

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the quarter ended March 31, 2012.

Financial Performance:	Rs. in million
The financial results of the Bank are summarized below:	
Profit after tax	<u>5,641</u>
Movement of Reserves	
Unappropriated profit brought forward	52,229
Profit attributable to shareholders	5,641
Transferred from surplus on revaluation of fixed assets – net of tax	185
Transfer to statutory reserves	(564)
Cash dividend	(4,408)
Issued as bonus shares	(1,102)
Unappropriated profit carried forward	<u><u>51,981</u></u>
Earnings per share rupees (Basic & Diluted)	<u>5.12</u>

The economic climate continues to be challenging, both globally and locally; the energy shortage along with other macroeconomic pressures have resulted in lower credit demand in the country. Despite all this, the economy shows signs of modest improvement as a result of improving commodity prices. The trade deficit has been eased by the unprecedented increase in worker remittances, which have crossed \$6.3 billion.

HBL continues to show a strong performance; profitability has shown a growth of 20% as compared to the same period last year, with a PAT of Rs. 5.6 billion. HBL's deposit share improved to 13.8% from 13.5% as at December 2011, reaffirming its market leadership as the largest bank in Pakistan. HBL continues to pursue stringent risk measures to ensure quality of its assets, whilst remaining committed to introducing new products for our customers across the country and all our international locations. We strive to improve our technology, branches and staff skills set to ensure high standards of customer service and so as to be able to maximize outreach of banking services to people across Pakistan.

Appreciation and Acknowledgement

In conclusion, we would like to appreciate the efforts of our Regulators as well as the Government of Pakistan and the Ministry of Finance for strengthening the banking and financial system and 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
April 24, 2012

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	Note	(Unaudited) March 31, 2012 (Rupees in '000)	(Audited) December 31, 2011
ASSETS			
Cash and balances with treasury banks		106,561,096	103,080,076
Balances with other banks		26,446,157	34,985,809
Lendings to financial institutions		10,472,170	41,581,029
Investments	6	480,728,147	399,939,469
Advances	7	429,504,294	416,261,389
Operating fixed assets	8	17,226,116	17,107,263
Deferred tax asset		7,088,318	6,957,290
Other assets		41,470,542	43,941,323
		1,119,496,840	1,063,853,648

LIABILITIES

Bills payable		16,216,973	13,894,502
Borrowings	9	57,397,578	33,714,904
Deposits and other accounts	10	901,516,735	875,308,597
Sub-ordinated loans	11	4,533,080	4,497,285
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		36,876,585	34,983,770
		1,016,540,951	962,399,058

NET ASSETS

102,955,889	101,454,590
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REPRESENTED BY:

Shareholders' equity

Share capital		11,020,680	11,020,680
Reserves		32,104,714	30,203,696
Unappropriated profit		51,980,644	52,228,646

Total equity attributable to the equity holders of the Bank 95,106,038 93,453,022

Surplus on revaluation of assets - net of deferred tax 12 7,849,851 8,001,568

102,955,889	101,454,590
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CONTINGENCIES AND COMMITMENTS

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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 THREE MONTHS ENDED MARCH 31, 2012

