(1,603,012)
Other assets	(783,846)	(189,322)
	(12,967,014)	(4,048,272)
Increase / (decrease) in operating liabilities		
Bills payable	463,443	(608,925)
Borrowings	10,305,930	(15,394,223)
Deposits and other accounts	8,398,109	25,814,457
Other liabilities (excluding provision for taxation)	477,221	280,350
	19,644,703	10,091,659
	8,995,209	7,584,477
Income tax paid	(541,172)	(533,486)
Net cash flow from operating activities	8,454,037	7,050,991
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(14,268,789)	(1,608,528)
Net investments in held to maturity securities	5,731,280	327,887
Net investments in associates	(51,656)	-
Dividend received	32,535	71,313
Investments in operating fixed assets	(195,557)	(232,340)
Sale proceeds of operating fixed assets	19,612	12,762
Net cash used in investing activities	(8,732,575)	(1,428,906)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loans	(970)	(970)
Dividend paid	(1,007,558)	(1,045,462)
Net cash used in financing activities	(1,008,528)	(1,046,432)
Exchange adjustment on translation of net investment in foreign branch	(1,651)	(1,098)
(Decrease) / increase in cash and cash equivalents	(1,288,717)	4,574,555
Cash and cash equivalents at the beginning of the period	19,916,758	18,930,184
Cash and cash equivalents at the end of the period	18,628,041	23,504,739

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

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



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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 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 279 branches (31 December 2010: 277), 34 sub-branches (31 December 2010: 25) and one representative office (31 December 2010: one). 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 08 Islamic Banking branches (31 December 2010: 08).

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / 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 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, International Financial Reporting Standard (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 applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2010.



Note	31-March 2011 (Un-Audited)			31-December 2010 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
(Rupees in '000)						
4. INVESTMENTS						
Available for Sale Securities						
Market Treasury Bills	36,798,022	11,932,164	48,730,186	33,472,250	1,284,437	34,756,687
Pakistan Investment Bonds	12,043,011	-	12,043,011	12,027,781	-	12,027,781
Foreign Currency Bonds	792,466	-	792,466	792,247	-	792,247
Sukuks	6,134,998	-	6,134,998	6,044,979	-	6,044,979
Ordinary shares of listed companies and closed end mutual funds	20,228	-	20,228	20,228	-	20,228
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	640,396	-	640,396	650,441	-	650,441
Unlisted term finance certificates	5,801,565	-	5,801,565	5,801,565	-	5,801,565
Open ended mutual funds	1,325,000	-	1,325,000	1,125,000	-	1,125,000
	63,595,256	11,932,164	75,527,420	59,974,061	1,284,437	61,258,498
Held to Maturity Securities 4.1						
Market Treasury Bills	63,139,068	-	63,139,068	70,662,330	-	70,662,330
Pakistan Investment Bonds	5,743,550	-	5,743,550	3,897,385	-	3,897,385
Sukuks	275,000	-	275,000	275,000	-	275,000
Listed term finance certificates	381,691	-	381,691	394,208	-	394,208
Unlisted term finance certificates	166,667	-	166,667	208,333	-	208,333
	69,705,976	-	69,705,976	75,437,256	-	75,437,256
Associates						
Habib Sugar Mills Limited	180,977	-	180,977	180,977	-	180,977
Habib Asset Management Limited	33,750	-	33,750	33,750	-	33,750
First Habib Income Fund	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	-	-	-
	914,727	-	914,727	864,727	-	864,727
Subsidiary						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
Investments at cost	134,415,959	11,932,164	146,348,123	136,476,044	1,284,437	137,760,481
Provision for diminution in the value of investments	(5,700)	-	(5,700)	(5,700)	-	(5,700)
Investments (net of provisions)	134,410,259	11,932,164	146,342,423	136,470,344	1,284,437	137,754,781
Deficit on revaluation of available for sale investments-net	(487,256)	2,040	(485,216)	(585,913)	(1,188)	(587,101)
Investments after revaluation of available for sale investments	133,923,003	11,934,204	145,857,207	135,884,431	1,283,249	137,167,680

4.1 The aggregate market value of held to maturity securities as on 31 March 2011 amounts to Rs. 69,574 (31 December 2010: 75,207) million.



