

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months ended June 30, 2012.

Financial Performance: Rs. in million

The financial results of the Group are summarized below:

Profit after tax	11,858
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Movement of Reserves	
Unappropriated profit brought forward	56,981
Profit attributable to shareholders	11,731
Transferred from surplus on revaluation of fixed assets – net of tax	217
Transfer to statutory reserves	(1,120)
Cash dividend	(4,408)
Issued as bonus shares	(1,102)
Unappropriated profit carried forward	62,299
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Earnings per share rupees (Basic & Diluted)	9.68
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Pakistan Economy has shown some sign of recovery. The GDP growth for the financial year 2011 – 12 was recorded at 3.7 percent as compared to 3 percent in the previous fiscal year. Inflationary pressure has eased to some extent as CPI was recorded at 11.3 percent on year to year basis in June 2012 as compared to 13.3 percent in the corresponding month of last year.

Despite global and domestic economic challenges, the Group was able to continue the tempo of improved performance for the half year ended June 30, 2012. The deposit of HBL crossed rupee one trillion. HBL therefore, became the first banking company to have achieved this milestone in the banking history of the country. The deposit of HBL stood at Rs.1085 billion as on 30 June 2012, showing an impressive growth of 16.2%. The net investment at Rs.563 billion recorded growth of 34% while net advances were up by 7.1% to Rs.490 billion as on 30 June 2012.

The after tax profit at Rs.11.858 billion was up by 18.5% as compared to corresponding period last year. The earnings per share after tax for six month ended June 30, 2012 was Rs.9.68 as against Rs.8.17 per share in the corresponding period last year.

The improvement in overall performance of HBL can be attributable to diversified range of products available to our valued customers, quality investment portfolio, diversified advances, effective risk management and stringent cost and internal controls.

Dividend

The Board has recommended an interim cash dividend of Rs.3.5 @ 35% for the year ending 31 December 2012. The effect of the dividend recommendation is not reflected in the above appropriations.

HBL will continue to focus in serving its customers through improved efficiencies, diversified products range and effective use of technology. We intend to enhance our outreach in rural and remote areas of the Country with a view to promote saving and provide banking services to the neglected segments of the society by introducing branchless banking.

Appreciation and Acknowledgement

I would like to appreciate the efforts of our Regulators and Government of Pakistan and in particular the Ministry of Finance for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

I would like to take this opportunity to also thank on behalf of the Board and Management of the Group, the customers and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors.

On behalf of the Board

R. Zakir Mahmood
President & Chief Executive Officer
August 10, 2012

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012

	Note	(Unaudited) June 30, 2012	(Audited) December 31, 2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		122,255,367	103,399,623
Balances with other banks		37,064,507	47,349,505
Lendings to financial institutions		15,651,069	41,581,029
Investments	6	562,839,485	418,604,147
Advances	7	490,073,574	457,367,656
Fixed assets	8	20,158,434	19,167,654
Deferred tax asset		7,562,366	7,275,888
Other assets		51,610,396	44,808,703
		1,307,215,198	1,139,554,205
LIABILITIES			
Bills payable		14,598,625	13,894,502
Borrowings	9	46,866,736	39,473,670
Deposits and other accounts	10	1,084,930,137	933,631,525
Sub-ordinated loans	11	5,291,383	5,036,100
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		36,529,945	37,931,420
		1,188,216,826	1,029,967,217
NET ASSETS			
		118,998,372	109,586,988
REPRESENTED BY:			
Shareholders' equity			
Share capital		12,122,748	11,020,680
Reserves		35,141,781	32,145,755
Unappropriated profit		62,298,354	56,980,697
Total equity attributable to the equity holders of the Bank		109,562,883	100,147,132
Non-controlling interest		1,349,623	1,236,290
Surplus on revaluation of assets - net of deferred tax	12	8,085,866	8,203,566
		118,998,372	109,586,988
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 20 form an integral part of the condensed interim consolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Note	January 01 to June 30, 2012	January 01 to June 30, 2011	April 01 to June 30, 2012	April 01 to June 30, 2011
------(Rupees in '000)-----					
Mark-up / return / interest earned	15	54,564,468	46,106,435	27,996,799	23,586,234
Mark-up / return / interest expensed	16	25,453,029	19,271,771	13,124,368	10,010,732
Net mark-up / interest income		29,111,439	26,834,664	14,872,431	13,575,502
Provision against non-performing loans and advances - net (Reversal) / Charge against off-balance sheet obligations	7.2 / 7.4	2,779,251 (92,363)	4,746,176 30,547	1,480,029 (106,614)	2,340,437 258
(Reversal) / Charge against diminution in the value of investments - net Bad debts written off directly	6.3	(498,362) -	(27,214) -	(200,992) -	41,617 -
Net mark-up / interest income after provisions		2,188,526 26,922,913	4,749,509 22,085,155	1,172,423 13,700,008	2,382,312 11,193,190
Non mark-up / interest income					
Fee, commission and brokerage income		3,140,337	2,817,026	1,602,495	1,571,244
Dividend income		203,352	168,754	42,711	49,115
Share of profit of associates and joint venture		795,346	515,809	497,917	365,791
Gain on sale of securities		409,528	286,012	124,995	142,223
Unrealized gain / (loss) on held for trading securities		20,312	(23,225)	22,113	(21,429)
Income from dealing in foreign currencies		1,606,815	2,353,972	873,728	1,236,229
Other income		1,613,177	1,494,580	828,966	792,346
Total non-mark-up / interest income		7,788,867 34,711,780	7,612,928 29,698,083	3,992,925 17,692,933	4,135,519 15,328,709
Non mark-up / interest expense					
Administrative expenses		15,141,640	14,001,289	8,192,921	7,404,042
Other provisions / write offs - net		33,280	(133,793)	8,647	(60,167)
Other charges		1,492	75,084	759	74,055
Workers welfare fund		374,749	303,495	179,202	150,117
Total non mark-up / interest expenses		15,551,161 19,160,619	14,246,075 15,452,008	8,381,529 9,311,404	7,568,047 7,760,662
Profit before taxation					
Taxation					
current		6,756,563	5,829,552	3,291,005	3,186,007
prior		755,385	17,488	334,608	54,847
deferred		(209,846)	(405,007)	(80,635)	(489,806)
Profit after taxation		7,302,102 11,858,517	5,442,033 10,009,975	3,544,978 5,766,426	2,751,048 5,009,614
Attributable to:					
Equity holders of the Bank		11,730,661	9,907,292	5,710,873	4,951,041
Non-controlling interest		48,963	24,226	20,057	19,126
Minority investor of HBL funds		78,893	78,457	35,496	39,447
		11,858,517	10,009,975	5,766,426	5,009,614
------(Rupees)-----					
Basic and diluted earnings per share		9.68	8.17	4.71	4.08

