

Directors' Review

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

Financial Performance: Rs. in million

The financial results of the Bank are summarized below:

Profit after tax	10,986
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Movement of Reserves	
Unappropriated profit brought forward	52,229
Profit attributable to shareholders	10,986
Transferred from surplus on revaluation of fixed assets – net of tax	216
Transfer to statutory reserves	(1,099)
Cash dividend	(4,408)
Issued as bonus shares	(1,102)
Unappropriated profit carried forward	56,822
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Earnings per share rupees (Basic & Diluted)	9.06
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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 Bank 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.1,023 billion as on 30 June 2012, showing an impressive growth of 16.8%. The net investment at Rs.542 billion recorded growth of 35.5% while net advances were up by 7.3% to Rs.446 billion as on 30 June 2012.

The after tax profit at Rs.10.986 billion was up by 18.29% as compared to corresponding period last year. The earnings per share after tax for six month ended June 30, 2012 was Rs.9.06 as against Rs.7.66 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 Bank, 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 UNCONSOLIDATED 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		121,477,110	103,080,076
Balances with other banks		25,640,483	34,985,809
Lendings to financial institutions		15,651,069	41,581,029
Investments	6	541,921,895	399,939,469
Advances	7	446,481,162	416,261,389
Fixed assets	8	18,021,434	17,107,263
Deferred tax asset		7,395,184	6,957,290
Other assets		50,382,621	43,941,323
		1,226,970,958	1,063,853,648
LIABILITIES			
Bills payable		14,580,205	13,894,502
Borrowings	9	42,059,048	33,714,904
Deposits and other accounts	10	1,022,773,798	875,308,597
Sub-ordinated loans	11	4,727,440	4,497,285
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		33,842,709	34,983,770
		1,117,983,200	962,399,058
NET ASSETS		108,987,758	101,454,590
REPRESENTED BY:			
Shareholders' equity			
Share capital		12,122,748	11,020,680
Reserves		32,573,433	30,203,696
Unappropriated profit		56,821,838	52,228,646
		101,518,019	93,453,022
Surplus on revaluation of assets - net of deferred tax	12	7,469,739	8,001,568
		108,987,758	101,454,590
CONTINGENCIES AND COMMITMENTS	13		

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED 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	53,423,836	45,246,473	27,410,165	23,089,625
Mark-up / return / interest expensed	16	25,127,434	19,006,516	12,956,245	9,844,288
Net mark-up / interest income		<u>28,296,402</u>	<u>26,239,957</u>	<u>14,453,920</u>	<u>13,245,337</u>
Provision against non-performing loans and advances - net	7.2 / 7.4	2,743,615	4,695,785	1,448,211	2,299,010
(Reversal) / charge against off-balance sheet obligations		(92,363)	30,547	(106,614)	258
(Reversal) / charge against diminution in the value of investments - net	6.3	(395,180)	59,882	(151,909)	103,868
Bad debts written off directly		-	-	-	-
		<u>2,256,072</u>	<u>4,786,214</u>	<u>1,189,688</u>	<u>2,403,136</u>
Net mark-up / interest income after provisions		<u>26,040,330</u>	<u>21,453,743</u>	<u>13,264,232</u>	<u>10,842,201</u>
Non mark-up / interest income					
Fee, commission and brokerage income		2,697,882	2,478,711	1,401,729	1,350,678
Dividend income		329,156	199,920	140,987	68,503
Gain on sale of securities		320,627	201,194	75,604	103,596
Unrealized gain / (loss) on held for trading securities		812	(403)	3,435	(403)
Income from dealing in foreign currencies		1,460,487	2,231,041	795,534	1,162,245
Other income		1,471,993	1,418,832	749,573	738,655
Total non-mark-up / interest income		<u>6,280,957</u>	<u>6,529,295</u>	<u>3,166,862</u>	<u>3,423,274</u>
		<u>32,321,287</u>	<u>27,983,038</u>	<u>16,431,094</u>	<u>14,265,475</u>
Non mark-up / interest expense					
Administrative expenses		13,985,513	13,183,158	7,565,506	6,843,542
Other provisions / write offs - net		33,280	(83,707)	15,782	10,505
Other charges		1,492	75,084	759	74,055
Workers welfare fund		365,944	296,170	175,917	146,747
Total non mark-up / interest expenses		<u>14,386,229</u>	<u>13,470,705</u>	<u>7,757,964</u>	<u>7,074,849</u>
Profit before taxation		<u>17,935,058</u>	<u>14,512,333</u>	<u>8,673,130</u>	<u>7,190,626</u>
Taxation					
current		6,453,838	5,653,699	3,104,787	3,060,675
prior		761,033	176,132	340,256	78,539
deferred		(266,342)	(605,213)	(117,479)	(535,533)
		<u>6,948,529</u>	<u>5,224,618</u>	<u>3,327,564</u>	<u>2,603,681</u>
Profit after taxation		<u>10,986,529</u>	<u>9,287,715</u>	<u>5,345,566</u>	<u>4,586,945</u>
------(Rupees)-----					
Basic and diluted earnings per share		<u>9.06</u>	<u>7.66</u>	<u>4.41</u>	<u>3.78</u>