	Note	31-March 2011 (Un-Audited) (Rupees in '000)	31-December 2010 (Audited)
5. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		112,262,519	109,815,548
Outside Pakistan		3,382,763	1,934,958
		115,645,282	111,750,506
Net investment in finance lease / ijarah financing			
In Pakistan		482,782	513,601
Outside Pakistan		-	-
		482,782	513,601
Ijarah financing under IFAS 2		133,454	131,575
Murabaha		2,416,607	2,018,596
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		4,785,189	2,401,449
Payable outside Pakistan		10,111,754	12,267,818
		14,896,943	14,669,267
Advances - gross		133,575,068	129,083,545
Provision against non-performing loans and advances			
Specific provision	5.1	(2,016,486)	(1,682,297)
General provision against consumer advances (as per SBP regulations)	5.2	(28,184)	(28,184)
General provision	5.3	(1,750,000)	(1,600,000)
		(3,794,670)	(3,310,481)
Advances - net of provisions		129,780,398	125,773,064

5.1 Advances include Rs. 2,951.279 (31 December 2010: Rs. 2,943.863) million which have been placed under non-performing status as detailed below:

Category of classification	31-March 2011 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	52,034	-	52,034	11,927	-	11,927	11,927	-	11,927
Doubtful	1,546,562	-	1,546,562	767,097	-	767,097	767,097	-	767,097
Loss	1,350,840	1,843	1,352,683	1,235,619	1,843	1,237,462	1,235,619	1,843	1,237,462
	<u>2,949,436</u>	<u>1,843</u>	<u>2,951,279</u>	<u>2,014,643</u>	<u>1,843</u>	<u>2,016,486</u>	<u>2,014,643</u>	<u>1,843</u>	<u>2,016,486</u>



Category of classification	31-December 2010 (Audited)								
	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. 28.184 (31 December 2010: Rs. 28.184) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 150 million during the period, bringing the total of such provision to Rs. 1,750 (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.

31-March 2011 (Un-Audited)	31-December 2010 (Audited)
(Rupees in '000)	

6. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	15,625,637	16,381,224
Long term financing for export oriented projects	747,935	812,229
Long term financing for imported and locally manufactured plant and machinery	2,964,058	2,886,572
	19,337,630	20,080,025
Repurchase agreement borrowings	11,904,224	1,282,700
	31,241,854	21,362,725

Unsecured

Overdrawn nostros	909,136	1,216,623
Borrowings from financial institutions	426,801	-
	1,335,937	1,216,623
	32,577,791	22,579,348



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

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	93,496,369	91,146,967
Savings deposits	58,557,246	54,512,033
Current accounts - Remunerative	33,053,079	29,197,690
Current accounts - Non-remunerative	65,870,122	64,333,688
	250,976,816	239,190,378

Financial Institutions

Remunerative deposits	6,752,678	10,319,598
Non-remunerative deposits	442,827	264,236
	7,195,505	10,583,834
	258,172,321	249,774,212

8. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	8.1	1,731,758	1,739,434
Available for sale investments	8.2	(299,701)	(379,705)
		1,432,057	1,359,729

8.1 Operating fixed assets

Surplus on revaluation of land and buildings	2,264,083	2,275,893
Related deferred tax liability	(532,325)	(536,459)
	1,731,758	1,739,434

8.2 Available for sale investments

Federal Government Securities	(532,503)	(602,753)
Fully paid-up ordinary shares	3,584	8,708
Term finance certificates, sukuks and bonds	(21,271)	(31,812)
Open ended mutual funds	64,974	38,756
	(485,216)	(587,101)
Related deferred tax asset	185,515	207,396
	(299,701)	(379,705)



31-March 31-December
2011 2010
(Un-Audited) (Audited)
 (Rupees in '000)

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct Credit Substitutes

Stand-by letters of credit	453,862	453,931
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9.2 Transaction-related Contingent Liabilities

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

– Government	7,299,720	7,200,376
– Financial Institutions	261,099	260,140
– Others	4,289,272	4,193,866
	11,850,091	11,654,382

9.3 Trade-related Contingent Liabilities

Letters of credit	40,569,955	40,994,674
Acceptances	9,027,369	6,901,923
	49,597,324	47,896,597

9.4 Other Contingencies

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.

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

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off directly, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate tax impact of Rs.156.281 (net of provision made by the Bank of Rs.61.391) million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.



The aggregate financial impact of the above matters on the tax provisions made by the Bank in the financial statements works out to be Rs.196.281 (2009: Rs.198.139) million. However, the management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these 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.

Income tax department has selected tax year 2010 for audit under section 177 of the Income Tax Ordinance, 2001. The proceedings have been started but not yet finalised.