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	January 01 to June 30, 2012	January 01 to June 30, 2011	April 01 to June 30, 2012	April 01 to June 30, 2011
	----- (Rupees in '000) -----			
Profit for the period	11,858,517	10,009,975	5,766,426	5,009,614
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(78,893)	(78,457)	(35,496)	(39,447)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	1,916,369	(40,086)	1,258,768	(379,059)
Comprehensive income transferred to equity	<u>13,695,993</u>	<u>9,891,432</u>	<u>6,989,698</u>	<u>4,591,108</u>
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of investments	59,238	251,385	(635,203)	170,938
Deferred tax on revaluation of investments	40,362	872	167,740	12,182
	<u>13,795,593</u>	<u>10,143,689</u>	<u>6,522,235</u>	<u>4,774,228</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	13,665,883	9,999,550	6,513,390	4,680,522
Non-controlling interest	113,331	46,134	36,138	17,492
Minority investor	16,380	98,005	(27,292)	76,214
	<u>13,795,593</u>	<u>10,143,689</u>	<u>6,522,235</u>	<u>4,774,228</u>

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

Share capital	Attributable to shareholders of the Group						Non-controlling interest	Total	
	Reserves								
	Exchange translation reserve	Statutory requirement	Other reserves			Subtotal			
	Joint venture and subsidiaries	Bank	General	Unappropriated profit					
(Rupees in '000)									
Balance as at December 31, 2010	10,018,800	9,216,986	254,641	13,810,116	6,073,812	47,467,704	86,842,059	1,212,656	88,054,715
Total comprehensive income for the period									
Profit for the six months ended June 30, 2011	-	-	-	-	-	9,985,749	9,985,749	24,226	10,009,975
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(78,457)	(78,457)	-	(78,457)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(61,179)	-	-	-	-	(61,179)	21,093	(40,086)
	-	(61,179)	-	-	-	9,907,292	9,846,113	45,319	9,891,432
Transactions with owners, recorded directly in equity									
Cash dividend at Rs. 6.5 per share	-	-	-	-	-	(6,512,220)	(6,512,220)	-	(6,512,220)
Issued as bonus shares	1,001,880	-	-	-	-	(1,001,880)	-	-	-
	1,001,880	-	-	-	-	(7,514,100)	(6,512,220)	-	(6,512,220)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	62,187	62,187	-	62,187
Transferred to statutory reserves	-	-	28,644	928,772	-	(957,416)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	1,676	1,676
Balance as at June 30, 2011	11,020,680	9,155,807	283,285	14,738,888	6,073,812	48,965,667	90,238,139	1,259,651	91,497,790
Total comprehensive income for the period									
Profit for the six months ended December 31, 2011	-	-	-	-	-	12,290,210	12,290,210	32,837	12,323,047
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(7,739)	(7,739)	-	(7,739)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	731,414	-	-	-	-	731,414	5,875	737,289
	-	731,414	-	-	-	12,282,471	13,013,885	38,712	13,052,597
Transactions with owners, recorded directly in equity									
Half year interim cash dividend paid at Rs. 3 per share	-	-	-	-	-	(3,306,204)	(3,306,204)	-	(3,306,204)
Cash dividend paid at Rs. 1.3 per certificate by modaraba	-	-	-	-	-	-	-	(46,458)	(46,458)
	-	-	-	-	-	(3,306,204)	(3,306,204)	(46,458)	(3,352,662)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	201,312	201,312	-	201,312
Transferred to statutory reserves	-	-	17,139	1,145,410	-	(1,162,549)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(15,615)	(15,615)
Balance as at December 31, 2011	11,020,680	9,887,221	300,424	15,884,298	6,073,812	56,980,697	100,147,132	1,236,290	101,383,422
Total comprehensive income for the period									
Profit for the six months ended June 30, 2012	-	-	-	-	-	11,809,554	11,809,554	48,963	11,858,517
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(78,893)	(78,893)	-	(78,893)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,876,062	-	-	-	-	1,876,062	40,307	1,916,369