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED 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	10,986,529	9,287,715	5,345,566	4,586,945
Other comprehensive income				
Effect of translation of net investment in foreign branches	1,271,084	(171,067)	1,036,230	(312,062)
Comprehensive income transferred to equity	<u>12,257,613</u>	<u>9,116,648</u>	<u>6,381,796</u>	<u>4,274,883</u>
Components of comprehensive income not reflected in equity				
Deficit on revaluation of investments	(486,852)	(26,366)	(538,442)	(46,476)
Deferred tax on revaluation of investments	170,679	9,057	188,515	16,116
Total comprehensive income	<u><u>11,941,440</u></u>	<u><u>9,099,339</u></u>	<u><u>6,031,869</u></u>	<u><u>4,244,523</u></u>

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President and Chief Executive Officer

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

	Reserves				Total	
	Share capital	Exchange translation reserve	Statutory	General		Unappropriated profit
------(Rupees in '000)-----						
Balance as at December 31, 2010	10,018,800	7,787,885	13,810,116	6,073,812	44,121,103	81,811,716
Total comprehensive income for the period						
Profit for the six months ended June 30, 2011	-	-	-	-	9,287,715	9,287,715
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(171,067)	-	-	-	(171,067)
	-	(171,067)	-	-	9,287,715	9,116,648
Transactions with owners, recorded directly in equity						
Cash dividend at Rs. 6.5 per share	-	-	-	-	(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)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	60,544	60,544
Transferred to statutory reserves	-	-	928,772	-	(928,772)	-
Balance as at June 30, 2011	11,020,680	7,616,818	14,738,888	6,073,812	45,026,490	84,476,688
Total comprehensive income for the period						
Profit for the six months ended December 31, 2011	-	-	-	-	11,454,101	11,454,101
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	628,768	-	-	-	628,768
	-	628,768	-	-	11,454,101	12,082,869
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)	(3,306,204)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	199,669	199,669
Transferred to statutory reserves	-	-	1,145,410	-	(1,145,410)	-
Balance as at December 31, 2011	11,020,680	8,245,586	15,884,298	6,073,812	52,228,646	93,453,022
Total comprehensive income for the period						
Profit for the six months ended June 30, 2012	-	-	-	-	10,986,529	10,986,529
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	1,271,084	-	-	-	1,271,084
	-	1,271,084	-	-	10,986,529	12,257,613
Transactions with owners, recorded directly in equity						
Cash dividend at Rs. 4 per share	-	-	-	-	(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)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	215,656	215,656
Transferred to statutory reserves	-	-	1,098,653	-	(1,098,653)	-
Balance as at June 30, 2012	12,122,748	9,516,670	16,982,951	6,073,812	56,821,838	101,518,019