	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
	(Rupees in '000)	
9.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>4,458,854</u>	<u>1,232,005</u>
9.6 Commitments in respect of forward purchase of securities		
Sukuks	<u>10,722</u>	<u>121,294</u>
9.7 Commitments in respect of forward exchange contracts		
Purchase	<u>33,168,706</u>	<u>27,675,282</u>
Sale	<u>33,235,276</u>	<u>24,435,789</u>
9.8 Commitments for the acquisition of operating fixed assets	<u>86,404</u>	<u>158,104</u>



Three months period ended

31-March 2011 **31-March 2010**
(Un-Audited)
(Rupees in '000)

10. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
Customers	3,718,151	2,971,317
Financial institutions	63,070	80,608
	3,781,221	3,051,925
On investments:		
Available for sale securities	2,176,982	3,147,397
Held to maturity securities	2,207,149	54,934
	4,384,131	3,202,331
On deposits with financial institutions	12,738	13,947
On securities purchased under resale agreements	71,768	46,164
On call money lendings	1,313	140
	8,251,171	6,314,507

11. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	4,232,191	3,265,822
Sub-ordinated loans	166,121	161,854
Repurchase agreement borrowings	113,861	247,569
Borrowings from SBP	413,113	280,636
Other borrowings	13,641	8,052
	4,938,927	3,963,933

12. RELATED PARTY TRANSACTIONS

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

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



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

	31-March 2011 (Un-Audited)					Total
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)					
Deposits						
At the beginning of the period	20,009	1,687,940	13,638	126,804	310,525	2,158,916
Placement during the period	1,230,788	20,461,030	100,193	231,457	1,659,282	23,682,750
Withdrawal during the period	(1,244,608)	(21,423,227)	(69,580)	(144,055)	(1,833,437)	(24,714,907)
At the end of the period	6,189	725,743	44,251	214,206	136,370	1,126,759
Advances						
At the beginning of the period	-	369,808	214	17,525	-	387,547
Given during the period	-	430,527	216	2,337	-	433,080
Repaid during the period	-	(355,603)	(351)	(2,400)	-	(358,354)
At the end of the period	-	444,732	79	17,462	-	462,273
Contingencies and commitments	-	1,394,143	-	-	-	1,394,143
Purchase of fixed assets	-	694	-	-	-	694
Sale of securities	-	37,748	-	-	-	37,748
	31-December 2010 (Audited)					
	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
Deposits						
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	20,009	1,687,940	13,638	126,804	310,525	2,158,916
Advances						
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	-	369,808	214	17,525	-	387,547
Contingencies and commitments	-	716,726	-	-	-	716,726
Purchase of fixed assets	2,631	1,408	-	-	-	4,039
Sale of securities	-	36,004	-	-	264,827	300,831



13. ISLAMIC BANKING BUSINESS

The Bank is operating 08 (31 December 2010: 08) Islamic banking branches in Pakistan. The statement of financial position of these branches as at 31 March 2011 is as follows:

	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	336,207	262,642
Balances with and due from financial institutions	5,242	5,013
Investments	1,274,998	970,498
Financing and receivables		
– Murabaha	2,079,694	1,495,783
– Ijarah	278,035	311,897
– Diminishing musharika	1,322,197	1,320,098
– Export refinance murabaha	336,912	522,813
– Export refinance istisna	860,609	326,000
– Istisna	100,000	–
	4,977,447	3,976,591
Other assets	1,679,503	1,076,168
	8,273,397	6,290,912
LIABILITIES		
Bills payable	12,794	12,299
Due to financial institutions	1,171,429	842,716
Deposits and other accounts		
– Current accounts	757,245	699,030
– Saving accounts	288,131	273,493
– Term deposits	1,914,035	1,685,109
– Others	8,734	34,257
– Deposits from financial institutions-remunerative	2,048,335	1,670,567
– Deposits from financial institutions-non-remunerative	784	416
	5,017,264	4,362,872
Due to head office	864,810	230,000
Other liabilities	230,492	185,045
	7,296,789	5,632,932
NET ASSETS	976,608	657,980
REPRESENTED BY :		
Islamic banking fund	900,000	500,000
Unremitted profit	70,488	156,360
	970,488	656,360
Surplus on revaluation of assets	6,120	1,620
	976,608	657,980