	-	1,876,062	-	-	-	11,730,661	13,606,723	89,270	13,695,993
Transactions with owners, recorded directly in equity									
Cash dividend at Rs. 4 per share	-	-	-	-	-	(4,408,272)	(4,408,272)	-	(4,408,272)
Issued as bonus shares	1,102,068	-	-	-	-	(1,102,068)	-	-	-
	1,102,068	-	-	-	-	(5,510,340)	(4,408,272)	-	(4,408,272)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	217,300	217,300	-	217,300
Transferred to statutory reserves	-	-	21,311	1,098,653	-	(1,119,964)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	24,063	24,063
Balance as at June 30, 2012	12,122,748	11,763,283	321,735	16,982,951	6,073,812	62,298,354	109,562,883	1,349,623	110,912,506

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,160,619	15,452,008
Dividend income and share of profit of associates and joint venture	(998,698)	(684,563)
Gain on sale of securities	(409,528)	(286,012)
	<u>(1,408,226)</u>	<u>(970,575)</u>
	17,752,393	14,481,433
Adjustment for:		
Depreciation / amortisation	773,954	726,157
Provision against diminution in the value of investments	(498,362)	(27,214)
Provision against non-performing loans and advances	2,779,251	4,746,176
Unrealised (gain) / loss on held for sale securities	(20,312)	23,225
Exchange loss on sub-ordinated loans / Goodwill	179,692	531,223
Gain on sale of property and equipment	(3,778)	(14,762)
Miscellaneous provisions	(59,083)	(103,246)
	<u>3,151,362</u>	<u>5,881,559</u>
	20,903,755	20,362,992
Decrease / (increase) in operating assets		
Lendings to financial institutions	25,929,960	(5,359,960)
Advances	(35,485,169)	(13,243,995)
Other assets	(6,293,334)	(5,210,628)
	<u>(15,848,543)</u>	<u>(23,814,583)</u>
Increase / (decrease) in operating liabilities		
Bills payable	704,123	528,460
Borrowings	7,393,066	(2,637,118)
Deposits and other accounts	151,298,612	127,886,919
Other liabilities	(1,357,061)	5,636,809
	<u>158,038,740</u>	<u>131,415,070</u>
	163,093,952	127,963,479
Income tax paid - net	(8,076,384)	(10,399,327)
Net cash flows from operating activities	<u>155,017,568</u>	<u>117,564,152</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(142,452,552)	(86,882,660)
Dividend income received	189,879	130,823
Fixed capital expenditure	(1,855,092)	(3,509,625)
Proceeds from sale of fixed assets	169,727	22,871
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	1,876,062	(61,179)
Net cash flows used in investing activities	<u>(142,071,976)</u>	<u>(90,299,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	40,307	21,093
Dividend paid	(4,415,153)	(6,465,455)
Net cash flows used in financing activities	<u>(4,374,846)</u>	<u>(6,444,362)</u>
Increase in cash and cash equivalents during the period	8,570,746	20,820,020
Cash and cash equivalents at beginning of the period	146,876,710	117,081,903
Effects of exchange rate changes on cash and cash equivalents	3,872,418	1,971,528
	<u>150,749,128</u>	<u>119,053,431</u>
Cash and cash equivalents at end of the period	<u>159,319,874</u>	<u>139,873,451</u>

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as given in its annual consolidated financial statements for the year ended December 31, 2011.

2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with the framework as referred to in the annual consolidated financial statements. The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements of the Group for the year ended December 31, 2011.

3 ACCOUNTING POLICIES

The accounting policies and the methods of computation followed for the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2011.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2011.

5 FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by Group are consistent with that disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2011.