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED 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	17,935,058	14,512,333
Dividend income	(329,156)	(199,920)
Gain on sale of securities	(320,627)	(201,194)
	<u>(649,783)</u>	<u>(401,114)</u>
	17,285,275	14,111,219
Adjustment for:		
Depreciation / amortisation	737,678	699,776
Provision against diminution in the value of investments	(395,180)	59,882
Provision against non-performing loans and advances	2,743,615	4,695,785
Unrealised (gain) / loss on held for trading securities	(812)	403
Exchange loss on sub-ordinated loans	230,155	16,430
Gain on sale of property and equipment	(3,778)	(14,720)
Miscellaneous provisions	(59,083)	(53,160)
	<u>3,252,595</u>	<u>5,404,396</u>
	20,537,870	19,515,615
Decrease / (increase) in operating assets		
Lendings to financial institutions	25,929,960	(5,359,960)
Advances	(32,963,388)	(1,254,125)
Other assets	(5,839,464)	(4,555,453)
	<u>(12,872,892)</u>	<u>(11,169,538)</u>
Increase / (decrease) in operating liabilities		
Bills payable	685,703	519,768
Borrowings from financial institutions	8,344,144	(2,322,665)
Deposits and other accounts	147,465,201	99,838,117
Other liabilities	(1,043,762)	3,219,124
	<u>155,451,286</u>	<u>101,254,344</u>
	163,116,264	109,600,421
Income tax paid - net	(7,839,464)	(10,349,622)
Net cash flows from operating activities	<u>155,276,800</u>	<u>99,250,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(141,752,659)	(82,021,558)
Dividend income received	317,762	169,813
Fixed capital expenditure	(1,817,798)	(1,852,200)
Proceeds from sale of fixed assets	169,727	22,315
Exchange adjustment on translation of balances in foreign branches	1,271,084	(171,067)
Net cash flows used in investing activities	<u>(141,811,884)</u>	<u>(83,852,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,413,208)	(6,476,595)
Net cash flows used in financing activities	<u>(4,413,208)</u>	<u>(6,476,595)</u>
(Decrease) / increase in cash and cash equivalents during the period	9,051,708	8,921,507
Cash and cash equivalents at beginning of the period	135,846,729	115,113,492
Effects of exchange rate changes on cash and cash equivalents	2,219,156	2,393,692
	<u>138,065,885</u>	<u>117,507,184</u>
Cash and cash equivalents at end of the period	<u>147,117,593</u>	<u>126,428,691</u>

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

President and Chief Executive Officer

Director

Director

Director

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

1 STATUS AND NATURE OF BUSINESS

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.

2 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements. The disclosures made in these condensed interim unconsolidated 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 unconsolidated financial statements should be read in conjunction with the unconsolidated annual financial statements of the Bank 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 unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2011.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6	INVESTMENTS	Note	June 30, 2012			December 31, 2011		
			Held by bank	Given as collateral	Total	Held by bank	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	-	-	-
			18,373,424	-	18,373,424	3,266,332	-	3,266,332
Held-to-maturity securities (HTM)								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	44,054,354	-	44,054,354	44,077,760	-	44,077,760
Debentures and Corporate Debt Instruments								
			184,234	-	184,234	183,937	-	183,937
			44,238,588	-	44,238,588	44,261,697	-	44,261,697
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	26,335,106	-	26,335,106
	- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
	- Government of Pakistan Sukuk and US Dollar / Euro Bonds		23,312,172	-	23,312,172	16,095,202	-	16,095,202
Overseas Government Securities								
			13,859,951	-	13,859,951	9,485,066	-	9,485,066
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		3,188,665	-	3,188,665	2,505,080	-	2,505,080
	- Unlisted companies		716,873	-	716,873	761,038	-	761,038
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		9,086,153	-	9,086,153	6,264,741	-	6,264,741
	- Unlisted securities		14,404,948	-	14,404,948	17,046,940	-	17,046,940
NIT Units								
			11,113	-	11,113	11,113	-	11,113
Preference Shares								
			100,000	-	100,000	200,000	-	200,000
			465,087,505	6,657,925	471,745,430	345,060,251	-	345,060,251
Investment in Subsidiary Companies								
			5,690,591	-	5,690,591	5,690,591	-	5,690,591
Investment in Associates and Joint Venture								
		6.2	4,312,897	-	4,312,897	4,132,079	-	4,132,079
Investment at cost								
			537,703,005	6,657,925	544,360,930	402,410,950	-	402,410,950
Provision for diminution / impairment in the value of investments including associates								
			(1,476,405)	-	(1,476,405)	(1,996,585)	-	(1,996,585)
Net Investment								
			536,226,600	6,657,925	542,884,525	400,414,365	-	400,414,365
Deficit on revaluation of held for trading securities								
			(2,333)	-	(2,333)	(1,451)	-	(1,451)
Deficit on revaluation of available for sale securities								
			(960,297)	-	(960,297)	(473,445)	-	(473,445)
Total investments at market value								
			535,263,970	6,657,925	541,921,895	399,939,469	-	399,939,469

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2012 amounted to Rs. 43,393.927 million (2011: Rs. 43,304.571 million).