	Note	January 01 to March 31, 2012	January 01 to March 31, 2011
(Rupees in '000)			
Mark-up / return / interest earned	15	26,013,671	22,156,848
Mark-up / return / interest expensed	16	12,171,189	9,162,228
Net mark-up / interest income		<u>13,842,482</u>	<u>12,994,620</u>
Provision against non-performing loans and advances - net (Reversal) / charge against off-balance sheet obligations (Reversal) / charge against diminution in the value of investments - net	7.2 / 7.4	1,295,404 14,251	2,396,775 30,289
Bad debts written off directly	6.2	(243,271)	(43,986)
		<u>1,066,384</u>	<u>2,383,078</u>
Net mark-up / interest income after provisions		<u>12,776,098</u>	<u>10,611,542</u>
Non mark-up / interest income			
Fee, commission and brokerage income		1,296,153	1,128,033
Dividend income		188,169	131,417
Gain on sale of securities		245,023	97,598
Unrealized (loss)/ gain on held for sale securities		(2,623)	-
Income from dealing in foreign currencies		664,953	1,068,796
Other income		722,420	680,177
Total non-mark-up / interest income		<u>3,114,095</u>	<u>3,106,021</u>
		15,890,193	13,717,563
Non mark-up / interest expense			
Administrative expenses		6,420,007	6,339,616
Other provisions / write offs - net		17,498	(94,212)
Other charges		733	1,029
Workers welfare fund		190,027	149,423
Total non mark-up / interest expenses		<u>6,628,265</u>	<u>6,395,856</u>
Profit before taxation		<u>9,261,928</u>	<u>7,321,707</u>
Taxation			
current		3,349,051	2,593,024
prior		420,777	97,593
deferred		(148,863)	(69,680)
		<u>3,620,965</u>	<u>2,620,937</u>
Profit after taxation		<u>5,640,963</u>	<u>4,700,770</u>
		(Rupees)	
Basic and diluted earnings per share		<u>5.12</u>	<u>4.27</u>

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	January 01 to March 31, 2012	January 01 to March 31, 2011
	(Rupees in '000)	
Profit for the period	5,640,963	4,700,770
Other comprehensive income		
Effect of translation of net investment in foreign branches	234,854	140,995
Comprehensive income transferred to equity	<u>5,875,817</u>	<u>4,841,765</u>
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	51,590	20,110
Deferred tax on revaluation of investments	(17,836)	(7,059)
Total comprehensive income	<u><u>5,909,571</u></u>	<u><u>4,854,816</u></u>

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

President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

Share capital	Reserves					Total	
	Exchange translation reserve	Statutory	Reserve for issue of bonus shares	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 three months ended March 31, 2011	-	-	-	-	-	4,700,770	4,700,770
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	140,995	-	-	-	-	140,995
	-	140,995	-	-	-	4,700,770	4,841,765
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	-	-	-	-	-	30,228	30,228
Transferred to statutory reserves	-	-	470,077	-	-	(470,077)	-
Balance as at March 31, 2011	10,018,800	7,928,880	14,280,193	1,001,880	6,073,812	40,867,924	80,171,489
Total comprehensive income for the period							
Profit for the period ended December 31, 2011	-	-	-	-	-	16,041,046	16,041,046
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	316,706	-	-	-	-	316,706
	-	316,706	-	-	-	16,041,046	16,357,752
Transactions with owners, recorded directly in equity							
Issued as bonus shares	1,001,880	-	-	(1,001,880)	-	-	-
Half year interim cash dividend paid at Rs. 3 per share	-	-	-	-	-	(3,306,204)	(3,306,204)
	1,001,880	-	-	(1,001,880)	-	(3,306,204)	(3,306,204)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	229,985	229,985
Transferred to statutory reserves	-	-	1,604,105	-	-	(1,604,105)	-
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 three months ended March 31, 2012	-	-	-	-	-	5,640,963	5,640,963
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	234,854	-	-	-	-	234,854
	-	234,854	-	-	-	5,640,963	5,875,817
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	-	-	-	-	-	185,471	185,471
Transferred to statutory reserves	-	-	564,096	-	-	(564,096)	-
Balance as at March 31, 2012	11,020,680	8,480,440	16,448,394	1,102,068	6,073,812	51,980,644	95,106,038

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 THREE MONTHS ENDED MARCH 31, 2012