6	INVESTMENTS	Note	June 30, 2012			December 31, 2011		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
Held-for-trading (HFT)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds		436,543	-	436,543	395,470	-	395,470
	- Market Treasury Bills		17,911,011	-	17,911,011	2,870,862	-	2,870,862
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		25,870	-	25,870	-	-	-
<i>Investments of Mutual Funds</i>								
			199,740	-	199,740	170,235	-	170,235
			18,573,164	-	18,573,164	3,436,567	-	3,436,567
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	44,159,014	-	44,159,014	44,181,840	-	44,181,840
Debentures and Corporate Debt Instruments								
			242,788	-	242,788	242,492	-	242,492
			44,401,802	-	44,401,802	44,424,332	-	44,424,332
Available-for-sale securities (AFS)								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		369,971,549	6,657,925	376,629,474	265,930,965	-	265,930,965
	- Pakistan Investment Bonds		30,011,081	-	30,011,081	26,335,105	-	26,335,105
	- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
	- Government of Pakistan Sukuk and US Dollar / Euro Bonds		23,831,857	-	23,831,857	16,461,243	-	16,461,243
Overseas Government Securities								
			17,761,475	-	17,761,475	16,695,882	-	16,695,882
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		3,194,156	-	3,194,156	2,510,571	-	2,510,571
	- Unlisted companies		716,873	-	716,873	761,038	-	761,038
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		9,086,152	-	9,086,152	6,264,740	-	6,264,740
	- Unlisted securities		28,979,245	-	28,979,245	27,879,121	-	27,879,121
NIT Units								
			11,113	-	11,113	11,529	-	11,529
Preference Shares								
			100,000	-	100,000	200,000	-	200,000
<i>Investments of Mutual Funds</i>								
			3,862,962	-	3,862,962	3,436,949	-	3,436,949
			487,951,463	6,657,925	494,609,388	366,912,143	-	366,912,143
Investment in associates and Joint Venture								
		6.2	7,327,631	-	7,327,631	6,604,823	-	6,604,823
Investment at cost								
			558,254,060	6,657,925	564,911,985	421,377,865	-	421,377,865
Provision for diminution / impairment in the value of investments including associates								
			(1,741,021)	-	(1,741,021)	(2,364,383)	-	(2,364,383)
Net Investment								
			556,513,039	6,657,925	563,170,964	419,013,482	-	419,013,482
Deficit on revaluation of held for trading securities								
			(18,202)	-	(18,202)	(36,820)	-	(36,820)
Deficit on revaluation of available for sale securities								
			(340,566)	-	(340,566)	(366,720)	-	(366,720)
Surplus / (deficit) on revaluation of investment of associates								
			27,289	-	27,289	(5,795)	-	(5,795)
Total investments at market value								
			556,181,560	6,657,925	562,839,485	418,604,147	-	418,604,147

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2012 amounted to Rs. 43,549,798 million (2011: Rs. 43,459,276 million).

6.2 The Group has made further investment in the following associates during the period, consequently, shareholding has increased to:

	June 30, 2012	December 31, 2011
	Shareholding %	
Jubilee General Insurance Company Limited	16.50	14.27
Diamond Trust Bank Limited, Kenya	11.42	11.21

6.3 Particulars of provision held against diminution in value of investments

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

	June 30, 2012	December 31, 2011
	(Rupees in '000)	
Opening balance	2,364,383	2,122,286
(Reversal) / Charge for the period / year - net	(188,513)	152,275
Impairment (reversal) / charge on listed securities - net	(309,849)	84,808
Total (reversal) / charge - net	(498,362)	237,083
Amount written off	(125,000)	-
Exchange adjustment	-	5,014
Closing balance	<u>1,741,021</u>	<u>2,364,383</u>

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

	Based on the financial statements as on
Diamond Trust Bank Limited, Kenya	June 30, 2012
Himalayan Bank Limited, Nepal	June 30, 2012
Kyrgyz Investment and Credit Bank	June 30, 2012
Jubilee Life Insurance Company Limited	March 31, 2012
Jubilee General Insurance Company Limited	March 31, 2012
HBL Money Market Fund	June 30, 2012
HBL Islamic Stock Fund	June 30, 2012
HBL Islamic Money Market Fund	June 30, 2012
HBL Pension Equity Sub Fund	June 30, 2012
HBL Pension Debt Sub Fund	June 30, 2012
HBL Pension Money Market Sub Fund	June 30, 2012
HBL Islamic Pension Equity Sub Fund	June 30, 2012
HBL Islamic Pension Debt Sub Fund	June 30, 2012
HBL Islamic Pension Money Market Sub Fund	June 30, 2012

7 ADVANCES

	Note	June 30, 2012	December 31, 2011
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		384,555,498	361,688,597
Outside Pakistan		90,718,763	90,131,791
		<u>475,274,261</u>	<u>451,820,388</u>
Net investment in finance lease - in Pakistan		4,368,051	3,852,860
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		11,886,945	10,420,082
Payable outside Pakistan		45,634,422	37,360,374
		<u>57,521,367</u>	<u>47,780,456</u>
Provision against non-performing advances	7.2	<u>(47,090,105)</u>	<u>(46,086,048)</u>
		<u>490,073,574</u>	<u>457,367,656</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		15,985,645	13,640,851
Provision	7.4	<u>(15,985,645)</u>	<u>(13,640,851)</u>
		<u>-</u>	<u>-</u>

- 7.1 Advances include Rs. 58,926.976 million (2011: Rs. 56,549.062 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category.