6.2 The Bank 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	1,996,585	3,870,384
(Reversal) / Charge for the period / year - net	(180,427)	139,767
Impairment (reversal) / charge on shares (net) or change in value of associates	(214,753)	736,859
Total (reversal) / charge - net	(395,180)	876,626
Amount written off	(125,000)	(2,755,439)
Exchange adjustment	-	5,014
Closing balance	<u>1,476,405</u>	<u>1,996,585</u>

7 ADVANCES

	Note	June 30, 2012	December 31, 2011
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		383,968,584	361,151,387
Outside Pakistan		60,140,698	60,225,576
		<u>444,109,282</u>	<u>421,376,963</u>
Net investment in finance lease - in Pakistan		4,235,252	3,715,662
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		11,886,945	10,420,082
Payable outside Pakistan		30,712,227	24,451,110
		42,599,172	34,871,192
Provision against non-performing advances	7.2	(44,462,544)	(43,702,428)
		<u>446,481,162</u>	<u>416,261,389</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	(15,985,645)	(13,640,851)
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 53,307.314 million (2011: Rs. 51,313.510 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	7,898,749	542,994	8,441,743	1,817,838	66,797	1,884,635	6,080,911	476,197	6,557,108
Doubtful	2,998,017	918,480	3,916,497	1,373,699	522,234	1,895,933	1,624,318	396,246	2,020,564
Loss	30,470,769	9,390,150	39,860,919	29,827,709	9,161,014	38,988,723	643,060	229,136	872,196
	42,455,690	10,851,624	53,307,314	33,019,246	9,750,045	42,769,291	9,436,444	1,101,579	10,538,023
General provision	-	-	-	1,341,541	351,712	1,693,253	-	-	-
	42,455,690	10,851,624	53,307,314	34,360,787	10,101,757	44,462,544	9,436,444	1,101,579	10,538,023

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	5,362,602	331,675	5,694,277	1,265,232	58,503	1,323,735	4,097,370	273,172	4,370,542
Doubtful	3,963,781	2,289,098	6,252,879	1,981,890	1,705,549	3,687,439	1,981,891	583,549	2,565,440
Loss	30,557,708	7,695,926	38,253,634	29,834,144	7,273,500	37,107,644	723,564	422,426	1,145,990
	40,996,811	10,316,699	51,313,510	33,081,266	9,037,552	42,118,818	7,915,545	1,279,147	9,194,692
General provision	-	-	-	1,277,090	306,520	1,583,610	-	-	-
	40,996,811	10,316,699	51,313,510	34,358,356	9,344,072	43,702,428	7,915,545	1,279,147	9,194,692

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	42,118,818	1,583,610	43,702,428	37,038,350	1,380,868	38,419,218			
Exchange adjustment / other movement	624,551	13,530	638,081	746,210	8,679	754,889			
Charge for the period / year	3,141,390	101,228	3,242,618	7,461,210	208,320	7,669,530			
Reversals	(54,490)	(5,115)	(59,605)	(401,036)	(14,257)	(415,293)			
	3,086,900	96,113	3,183,013	7,060,174	194,063	7,254,237			
Write offs	(268,466)	-	(268,466)	(753,595)	-	(753,595)			
Transferred to over 5 years category	(2,792,512)	-	(2,792,512)	(1,972,321)	-	(1,972,321)			
Closing balance	42,769,291	1,693,253	44,462,544	42,118,818	1,583,610	43,702,428			

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	7.2	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 bank 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	418,839	424,039	76,362	40,731	383,208	392,308	85,458	41,708
Debts due by companies or firms in which the directors of the bank 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	1,214,469	4,134,712	3,838,555
Debts due by subsidiary company	39,879	56,384	74,698	105,677	70,858	102,324	507,373	442,300
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 Bank 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	16,498,307	16,177,686
	Intangible assets	156,837	126,445
	Capital work-in-progress	1,366,290	803,132
		<u>18,021,434</u>	<u>17,107,263</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	417,139	159,373
	Furniture, fixtures and office equipments	506,293	334,391
	Vehicles	10,437	25,482
	Intangible assets	64,459	29,728
	Capital work-in-progress	563,158	302,075
		<u>1,817,798</u>	<u>1,852,200</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	202,720
	Vehicles	22,312	12,128
	Intangible assets	249	234
		<u>336,319</u>	<u>215,174</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	<u>6,651,175</u>	<u>-</u>
	<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	800,356	708,353
Borrowings of overseas branches	5,945,593	5,245,098
	<u>6,745,949</u>	<u>5,953,451</u>
	<u>13,520,949</u>	<u>9,553,451</u>
	<u>42,059,048</u>	<u>33,714,904</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers		
Fixed deposits	307,700,472	245,987,658
Savings chequing account	439,927,996	388,468,078
Current accounts - remunerative	1,690,274	1,694,058
Current accounts - non-remunerative	<u>258,173,619</u>	<u>222,815,278</u>
	<u>1,007,492,361</u>	<u>858,965,072</u>
Financial institutions		
Fixed deposits	5,846,054	8,476,144
Savings chequing account	3,561,585	2,815,116
Current accounts - non-remunerative	5,873,798	5,052,265
	<u>15,281,437</u>	<u>16,343,525</u>
	<u>1,022,773,798</u>	<u>875,308,597</u>