	March 31, 2012	March 31, 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,261,928	7,321,707
Dividend income	(188,169)	(131,417)
Gain on sale of securities	(245,023)	(97,598)
	(433,192)	(229,015)
	8,828,736	7,092,692
Adjustment for:		
Depreciation / amortisation	365,791	351,947
Provision against diminution in the value of investments	(243,271)	(43,986)
Provision against non-performing loans and advances	1,295,404	2,396,775
Unrealised loss on held for sale securities	2,623	-
Exchange loss on sub-ordinated loans	35,795	(13,830)
Loss / (gain) on sale of property and equipment	55,030	(7,714)
Miscellaneous provisions	31,749	(63,923)
	1,543,121	2,619,269
	10,371,857	9,711,961
Decrease / (increase) in operating assets		
Lendings to financial institutions	31,108,859	21,265,257
Advances	(14,538,309)	(3,203,385)
Other assets	833,554	(4,011,970)
	17,404,104	14,049,902
Increase / (decrease) in operating liabilities		
Bills payable	2,322,471	(667,101)
Borrowings from financial institutions	23,682,674	24,049,538
Deposits and other accounts	26,208,138	(8,377,971)
Other liabilities	1,559,948	6,444,788
	53,773,231	21,449,254
	81,549,192	45,211,117
Income tax paid - net	(2,057,854)	(3,803,763)
Net cash flows from operating activities	79,491,338	41,407,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(80,251,417)	(27,308,433)
Dividend income received	95,923	58,835
Fixed capital expenditure	(648,015)	(314,396)
Proceeds from sale of fixed assets	108,341	9,630
Exchange adjustment on translation of balances in foreign branches	234,854	140,995
Net cash flows used in investing activities	(80,460,314)	(27,413,369)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,089,656)	(6,513,218)
Net cash flows used in financing activities	(4,089,656)	(6,513,218)
(Decrease) / increase in cash and cash equivalents during the period	(5,058,632)	7,480,767
Cash and cash equivalents at beginning of the period	135,990,420	115,087,398
Effects of exchange rate changes on cash and cash equivalents	2,075,465	2,419,786
	138,065,885	117,507,184
Cash and cash equivalents at end of the period	133,007,253	124,987,951

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 THREE MONTHS ENDED MARCH 31, 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 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 financial statements are the same as those applied in the preparation of the annual 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 financial statements of the Bank for the year ended December 31, 2011.

6.2 Particulars of provision held against diminution in value of investments

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

	March 31, 2012	December 31, 2011
	(Rupees in '000)	
Opening balance	1,996,585	3,870,384
(Reversal) / Charge for the period / year - net	(156,161)	139,767
Impairment (reversal) / charge on shares (net) or change in value of associates	(87,110)	736,859
Total (reversal) / charge - net	(243,271)	876,626
Amount written off	-	(2,755,439)
Exchange adjustment	-	5,014
Closing balance	<u>1,753,314</u>	<u>1,996,585</u>

7 ADVANCES

	Note	March 31, 2012	December 31, 2011
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		374,711,428	361,151,387
Outside Pakistan		<u>59,590,023</u>	<u>60,225,576</u>
		434,301,451	421,376,963
Net investment in finance lease - in Pakistan		3,917,040	3,715,662
Bills discounted and purchased (excluding Government treasury bills):			
Payable in Pakistan		11,670,627	10,420,082
Payable outside Pakistan		<u>24,239,040</u>	<u>24,451,110</u>
		35,909,667	34,871,192
Provision against non-performing advances	7.2	<u>(44,623,864)</u>	<u>(43,702,428)</u>
		<u>429,504,294</u>	<u>416,261,389</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		14,069,355	13,640,851
Provision	7.4	<u>(14,069,355)</u>	<u>(13,640,851)</u>
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 53,663.793 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.

March 31, 2012									
Category of classification	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	1,553,177	-	1,553,177	-	-	-	1,553,177	-	1,553,177
Substandard	6,662,754	362,805	7,025,559	1,564,675	59,058	1,623,733	5,098,079	303,747	5,401,826
Doubtful	4,540,121	2,173,412	6,713,533	2,270,061	1,500,335	3,770,396	2,270,060	673,077	2,943,137
Loss	30,516,180	7,855,344	38,371,524	29,791,691	7,796,819	37,588,510	724,489	58,525	783,014
	43,272,232	10,391,561	53,663,793	33,626,427	9,356,212	42,982,639	9,645,805	1,035,349	10,681,154
General provision	-	-	-	1,315,391	325,834	1,641,225	-	-	-
	43,272,232	10,391,561	53,663,793	34,941,818	9,682,046	44,623,864	9,645,805	1,035,349	10,681,154