Category of classification	June 30, 2012								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,088,155	-	1,088,155	-	-	-	1,088,155	-	1,088,155
Substandard	8,016,238	4,471,735	12,487,973	1,928,745	864,010	2,792,755	6,087,493	3,607,725	9,695,218
Doubtful	3,013,704	948,836	3,962,540	1,373,699	552,442	1,926,141	1,640,005	396,394	2,036,399
Loss	30,488,820	10,899,488	41,388,308	29,830,887	10,637,937	40,468,824	657,933	261,551	919,484
	42,606,917	16,320,059	58,926,976	33,133,331	12,054,389	45,187,720	9,473,586	4,265,670	13,739,256
General provision	-	-	-	1,341,540	560,845	1,902,385	-	-	-
	42,606,917	16,320,059	58,926,976	34,474,871	12,615,234	47,090,105	9,473,586	4,265,670	13,739,256

Category of classification	December 31, 2011								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,112,720	-	1,112,720	-	-	-	1,112,720	-	1,112,720
Substandard	5,380,653	4,061,518	9,442,171	1,268,410	781,960	2,050,370	4,112,243	3,279,558	7,391,801
Doubtful	3,963,781	2,316,268	6,280,049	1,981,891	1,732,995	3,714,886	1,981,890	583,273	2,565,163
Loss	30,682,077	9,032,045	39,714,122	29,951,932	8,589,936	38,541,868	730,145	442,109	1,172,254
	41,139,231	15,409,831	56,549,062	33,202,233	11,104,891	44,307,124	7,936,998	4,304,940	12,241,938
General provision	-	-	-	1,277,089	501,835	1,778,924	-	-	-
	41,139,231	15,409,831	56,549,062	34,479,322	11,606,726	46,086,048	7,936,998	4,304,940	12,241,938

7.2 Particulars of provision against non-performing advances

Note	June 30, 2012			December 31, 2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	44,307,124	1,778,924	46,086,048	41,177,649	1,517,976	42,695,625
Exchange adjustment / other movement	823,087	23,299	846,386	676,468	14,765	691,233
Transfer of provision on consolidation of Habibsons						
Bank limited	-	-	-	110,342	-	110,342
Charge for the period / year	3,179,855	105,277	3,285,132	7,668,524	260,441	7,928,965
Reversals	(61,368)	(5,115)	(66,483)	(401,035)	(14,258)	(415,293)
	3,118,487	100,162	3,218,649	7,267,489	246,183	7,513,672
Write offs	(268,466)	-	(268,466)	(753,595)	-	(753,595)
Transferred to interest suspense				(2,198,908)	-	(2,198,908)
Transferred to over 5 years category	(2,792,512)	-	(2,792,512)	(1,972,321)	-	(1,972,321)
Closing balance	45,187,720	1,902,385	47,090,105	44,307,124	1,778,924	46,086,048

- 7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2012 would have been higher by Rs. 793.477 million and profit before taxation for the period ended June 30, 2012 would have been lower by approximately Rs. 105.751 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 515.760 million would not be available for the distribution of cash and stock dividend to share holders.

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

Note	June 30,	December 31,
	2012	2011
	(Rupees in '000)	
Opening balance	13,640,851	12,527,683
Reversals	(439,398)	(816,117)
Transferred during the period / year	2,792,512	1,972,321
Write offs	(8,320)	(43,036)
	15,985,645	13,640,851

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

	June 30, 2012				December 31, 2011			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Loan repaid during the period	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
------(Rupees in '000)-----								
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:								
- in respect of executives * (Other than KMPs)	1,457,300	1,490,000	232,925	7,325	1,231,700	1,265,700	476,312	178,312
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	619,951	625,151	277,474	250,731	593,208	602,308	295,458	191,708
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members								
	850,000	1,060,345	3,500,911	3,711,184	1,060,273	1,088,593	4,134,712	3,838,555
Debts due by companies in which key management personnel are nominated by the Bank as directors								
- Guaranteed by Government	14,786,854	14,786,854	10,383,516	6,514,067	10,917,405	13,576,635	14,034,908	13,485,458
- Others	26,053	31,714	265,740	272,556	32,869	43,976	35,277	46,205

The disclosure of the period / year end balance, limit / amount sanctioned and the highest amount outstanding during the period / year is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the period / year.