14. GENERAL

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

15. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on April 12, 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 STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	Note	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		18,351,939	19,000,990
Balances with other banks		1,187,419	2,132,806
Lendings to financial institutions		8,830,913	1,139,268
Investments	4	145,937,731	137,234,656
Advances	5	129,780,351	125,773,292
Operating fixed assets		10,267,815	10,264,310
Deferred tax assets		-	-
Other assets		6,939,859	6,251,024
		321,296,027	301,796,346
LIABILITIES			
Bills payable		3,453,432	2,989,989
Borrowings	6	32,577,791	22,579,348
Deposits and other accounts	7	258,169,209	249,760,885
Sub-ordinated loans		4,841,290	4,842,260
Liabilities against assets subject to finance lease		196	386
Deferred tax liabilities		757,789	644,353
Other liabilities		5,624,538	4,762,342
		305,424,245	285,579,563
NET ASSETS		15,871,782	16,216,783
REPRESENTED BY :			
Share capital		8,785,972	7,321,643
Reserves		4,597,577	4,392,264
Unappropriated profit		937,505	3,030,199
Equity attributable to the shareholders of the Holding company		14,321,054	14,744,106
Non-controlling interest		110,439	110,334
Total equity		14,431,493	14,854,440
Surplus on revaluation of assets - net of tax	8	1,440,289	1,362,343
		15,871,782	16,216,783
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	Note	Three months period ended	31-March	31-March
		2011	2010	
		(Rupees in '000)		
Mark-up / return / interest earned	10	8,257,624	6,314,561	
Mark-up / return / interest expensed	11	(4,938,618)	(3,961,493)	
Net mark-up / return / interest income		3,319,006	2,353,068	
Provision against non-performing loans and advances	5.3	(484,189)	(121,945)	
Reversal / (provision) for diminution in the value of investments		5	(10)	
Bad debts written-off directly		-	-	
		(484,184)	(121,955)	
Net mark-up / return / interest income after provisions		2,834,822	2,231,113	
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income		330,082	290,916	
Dividend income		9,376	50,239	
Income from dealing in foreign currencies		157,299	52,034	
Gain on sale / redemption of securities - net		133	123	
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	
Share of profit from associates		24,327	21,403	
Other income		100,426	79,796	
Total non mark-up / interest income		621,643	494,511	
		3,456,465	2,725,624	
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses		(1,765,954)	(1,391,709)	
Other provisions / write-offs		(5,063)	(1,350)	
Other charges		(33,764)	(27,781)	
Total non mark-up / interest expenses		(1,804,781)	(1,420,840)	
		1,651,684	1,304,784	
Extra-ordinary / unusual items		-	-	
PROFIT BEFORE TAXATION		1,651,684	1,304,784	
Taxation - Current		(524,772)	(480,235)	
- Prior years		-	-	
- Deferred		(91,557)	35,777	
		(616,329)	(444,458)	
PROFIT AFTER TAXATION		1,035,355	860,326	
Attributable to:				
Shareholders of the Holding company		1,035,250	861,032	
Non-controlling interest		105	(706)	
		1,035,355	860,326	
			Restated	
Basic and diluted earnings per share attributable to shareholders of the Holding company – Rupees				
		1.18	0.98	

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

ALI RAZA D. HABIB <i>Chairman</i>	ABBAS D. HABIB <i>Chief Executive and Managing Director</i>	SYED MAZHAR ABBAS <i>Director</i>	ANWAR HAJI KARIM <i>Director</i>
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**CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	Three months period ended	
	31-March 2011	31-March 2010
	(Rupees in '000)	
Net profit for the period	1,035,355	860,326
Other comprehensive income		
Effect of foreign currency translation of net investment in foreign operations	(1,651)	(1,192)
Total comprehensive income for the period	1,033,704	859,134
Attributable to:		
Shareholders of the Holding company	1,033,599	859,840
Non-controlling interest	105	(706)
	1,033,704	859,134

The annexed notes 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 THREE MONTHS PERIOD ENDED 31 MARCH 2011**