December 31, 2011									
Category of classification	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	March 31, 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	169,227	1,593	170,820	746,210	8,679	754,889
Charge for the period / year	1,419,500	60,713	1,480,213	7,461,210	208,320	7,669,530
Reversals	(25,385)	(4,691)	(30,076)	(401,036)	(14,257)	(415,293)
	1,394,115	56,022	1,450,137	7,060,174	194,063	7,254,237
Write offs	(111,655)	-	(111,655)	(753,595)	-	(753,595)
Transferred to over 5 years category	(587,866)	-	(587,866)	(1,972,321)	-	(1,972,321)
Closing balance	42,982,639	1,641,225	44,623,864	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 March 31, 2012 would have been higher by Rs. 684.726 million and profit before taxation for the period ended March 31, 2012 would have been higher by approximately Rs 3 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. 445.071 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	March 31, 2012	December 31, 2011
(Rupees in '000)		
Opening balance	13,640,851	12,527,683
Reversals	(154,733)	(816,117)
Transferred during the period / year	587,866	1,972,321
Write offs	(4,629)	(43,036)
	14,069,355	13,640,851

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

	March 31, 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 (Rupees in '000)	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
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)	1,250,200	1,283,700	81,100	62,600	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	385,724	395,024	46,543	44,027	383,208	392,308	85,458	41,708
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	935,442	1,060,345	1,128,599	1,253,430	1,060,273	1,214,469	4,134,712	3,838,555
Debts due by subsidiary company	6,674	56,384	25,280	89,464	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	8,329,688	10,848,767	571,025	3,158,742	10,917,405	13,576,635	14,034,908	13,485,458
- Others	28,831	31,714	94,090	98,128	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

March 31, 2012 December 31, 2011
(Rupees in '000)

Tangible fixed assets	16,055,333	16,177,686
Intangible assets	113,258	126,445
Capital work-in-progress	1,057,525	803,132
	<u>17,226,116</u>	<u>17,107,263</u>

8.1 Additions to fixed assets

For the three months ended
March 31, 2012 March 31, 2011
(Rupees in '000)

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

Tangible fixed assets

Land	1,312	104
Building including related machinery	147,244	62,776
Furniture, fixtures and office equipments	235,143	140,162
Vehicles	5,889	7,472
Intangible assets	4,034	110
Capital work-in-progress	254,393	103,772
	<u>648,015</u>	<u>314,396</u>

8.2 Disposal of fixed assets

For the three months ended
March 31, 2012 **March 31, 2011**
 (Rupees in '000)

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

Tangible fixed assets

Land	156,864	-
Building including related machinery	4,943	-
Furniture, fixtures and office equipments	50,969	147,079
Vehicles	1,330	2,815
Intangible assets	249	126
	<u>214,355</u>	<u>150,020</u>

9 BORROWINGS

March 31, 2012 **December 31, 2011**
 (Rupees in '000)

Secured

Borrowings from State Bank of Pakistan under:

Export refinance scheme	18,002,868	18,182,197
Long term financing facility - locally manufactured and imported plant & machinery	4,311,346	4,204,722
Long term finance - export oriented projects	1,476,429	1,774,534
Repurchase agreement borrowings	21,785,864	-
	<u>45,576,507</u>	<u>24,161,453</u>

Unsecured

In Pakistan:

Interbank call money borrowings

Outside Pakistan:

Overdrawn nostro accounts

Borrowings of overseas branches

5,450,000	3,600,000
604,884	708,353
5,766,187	5,245,098
6,371,071	5,953,451
11,821,071	9,553,451
<u>57,397,578</u>	<u>33,714,904</u>