* (These represent staff loans given by the Group to its executives as per their terms of employment).

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

8	FIXED ASSETS	June 30, 2012	December 31, 2011
(Rupees in '000)			
	Tangible fixed assets	17,012,611	16,690,640
	Intangible assets		
	- Goodwill	1,621,894	1,546,303
	- Computer software	157,639	127,579
	Capital work-in-progress	1,366,290	803,132
		<u>20,158,434</u>	<u>19,167,654</u>

8.1	Additions to fixed assets	For the six months ended	
		June 30, 2012	June 30, 2011
(Rupees in '000)			

The following additions have been made to tangible and intangible fixed assets during the period:

<i>Tangible fixed assets</i>			
	Land	256,312	1,001,151
	Building including related machinery	426,011	268,590
	Furniture, fixtures and office equipments	533,593	481,782
	Vehicles	10,907	26,193
	Intangible assets	65,111	1,428,708
	Capital work-in-progress	563,158	303,201
		<u>1,855,092</u>	<u>3,509,625</u>

8.2	Disposal of fixed assets	For the six months ended	
		June 30, 2012	June 30, 2011

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

<i>Tangible fixed assets</i>			
	Land	156,864	92
	Building including related machinery	4,990	-
	Furniture, fixtures and office equipments	151,904	202,809
	Vehicles	22,312	12,737
	Intangible assets	249	234
		<u>336,319</u>	<u>215,872</u>

9 **BORROWINGS**

	June 30, 2012	December 31, 2011
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	16,213,404	18,182,197
Long term financing facility - locally manufactured and imported plant & machinery	4,398,888	4,204,722
Long term finance - export oriented projects	1,274,632	1,774,534
Repurchase agreement borrowings	6,651,175	-
	<u>28,538,099</u>	<u>24,161,453</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	6,775,000	3,600,000
Outside Pakistan:		
Overdrawn nostro accounts	562,169	455,484
Borrowings of overseas branches and subsidiaries	10,991,468	11,256,733
	<u>11,553,637</u>	<u>11,712,217</u>
	<u>18,328,637</u>	<u>15,312,217</u>
	<u>46,866,736</u>	<u>39,473,670</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers		
Fixed deposits	343,913,037	281,178,059
Savings chequing account	445,517,584	392,253,551
Current accounts - remunerative	1,690,274	1,694,058
Current accounts - non-remunerative	277,118,761	240,687,417
	<u>1,068,239,656</u>	<u>915,813,085</u>
Financial institutions		
Fixed deposits	5,814,601	8,371,443
Savings chequing account	3,561,585	2,815,116
Current accounts - non-remunerative	7,314,295	6,631,881
	<u>16,690,481</u>	<u>17,818,440</u>
	<u>1,084,930,137</u>	<u>933,631,525</u>

11 **SUB-ORDINATED LOANS**

- 11.1 The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2011: US \$ 50 million) equivalent to pak rupees 4,727.440 million (2011: 4,497.285 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.
- 11.2 During the year 2010, Habibsons Bank Limited has issued a subordinated loan of US \$ 6 million equivalent to pak rupees 563.943 million. This is repayable in the year 2020 and carries interest at LIBOR + 2.00%. The loan is subordinated to the claims of depositors and other creditors.

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

Note	June 30, 2012	December 31, 2011
	(Rupees in '000)	

Surplus / (deficit) arising on revaluation of:

- fixed assets	12.1	8,125,082	8,342,382
- investments	12.2	(39,216)	(138,816)
Surplus on revaluation of assets - net of deferred tax		<u>8,085,866</u>	<u>8,203,566</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1		9,143,739	9,476,539
Surplus realised on disposal of revalued properties during the period / year		(155,285)	(139,331)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(62,015)	(124,168)
Related deferred tax liability of incremental depreciation charged during the period / year		(33,393)	(66,860)
Related deferred tax liability on disposal of revalued properties		(873)	(2,441)
Surplus on revaluation of fixed assets as at period / year end		<u>8,892,173</u>	<u>9,143,739</u>

Less: related deferred tax liability on:

- revaluation as at January 1		801,357	870,658
- surplus realised on disposal of revalued properties during the period / year		(873)	(2,441)
- incremental depreciation charged during the period / year transferred to profit and loss account		(33,393)	(66,860)
		<u>767,091</u>	<u>801,357</u>
		<u>8,125,082</u>	<u>8,342,382</u>

12.2 **Deficit on revaluation of investments**

Market Treasury Bills		76,731	611,824
Pakistan Investment Bonds		(308,462)	(197,281)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		(835,944)	(834,680)
Listed Securities		389,306	157,497
NIT Units		9,370	7,089
Other Investments		328,433	(111,169)
		(340,566)	(366,720)
Surplus / (deficit) on revaluation of investment of associates		27,289	(5,795)
Related deferred tax asset		274,061	233,699
		<u>(39,216)</u>	<u>(138,816)</u>