	Attributable to the shareholders of the Holding Company							Non-controlling interest	Total Equity
	Share Capital	Statutory Reserve	Revenue Reserves			Unappropriated Profit	Total		
			Special Reserve	General Reserve	Foreign Currency Translation Reserve				
Balance as at 01 January 2010	6,101,370	2,913,741	126,500	540,000	105,109	2,496,135	12,282,855	106,683	12,389,538
Total comprehensive income for the period	-	-	-	-	(1,192)	861,032	859,840	(706)	859,134
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678	-	7,678
Transfer to statutory reserve	-	176,120	-	-	-	(176,120)	-	-	-
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 31 March 2010	7,321,643	3,089,861	126,500	540,000	103,917	748,179	11,930,100	105,977	12,036,077
Total comprehensive income for the period	-	-	-	-	(12,326)	2,803,297	2,790,971	4,357	2,795,328
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	23,035	23,035	-	23,035
Transfer to statutory reserve	-	544,312	-	-	-	(544,312)	-	-	-
Balance as at 31 December 2010	7,321,643	3,634,173	126,500	540,000	91,591	3,030,199	14,744,106	110,334	14,854,440
Total comprehensive income for the period	-	-	-	-	(1,651)	1,035,250	1,033,599	105	1,033,704
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,678	7,678	-	7,678
Transfer to statutory reserve	-	206,964	-	-	-	(206,964)	-	-	-
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 31 March 2011	8,785,972	3,841,137	126,500	540,000	89,940	937,505	14,321,054	110,439	14,431,493

The annexed notes 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 THREE MONTHS PERIOD ENDED 31 MARCH 2011

	31-March 2011	31-March 2010
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,651,684	1,304,784
Dividend income	(9,376)	(50,239)
	<u>1,642,308</u>	<u>1,254,545</u>
Adjustments for:		
Depreciation	181,887	157,299
Amortisation	10,570	8,551
Provision against non-performing loans and advances	484,189	121,945
(Reversal) / provision for diminution in the value of investments	(5)	10
Gain on sale / redemption of securities	(133)	(123)
Provision for defined benefit plan	25,950	19,000
Provision for compensated absences	10,439	-
Gain on sale of operating fixed assets	(17,527)	(10,644)
Share of profit from associates	(24,327)	(21,403)
Provision against off-balance sheet items	5,063	1,350
Financial charges on leased assets	13	37
	<u>676,119</u>	<u>276,022</u>
	<u>2,318,427</u>	<u>1,530,567</u>
Increase in operating assets		
Lendings to financial institutions	(7,691,645)	(2,255,938)
Advances	(4,491,248)	(1,603,114)
Other assets	(689,320)	(181,811)
	<u>(12,872,213)</u>	<u>(4,040,863)</u>
Increase / (decrease) in operating liabilities		
Bills payable	463,443	(608,925)
Borrowings	10,305,930	(15,394,223)
Deposits and other accounts	8,408,324	25,819,637
Other liabilities (excluding provision for taxation)	380,664	271,798
	<u>19,558,361</u>	<u>10,088,287</u>
	<u>9,004,575</u>	<u>7,577,991</u>
Income tax paid	(541,463)	(534,121)
Net cash flow from operating activities	<u>8,463,112</u>	<u>7,043,870</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(14,263,229)	(1,608,415)
Net investments in held to maturity securities	5,724,832	327,887
Net investments in associates	(32,714)	32,035
Dividend received	7,459	39,482
Investments in operating fixed assets	(195,641)	(233,063)
Sale proceeds of operating fixed assets	19,612	12,762
Net cash used in investing activities	<u>(8,739,681)</u>	<u>(1,429,312)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of sub-ordinated loans	(970)	(970)
Payment of lease obligations	(203)	(408)
Dividend paid	(1,007,558)	(1,045,462)
Net cash used in financing activities	<u>(1,008,731)</u>	<u>(1,046,840)</u>
Exchange adjustments on translation of net investment in foreign operations	(1,651)	(1,192)
(Decrease) / increase in each and cash equivalents	(1,286,951)	4,566,526
Cash and cash equivalents at the beginning of the period	19,917,173	18,945,605
Cash and cash equivalents at the end of the period	<u>18,630,222</u>	<u>23,512,131</u>