	March 31, 2012	December 31, 2011
	(Rupees in '000)	
10 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	258,047,057	245,987,658
Savings chequing account	401,170,460	388,468,078
Current accounts - remunerative	1,693,560	1,694,058
Current accounts - non-remunerative	<u>227,426,526</u>	<u>222,815,278</u>
	888,337,603	858,965,072
Financial institutions		
Remunerative deposits	<u>7,520,094</u>	<u>11,291,265</u>
Non-remunerative deposits	<u>5,659,038</u>	<u>5,052,260</u>
	<u>13,179,132</u>	<u>16,343,525</u>
	<u>901,516,735</u>	<u>875,308,597</u>

11 SUB-ORDINATED LOANS

- 11.1 The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2010: US \$ 50 million) equivalent to pak rupees 4,533.080 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	March 31, 2012	December 31, 2011
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	8,124,037	8,309,508
- investments	12.2	<u>(274,186)</u>	<u>(307,940)</u>
Surplus on revaluation of assets - net of deferred tax		<u>7,849,851</u>	<u>8,001,568</u>

12.1 Surplus on revaluation of fixed assets

	March 31, 2012	December 31, 2011
	(Rupees in '000)	
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	(30,186)	(120,882)
Related deferred tax liability of incremental depreciation charged during the period / year	(16,254)	(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>8,890,566</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	(16,254)	(65,090)
	<u>766,529</u>	<u>783,656</u>
	<u><u>8,124,037</u></u>	<u><u>8,309,508</u></u>

12.2 Deficit on revaluation of investments

Market Treasury Bills	328,819	611,825
Pakistan Investment Bonds	(322,062)	(197,281)
Sukuk and Euro Bonds	(769,561)	(834,680)
Listed Securities	179,032	(143,341)
NIT Units	8,824	6,359
Other Investments	153,093	83,673
	(421,855)	(473,445)
Related deferred tax asset	147,669	165,505
	<u>(274,186)</u>	<u>(307,940)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	358,219	354,078
- Financial institutions	317,469	318,596
- Others	24,595,902	22,307,830
	<u>25,271,590</u>	<u>22,980,504</u>

	March 31, 2012	December 31, 2011
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	1,408,551	1,604,813
- Financial institutions	1,734,946	636,292
- Others	32,745,615	31,814,519
	<u>35,889,112</u>	<u>34,055,624</u>
13.3 Trade-related commitments		
Credit cash	65,494,626	70,202,498
Credit documentary acceptances	13,929,098	21,899,930
Credit acceptances	27,467,753	23,115,049
	<u>106,891,477</u>	<u>115,217,477</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>77,262,011</u>	<u>84,516,467</u>
13.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	March 31, 2012	December 31, 2011
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	115,432,977	130,739,964
Sale	115,680,782	130,737,821
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	1,394,162	336,655
Sale	1,394,162	336,655
Commitments in respect of cross currency swaps		
Purchase	3,504,817	2,868,771
Sale	3,504,817	2,868,771
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	485,176	482,551
Sale	332,426	329,801
13.7 Commitments for acquisition of operating fixed assets / intangibles	313,706	512,471

13.8 Taxation

The income tax returns of Habib Bank Limited 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. 1.977 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. 355 million, profit before taxation would have been lower by Rs. 355 million (earnings per share would have been lower by Rs. 0.32 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 three months ended	
	March 31, 2012	March 31, 2011
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	12,852,428	13,576,131
- Financial institutions	54,964	106,384
<i>On investments:</i>		
- Available-for-sale	10,719,478	7,525,892
- Held-for-trading	256,752	44,991
- Held-to-maturity	1,250,158	114,451
On deposits with financial institutions	197,320	187,122
On lendings to financial institutions	682,571	601,877
	<u>26,013,671</u>	<u>22,156,848</u>

16 MARK-UP / RETURN / INTEREST EXPENSED

	For the three months ended	
	March 31, 2012	March 31, 2011
	(Rupees in '000)	
Deposits	11,175,245	8,241,835
Securities sold under repurchase agreement borrowings	260,871	147,741
Other short term borrowings	604,767	630,564
Long term borrowings	130,306	142,088
	<u>12,171,189</u>	<u>9,162,228</u>