11 **SUB-ORDINATED LOANS**

The Bank 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 Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

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

Note	June 30, 2012	December 31, 2011
------	------------------	----------------------

(Rupees in '000)

Surplus / (deficit) arising on revaluation of:

- fixed assets	12.1	8,093,852	8,309,508
- investments	12.2	(624,113)	(307,940)
Surplus on revaluation of assets - net of deferred tax		<u>7,469,739</u>	<u>8,001,568</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1		9,093,164	9,420,908
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		(60,371)	(120,882)
Related deferred tax liability of incremental depreciation charged during the period / year		(32,507)	(65,090)
Related deferred tax liability on disposal of revalued properties		(873)	(2,441)
Surplus on revaluation of fixed assets as at period / year end		<u>8,844,128</u>	<u>9,093,164</u>

Less: related deferred tax liability on:

- revaluation as at January 1		783,656	851,187
- 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		(32,507)	(65,090)
		<u>750,276</u>	<u>783,656</u>
		<u>8,093,852</u>	<u>8,309,508</u>

12.2 **Deficit on revaluation of investments**

Market Treasury Bills		76,731	611,825
Pakistan Investment Bonds		(308,462)	(197,281)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		(835,944)	(834,680)
Listed Securities		(52,930)	(143,341)
NIT Units		9,370	6,359
Other Investments		150,938	83,673
		(960,297)	(473,445)
Related deferred tax asset		336,184	165,505
		<u>(624,113)</u>	<u>(307,940)</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		20,121,993	22,307,830
		<u>20,755,827</u>	<u>22,980,504</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	32,339,526	31,814,519
	<u>33,834,912</u>	<u>34,055,624</u>
13.3 Trade-related commitments		
Credit cash	62,372,667	70,202,498
Credit documentary acceptances	17,170,870	21,899,930
Credit acceptances	20,775,812	23,115,049
	<u>100,319,349</u>	<u>115,217,477</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>73,306,571</u>	<u>84,516,467</u>

13.5 Commitments in respect of forward lending

The Bank 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	124,153,343	130,739,964
Sale	124,306,900	130,737,821
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	512,471

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 unconsolidated financial statements.

The Scheme, needs to be accounted for by the covered entities, including the Bank 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 Bank 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 Bank

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	26,035,576	27,073,298
- Financial institutions	105,237	194,120
<i>On investments:</i>		
- Available-for-sale	22,779,432	15,863,193
- Held-for-trading	517,751	141,670
- Held-to-maturity	2,500,404	230,470
On deposits with financial institutions	346,991	365,242
On lendings to financial institutions	1,138,445	1,378,480
	<u>53,423,836</u>	<u>45,246,473</u>

16 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	23,139,693	17,134,402
Securities sold under repurchase agreement borrowings	504,394	243,167
Other short term borrowings	1,224,375	1,355,020
Long term borrowings	258,972	273,927
	<u>25,127,434</u>	<u>19,006,516</u>

RELATED PARTY TRANSACTIONS

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

Contributions to and accruals in respect of staff retirement and other benefits 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	329,030	5,289,021
Borrowings	-	-	381,779	271,725	321,829
Investments	593,696	13,373	-	9,772,865	4,376,197
Markup / Other Receivable	51,253	405,867	-	213,358	160,068
Mark-up / Other Payable	56,741	4,688	35,160	9,124	679,476
Placements / Lendings	-	-	752,439	7,066,218	-
Overdrawn Nostro	-	-	-	103,200	395,786
Impairment provision	-	-	-	-	573,261
Profit and Loss					
Interest / Other Income	68,572	406,221	16,060	155,871	574,030
Interest / Other Expense	64,577	4,605	193,034	15,596	644,240
Dividend income	6,627	-	-	-	230,376
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	669,912	106,452	2,958,027	554,076	4,768,646
Borrowings	-	-	-	323,289	-
Investments	519,003	34,113	-	9,558,656	4,132,079
Markup / Other Receivable	66,691	471,406	-	9,515	178,229
Mark-up / Other Payable	14,328	2,124	163,994	1,810	109,943
Placements / Lendings	300,010	-	362,928	12,668,849	-
Overdrawn Nostro	17,920	-	622,334	52,858	479,556
Impairment provision	-	-	-	-	573,261
Profit and Loss					
Interest / Other Income	228,925	586,364	20,366	308,713	836,571
Interest / Other Expense	392,065	7,550	157,109	23,042	281,548
Dividend income	3,050	24,793	-	-	106,406
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
Acceptance	-	-	-	24,215	-