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

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



NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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 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 279 branches (31 December 2010: 277), 34 sub-branches (31 December 2010: 25) and one representative office (31 December 2010: one). 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 08 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 have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / 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 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, International Financial Reporting Standard (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 applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.
- 3.2 The basis of consolidation of the financial statements 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	31-March 2011 (Un-Audited)			31-December 2010 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
(Rupees in '000)						
4. INVESTMENTS						
Available for Sale Securities						
Market Treasury Bills	36,798,022	11,932,164	48,730,186	33,472,250	1,284,437	34,756,687
Pakistan Investment Bonds	12,043,011	-	12,043,011	12,027,781	-	12,027,781
Foreign Currency Bonds	792,466	-	792,466	792,247	-	792,247
Sukuks	6,134,998	-	6,134,998	6,044,979	-	6,044,979
Ordinary shares of listed companies and closed end mutual funds	30,832	-	30,832	30,832	-	30,832
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	640,396	-	640,396	650,441	-	650,441
Unlisted term finance certificates	5,801,565	-	5,801,565	5,801,565	-	5,801,565
Open ended mutual funds	1,325,000	-	1,325,000	1,125,000	-	1,125,000
	63,605,860	11,932,164	75,538,024	59,984,665	1,284,437	61,269,102
Held to Maturity Securities 4.1						
Market Treasury Bills	63,350,165	-	63,350,165	70,866,979	-	70,866,979
Pakistan Investment Bonds	5,743,550	-	5,743,550	3,897,385	-	3,897,385
Sukuks	275,000	-	275,000	275,000	-	275,000
Listed term finance certificates	381,691	-	381,691	394,208	-	394,208
Unlisted term finance certificates	166,667	-	166,667	208,333	-	208,333
	69,917,073	-	69,917,073	75,641,905	-	75,641,905
Associates						
Habib Sugar Mills Limited	238,239	-	238,239	235,398	-	235,398
Habib Asset Management Limited	35,038	-	35,038	33,747	-	33,747
First Habib Income Fund	553,648	-	553,648	592,266	-	592,266
First Habib Stock Fund	41,732	-	41,732	55,270	-	55,270
First Habib Cash Fund	105,065	-	105,065	-	-	-
	973,722	-	973,722	916,681	-	916,681
Investments at cost	134,496,655	11,932,164	146,428,819	136,543,251	1,284,437	137,827,688
Provision for diminution in the value of investments	(6,604)	-	(6,604)	(6,609)	-	(6,609)
Investments (net of provisions)	134,490,051	11,932,164	146,422,215	136,536,642	1,284,437	137,821,079
Deficit on revaluation of available for sale investments-net	(486,524)	2,040	(484,484)	(585,235)	(1,188)	(586,423)
Investments after revaluation of available for sale investments	134,003,527	11,934,204	145,937,731	135,951,407	1,283,249	137,234,656

4.1 The aggregate market value of held to maturity securities as on 31 March 2011 amounts to Rs. 69,785 (31 December 2010: 75,411) million.



	Note	31-March 2011 (Un-Audited) (Rupees in '000)	31-December 2010 (Audited)
5. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		112,262,472	109,815,776
Outside Pakistan		3,382,763	1,934,958
		115,645,235	111,750,734
Net investment in finance lease / ijarah financing			
In Pakistan		482,782	513,601
Outside Pakistan		-	-
		482,782	513,601
Ijarah financing under IFAS 2		133,454	131,575
Murabaha		2,416,607	2,018,596
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		4,785,189	2,401,449
Payable outside Pakistan		10,111,754	12,267,818
		14,896,943	14,669,267
Advances - gross		133,575,021	129,083,773
Provision against non-performing loans and advances			
Specific provision	5.1	(2,016,486)	(1,682,297)
General provision against consumer advances (as per SBP regulations)	5.2	(28,184)	(28,184)
General provision	5.3	(1,750,000)	(1,600,000)
		(3,794,670)	(3,310,481)
Advances - net of provisions		129,780,351	125,773,292

5.1 Advances include Rs. 2,951.279 (31 December 2010: Rs. 2,943.863) million which have been placed under non-performing status as detailed below:

Category of classification	31-March 2011 (Un-Audited)								
	Classified advances		Provision required				Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	52,034	-	52,034	11,927	-	11,927	11,927	-	11,927
Doubtful	1,546,562	-	1,546,562	767,097	-	767,097	767,097	-	767,097
Loss	1,350,840	1,843	1,352,683	1,235,619	1,843	1,237,462	1,235,619	1,843	1,237,462
	<u>2,949,436</u>	<u>1,843</u>	<u>2,951,279</u>	<u>2,014,643</u>	<u>1,843</u>	<u>2,016,486</u>	<u>2,014,643</u>	<u>1,843</u>	<u>2,016,486</u>



Category of classification	31-December 2010 (Audited)								
	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. 28.184 (31 December 2010: Rs. 28.184) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 150 million during the period, bringing the total of such provision to Rs. 1,750 (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.