13 **CONTINGENCIES AND COMMITMENTS**

13.1 **Direct credit substitutes - financial guarantees**

Guarantees in favour of:

- Government		326,765	354,078
- Financial institutions		307,069	318,596
- Others		20,121,954	22,236,973
		<u>20,755,788</u>	<u>22,909,647</u>

	June 30, 2012	December 31, 2011
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	584,984	1,604,813
- Financial institutions	910,402	636,292
- Others	33,936,604	33,562,792
	<u>35,431,990</u>	<u>35,803,897</u>
13.3 Trade-related commitments		
Credit cash	64,631,130	70,799,073
Credit documentary acceptances	17,183,109	23,706,700
Credit acceptances	21,453,532	24,016,127
	<u>103,267,771</u>	<u>118,521,900</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>73,362,922</u>	<u>84,671,933</u>

13.5 Commitments in respect of forward lending

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

	June 30, 2012	December 31, 2011
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	138,767,745	151,577,433
Sale	139,166,445	151,582,034
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	415,504	336,655
Sale	415,504	336,655
Commitments in respect of cross currency swaps		
Purchase	3,565,880	2,868,771
Sale	3,565,880	2,868,771
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	467,913	482,551
Sale	315,163	329,801
13.7 Commitments for acquisition of fixed assets / intangibles	333,867	617,961

13.8 Taxation

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2010. The tax authorities have concluded the audit of years 2002 through 2010.

While amending the assessment under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2006 the tax authorities have disallowed double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 million.

Management's view is that the settlement reached, after deliberations by the technical committee formed by the Prime Minister and Chairman AJ&K Council, relates to the long outstanding issue of basis of computation of income in AJK. The foreign tax credit claimed by the Bank is in accordance with accounting practice and the law.

Appeal against this issue is pending at appellate stage. Although the Bank has made payment of tax assessed, under protest, no provision has been made in the financial statements for the above liability, as the management is confident that the eventual

outcome of this issue will be in the favor of the Bank.

With reference to allowability of provision as per rule 8(A) of the seventh schedule, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2.171 billion.

14 BENAZIR EMPLOYEES STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme [“the Scheme”] for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises as fully explained in annual consolidated financial statements.

The Scheme, needs to be accounted for by the covered entities, including the Group, under the provision of amended International Financial Reporting Standard 2 - Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Group for the period would have been higher by Rs. 720 million, profit before taxation would have been lower by Rs. 720 million (earnings per share would have been lower by Rs. 0.59 per share) and, as the Scheme is fully funded by GoP, there would have been no impact on retained earnings / equity of the Group.

15 MARK-UP / RETURN / INTEREST EARNED

	For the six months ended	
	June 30, 2012	June 30, 2011
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	26,823,852	27,671,403
- Financial institutions	105,237	194,120
<i>On investments:</i>		
- Available-for-sale	23,079,218	16,146,439
- Held-for-trading	517,751	128,939
- Held-to-maturity	2,507,001	230,470
On deposits with financial institutions	392,965	356,584
On lendings to financial institutions	1,138,444	1,378,480
	<u>54,564,468</u>	<u>46,106,435</u>

16 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	23,394,559	17,322,432
Securities sold under repurchase agreement borrowings	504,394	243,167
Other short term borrowings	1,288,146	1,426,630
Long term borrowings	265,930	279,542
	<u>25,453,029</u>	<u>19,271,771</u>

17 RELATED PARTY TRANSACTIONS

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

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

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

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

	June 30, 2012				
	Individual and companies related through				
	Directors	Key Management Personnel	Parent Group Entities	Subsidiary companies	Joint venture and associates
-----Rs. in 000-----					
Statement of financial position					
Deposits	3,975,970	146,998	3,935,060	-	5,472,925
Borrowings	-	-	1,024,113	-	321,829
Investments	593,696	13,373	-	-	7,418,219
Markup / Other Receivable	51,253	405,867	-	-	160,091
Mark-up / Other Payable	56,741	4,688	35,160	-	679,830
Placements / Lendings	-	-	752,439	-	-
Overdrawn Nostro	-	-	-	-	395,786
Impairment provision	-	-	-	-	573,261
Profit and Loss					
Interest / Other Income	68,572	406,221	16,060	-	1,369,377
Interest / Other Expense	64,577	4,605	193,034	-	644,595
Dividend income	6,627	-	-	-	-
Others					
Other contingencies	594,794	81,442	275,345	-	47,309
Securities Held as custodian	53,900	104,660	6,117,120	1,342,100	32,851,300
December 31, 2011					
Individual and companies related through					
Directors	Key Management Personnel	Parent Group Entities	Subsidiary companies	Joint venture and associates	
-----Rs. in 000-----					
Statement of financial position					
Deposits	674,209	106,452	2,958,027	-	4,880,187
Borrowings	-	-	636,404	-	-
Investments	519,003	34,113	-	-	6,025,764
Markup / Other Receivable	66,691	471,406	-	-	178,229
Mark-up / Other Payable	14,328	2,124	163,994	-	109,943
Placements / Lendings	300,010	-	362,928	-	-
Overdrawn Nostro	17,920	-	622,334	-	479,556
Impairment provision	-	-	-	-	573,261
Profit and Loss					
Interest / Other Income	228,925	586,364	20,366	-	1,667,831
Interest / Other Expense	392,065	7,550	157,109	-	281,548
Dividend income	3,050	24,793	-	-	-
Others					
Other contingencies	164,238	62,422	103,044	-	-
Securities Held as custodian	53,700	92,730	3,715,550	945,000	29,132,800