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
Managerial remuneration (including allowances)	520,980	443,326
Contribution to provident and benevolent fund	10,932	9,394
Medical	17,262	13,429
	<u>549,174</u>	<u>466,149</u>
Number of persons	<u>147</u>	<u>137</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2012					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	------(Rupees in million)-----					
Net interest income - External	(14,368)	16,116	24,276	2,416	(144)	28,296
Inter segment revenue - net	32,667	(13,014)	(23,548)	-	3,895	-
Non-funded income	2,446	1,321	1,277	1,079	158	6,281
Net interest and non-markup income	20,745	4,423	2,005	3,495	3,909	34,577
Total expenses including provision (excluding impairment)	7,288	2,906	97	2,354	4,212	16,857
Impairment against investments	-	-	(101)	-	(114)	(215)
Inter segment administrative cost	2,986	597	86	329	(3,998)	-
Total expenses including provision	10,274	3,503	82	2,683	100	16,642
Net income before tax	10,471	920	1,923	812	3,809	17,935
Segment assets gross	116,846	373,436	548,380	152,371	82,191	1,273,224
Segment non-performing loans	9,329	33,056	-	10,852	70	53,307
Segment provision required including general provision	6,952	26,859	410	10,180	1,852	46,253
Segment liabilities including equity	809,503	131,209	18,664	84,436	183,159	1,226,971
Segment gross earnings on liability / asset %	11.29%	11.84%	10.81%	4.60%	5.14%	-
Segment cost of funds %	5.60%	9.37%	9.99%	1.60%	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	1,950	(177)	26,240
Inter segment revenue - net	28,642	(19,455)	(10,806)	-	1,619	-
Non-funded income	2,223	1,312	1,739	1,408	(153)	6,529
Net interest and non-markup income	21,203	4,884	2,035	3,358	1,289	32,769
Total expenses including provision (excluding impairment)	6,106	4,781	60	2,527	4,723	18,197
Impairment against investments	-	98	(61)	-	23	60
Inter segment administrative cost	3,603	721	104	397	(4,825)	-
Total expenses including provision	9,709	5,600	103	2,924	(79)	18,257
Net income before tax	11,494	(716)	1,932	434	1,368	14,512
Segment assets gross	109,067	426,787	276,917	136,525	88,265	1,037,561
Segment non-performing loans	3,650	27,212	-	9,958	10,264	51,084
Segment provision required including general provision	6,606	25,816	433	9,026	4,704	46,585
Segment liabilities including equity	648,875	109,647	3,690	121,363	107,401	990,976
Segment gross earnings on liability / asset %	12.47%	12.71%	11.20%	5.17%	4.46%	-
Segment cost of funds %	5.22%	10.43%	9.49%	1.29%	0.73%	-

19 **ISLAMIC BANKING BRANCH**

Financial figures of the Islamic Banking Branch are as follows:

	Note	June 30, 2012	December 31, 2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		985,982	607,317
Lendings to financial institutions		2,200,000	1,000,000
Investments - net		16,102,564	12,434,310
Murabaha	19.1	291,308	100,826
Ijarah	19.2	323,737	276,179
Musharaka		14,167	19,167
Other assets		1,010,974	464,931
Deferred tax asset		43,709	32,107
		20,972,441	14,934,837
LIABILITIES			
Bills payable		182	43
Borrowings from financial institutions		-	2,000,000
Deposit and other accounts		20,097,977	11,944,594
Other liabilities		321,339	489,389
		20,419,498	14,434,026
NET ASSETS		552,943	500,811
REPRESENTED BY:			
Islamic banking fund		250,000	250,000
Unappropriated profit		384,116	310,438
		634,116	560,438
Deficit on revaluation of assets - net of deferred tax		(81,173)	(59,627)
		552,943	500,811

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 unconsolidated 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