31-March 2011 31-December 2010
(Un-Audited) (Audited)
(Rupees in '000)

6. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	15,625,637	16,381,224
Long term financing for export oriented projects	747,935	812,229
Long term financing for imported and locally manufactured plant and machinery	2,964,058	2,886,572
	<u>19,337,630</u>	<u>20,080,025</u>
Repurchase agreement borrowings	11,904,224	1,282,700
	<u>31,241,854</u>	<u>21,362,725</u>

Unsecured

Overdrawn nostros	909,136	1,216,623
Borrowings from financial institutions	426,801	-
	<u>1,335,937</u>	<u>1,216,623</u>
	<u>32,577,791</u>	<u>22,579,348</u>



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

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	93,496,369	91,146,967
Savings deposits	58,557,246	54,512,033
Current accounts - Remunerative	33,053,079	29,197,690
Current accounts - Non-remunerative	65,870,122	64,333,688
	250,976,816	239,190,378

Financial Institutions

Remunerative deposits	6,752,641	10,314,218
Non-remunerative deposits	439,752	256,289
	7,192,393	10,570,507
	258,169,209	249,760,885

8. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Operating fixed assets	8.1	1,731,758	1,739,434
Available for sale investments	8.2	(291,469)	(377,091)
		1,440,289	1,362,343

8.1 Operating fixed assets

Surplus on revaluation of land and buildings	2,264,083	2,275,893
Related deferred tax liability	(532,325)	(536,459)
	1,731,758	1,739,434

8.2 Available for sale investments

Federal Government Securities	(532,503)	(602,753)
Fully paid-up ordinary shares	4,316	9,386
Term finance certificates, sukuks, bonds and other	(13,771)	(29,876)
Open ended mutual funds	64,974	38,756
	(476,984)	(584,487)
Related deferred tax asset	185,515	207,396
	(291,469)	(377,091)



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

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct Credit Substitutes

Stand-by letters of credit	453,862	453,931
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9.2 Transaction-related Contingent Liabilities

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

– Government	7,299,720	7,200,376
– Financial Institutions	261,099	260,140
– Others	4,289,272	4,193,866
	11,850,091	11,654,382

9.3 Trade-related Contingent Liabilities

Letters of credit	40,569,955	40,994,674
Acceptances	9,027,369	6,901,923
	49,597,324	47,896,597

9.4 Other Contingencies

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.

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

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off directly, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate tax impact of Rs.156.281 (net of provision made by the Bank of Rs.61.391) million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.



The aggregate financial impact of the above matters on the tax provisions made by the Bank in the financial statements works out to be Rs.196.281 (2009: Rs.198.139) million. However, the management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these 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.

Income tax department has selected tax year 2010 for audit under section 177 of the Income Tax Ordinance, 2001. The proceedings have been started but not yet finalised.

	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
	(Rupees in '000)	
9.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>4,458,854</u>	<u>1,232,005</u>
9.6 Commitments in respect of forward purchase of securities		
Sukuks	<u>10,722</u>	<u>121,294</u>
9.7 Commitments in respect of forward exchange contracts		
Purchase	<u>33,168,706</u>	<u>27,675,282</u>
Sale	<u>33,235,276</u>	<u>24,435,789</u>
9.8 Commitments for the acquisition of operating fixed assets	<u>86,404</u>	<u>158,104</u>



Three months period ended

31-March 2011 31-March
2010
(Un-Audited)
(Rupees in '000)

10. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
Customers	3,718,151	2,971,325
Financial institutions	63,070	80,608
	3,781,221	3,051,933
On investments:		
Available for sale securities	2,176,982	3,147,397
Held to maturity securities	2,213,596	54,934
	4,390,578	3,202,331
On deposits with financial institutions	12,744	13,993
On securities purchased under resale agreements	71,768	46,164
On call money lendings	1,313	140
	8,257,624	6,314,561

11. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	4,231,882	3,263,358
Sub-ordinated loans	166,121	161,854
Repurchase agreement borrowings	113,861	247,569
Borrowings from SBP	413,113	280,636
Other borrowings	13,641	8,076
	4,938,618	3,961,493

12. RELATED PARTY TRANSACTIONS

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

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



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

31-March 2011 (Un-Audited)					
Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total	
(Rupees in '000)					
Deposits					
At the beginning of the period	1,687,940	13,638	126,804	310,525	2,138,907
Placement during the period	20,461,030	100,193	231,457	1,659,282	22,451,962
Withdrawal during the period	(21,423,227)	(69,580)	(144,055)	(1,833,437)	(23,470,299)
At the end of the period	725,743	44,251	214,206	136,370	1,120,570
Advances					
At the beginning of the period	369,808	214	17,525	-	387,547
Given during the period	430,527	216	2,337	-	433,080
Repaid during the period	(355,603)	(351)	(2,400)	-	(358,354)
At the end of the period	444,732	79	17,462	-	462,273
Contingencies and commitments	1,394,143	-	-	-	1,394,143
Purchase of fixed assets	694	-	-	-	694
Sale of securities	37,748	-	-	-	37,748