17.1 Key management personnel

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

	For the six months ended	
	June 30, 2012	June 30, 2011
	(Rupees in '000)	
Managerial remuneration (including allowances)	687,882	596,850
Contribution to provident and benevolent fund	11,294	9,914
Medical	19,319	14,634
	718,495	621,398
Number of persons	168	158

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest income - External	(14,368)	16,116	24,276	3,070	17	29,111
Inter segment revenue - net	32,667	(13,014)	(23,548)	-	3,895	-
Non-funded income	2,446	1,321	1,277	2,259	486	7,789
Net interest and non-markup income	20,745	4,423	2,005	5,329	4,398	36,900
Total expenses including provision (excluding impairment)	7,288	2,906	97	3,417	4,342	18,050
Impairment against investments	-	-	(101)	-	(209)	(310)
Inter segment administrative cost	2,986	597	86	329	(3,998)	-
Total expenses including provision	10,274	3,503	82	3,746	135	17,740
Net income before tax	10,471	920	1,923	1,583	4,263	19,160
Segment assets gross	116,846	373,436	543,404	243,896	78,809	1,356,391
Segment non-performing loans	9,329	33,056	-	16,320	222	58,927
Segment provision required including general provision	6,952	26,859	410	12,722	2,233	49,176
Segment liabilities including equity	809,503	131,209	18,664	164,700	183,139	1,307,215
Segment gross earnings on liability / asset %	11.29%	11.84%	10.81%	5.20%	5.74%	
Segment cost of funds %	5.60%	9.37%	9.99%	1.48%	0.86%	

	For the six months ended June 30, 2011					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest income - External	(9,662)	23,027	11,102	2,361	7	26,835
Inter segment revenue - net	28,642	(19,455)	(10,806)	-	1,619	-
Non-funded income	2,223	1,312	999	2,185	894	7,613
Net interest and non-markup income	21,203	4,884	1,295	4,546	2,520	34,448
Total expenses including provision (excluding impairment)	6,106	4,781	60	3,207	4,869	19,023
Impairment against investments	-	98	(61)	-	(64)	(27)
Inter segment administrative cost	3,603	721	104	397	(4,825)	-
Total expenses including provision	9,709	5,600	103	3,604	(20)	18,996
Net income before tax	11,494	(716)	1,192	942	2,540	15,452
Segment assets gross	109,067	426,787	276,917	230,843	66,071	1,109,685
Segment non-performing loans	8,885	32,064	-	17,409	319	58,677
Segment provision required including general provision	6,606	25,816	433	13,375	3,022	49,252
Segment liabilities including equity	648,875	109,647	3,690	195,178	103,043	1,060,433
Segment gross earnings on liability / asset %	12.47%	12.71%	10.58%	5.07%	6.23%	-
Segment cost of funds %	5.22%	10.43%	9.49%	1.14%	0.71%	-

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

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

	Note	June 30, 2012	December 31, 2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		985,990	607,326
Balances with other banks		12,748	16,606
Lendings to financial institutions		2,200,000	1,000,000
Investments - net		16,342,216	12,648,185
Murabaha	19.1	299,349	116,096
Ijarah	19.2	887,845	782,434
Musharaka		28,892	34,851
Other assets		1,042,260	500,744
Deferred tax asset		43,709	32,107
Fixed assets		493	577
		21,843,502	15,738,926
LIABILITIES			
Bills payable		182	43
Borrowings from financial institutions		-	2,000,000
Deposit and other accounts		20,097,977	11,944,594
Other liabilities		480,390	625,437
		20,578,549	14,570,074
NET ASSETS			
		1,264,953	1,168,852
REPRESENTED BY:			
Islamic banking fund / certificate capital		647,072	647,072
Reserves		541,956	222,963
Unappropriated profit		150,148	352,687
		1,339,176	1,222,722
Deficit on revaluation of assets - net of deferred tax		(74,223)	(53,870)
		1,264,953	1,168,852

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 256.557 million (2011 Rs. 69.376 million).

19.1 This represents assets sold under Murabaha agreement.

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

20. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 10, 2012.

President and Chief Executive Officer

Director

Director

Director