31-December 2010 (Audited)					
Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total	
(Rupees in '000)					
Deposits					
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	1,687,940	13,638	126,804	310,525	2,138,907
Advances					
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	369,808	214	17,525	-	387,547
Contingencies and commitments	716,726	-	-	-	716,726
Purchase of fixed assets	1,408	-	-	-	1,408
Sale of securities	60,908	-	-	264,827	325,735



Three Months period ended 31-March 2011 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Mark-up earned	7,303	-	264	-	7,567
Mark-up expensed	22,519	374	1,851	20,060	44,804
Bank charges and commission	1,479	-	11	-	1,490
(Loss) / gain on sale of securities	(1,523)	-	-	-	(1,523)
Salaries and allowances	-	-	28,558	-	28,558
Bonus	-	-	4,943	-	4,943
Contribution to defined contribution plan	-	-	1,211	-	1,211
Contribution to defined benefit plan	-	-	520	-	520
Staff provident fund	-	-	-	27,971	27,971
Staff gratuity fund	-	-	-	25,950	25,950
Directors' fee	-	650	-	-	650
Insurance claim received	3,115	-	-	-	3,115
Insurance premium paid	25,026	-	-	-	25,026
Dividend income	25,703	-	-	-	25,703
Dividend paid	27,362	-	-	-	27,362
Brokerage and advisory income	221	-	-	-	221

Three Months period ended 31-March 2010 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Mark-up earned	7,029	-	-	-	7,029
Mark-up expensed	9,388	297	2,384	12,585	24,654
Bank charges and commission	858	-	-	-	858
(Loss) / gain on sale of securities	36	-	-	56	92
Salaries and allowances	-	-	26,858	-	26,858
Bonus	-	-	3,990	-	3,990
Contribution to defined contribution plan	-	-	742	-	742
Contribution to defined benefit plan	-	-	324	-	324
Staff provident fund	-	-	-	23,833	23,833
Staff gratuity fund	-	-	-	19,000	19,000
Directors' fee	-	280	-	-	280
Insurance claim received	3,503	-	-	-	3,503
Insurance premium paid	22,567	-	-	-	22,567
Dividend income	32,163	-	-	-	32,163
Dividend paid	22,802	-	-	-	22,802
Brokerage and advisory income	243	-	-	-	243



13. ISLAMIC BANKING BUSINESS

The Bank is operating 08 (31 December 2010: 08) Islamic banking branches in Pakistan. The statement of financial position of these branches as at 31 March 2011 is as follows:

	31-March 2011 (Un-Audited)	31-December 2010 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	336,207	262,642
Balances with and due from financial institutions	5,242	5,013
Investments	1,274,998	970,498
Financing and receivables		
– Murabaha	2,079,694	1,495,783
– Ijarah	278,035	311,897
– Diminishing musharika	1,322,197	1,320,098
– Export refinance murabaha	336,912	522,813
– Export refinance istisna	860,609	326,000
– Istisna	100,000	–
	4,977,447	3,976,591
Other assets	1,679,503	1,076,168
	8,273,397	6,290,912
LIABILITIES		
Bills payable	12,794	12,299
Due to financial institutions	1,171,429	842,716
Deposits and other accounts		
– Current accounts	757,245	699,030
– Saving accounts	288,131	273,493
– Term deposits	1,914,035	1,685,109
– Others	8,734	34,257
– Deposits from financial institutions-remunerative	2,048,335	1,670,567
– Deposits from financial institutions-non-remunerative	784	416
	5,017,264	4,362,872
Due to head office	864,810	230,000
Other liabilities	230,492	185,045
	7,296,789	5,632,932
NET ASSETS	976,608	657,980
REPRESENTED BY :		
Islamic banking fund	900,000	500,000
Unremitted profit	70,488	156,360
	970,488	656,360
Surplus on revaluation of assets	6,120	1,620
	976,608	657,980



14. GENERAL

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

15. DATE OF AUTHORISATION

These consolidated interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on April 12, 2011.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director