17 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development 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 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:

	March 31, 2012				
	Individual and companies related through				
	Directors	Key Management Personnel	Parent Group Entities	Subsidiary companies	Joint venture and associates
	-----Rs. in 000-----				
Balance Sheet					
Deposits	846,965	166,747	3,065,801	314,861	4,425,671
Borrowings	-	-	183,443	454,580	7,277
Investments	562,722	34,113	-	9,589,066	4,224,515
Markup / Other Receivable	53,952	383,078	-	18,380	116,071
Mark-up / Other Payable	34,824	3,543	66,612	6,477	610,761
Placements / Lendings	-	-	-	10,158,418	-
Overdrawn Nostro	8,967	-	822,096	(240,022)	318,602
Impairment provision	-	-	-	-	573,261
Profit and Loss					
Interest / Other Income	57,606	16,670	7,484	60,601	264,196
Interest / Other Expense	101,138	2,254	319,830	14,444	176,238
Dividend income	6,627	-	-	-	115,913
Others					
Other contingencies	240,268	69,610	202,148	-	45,364
Securities Held as custodian	9,844,900	88,750	5,709,000	1,026,100	32,572,200

December 31, 2011

	Individual and companies related through				
	Directors	Key Management Personnel	Parent Group Entities	Subsidiary companies	Joint venture and associates
	-----Rs. in 000-----				
Balance Sheet					
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 three months ended	
	March 31, 2012	March 31, 2011
Managerial remuneration (including allowances)	246,963	207,251
Contribution to provident and benevolent fund	5,167	4,385
Medical	7,937	6,376
	<u>260,067</u>	<u>218,012</u>
Number of persons	<u>142</u>	<u>135</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the three months ended March 31, 2012

	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
----- (Rupees in million) -----						
Net interest income - External	(6,781)	7,901	11,646	1,195	(119)	13,842
Inter segment revenue - net	15,790	(6,380)	(11,275)	-	1,865	-
Non-funded income	1,179	634	719	568	14	3,114
Net interest and non-markup income	10,188	2,155	1,090	1,763	1,760	16,956
Total expenses including provision (excluding impairment)	3,622	1,195	33	1,244	1,688	7,782
Impairment against investments	-	-	(87)	-	-	(87)
Inter segment administrative cost	1,230	246	35	136	(1,648)	(1)
Total expenses including provision	4,852	1,441	(19)	1,380	40	7,694
Net income before tax	5,336	714	1,109	383	1,720	9,262
Segment assets gross	112,527	361,394	462,544	157,427	72,282	1,166,174
Segment non-performing loans	9,506	33,697	-	10,392	69	53,664
Segment provision required including general provision	6,962	27,467	323	9,766	2,159	46,677
Segment liabilities including equity	729,949	103,048	32,516	93,927	160,057	1,119,497
Segment gross earnings on liability / asset %	11.34%	11.81%	10.90%	5.31%	4.91%	-
Segment cost of funds %	5.58%	9.36%	9.98%	1.53%	0.76%	-

For the three months ended March 31, 2011

	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
----- (Rupees in million) -----						
Net interest income - External	(4,430)	11,677	4,955	933	(140)	12,995
Inter segment revenue - net	13,606	(9,786)	(4,812)	-	992	-
Non-funded income	1,055	598	954	490	9	3,106
Net interest and non-markup income	10,231	2,489	1,097	1,423	861	16,101
Total expenses including provision (excluding impairment)	3,030	2,211	30	1,043	2,516	8,830
Impairment against investments	-	-	(52)	-	-	(52)
Inter segment administrative cost	1,800	360	52	198	(2,410)	-
Total expenses including provision	4,830	2,571	30	1,241	106	8,778
Net income before tax	5,401	(82)	1,067	182	755	7,323
Segment assets gross	104,663	437,342	208,083	150,726	51,137	951,951
Segment non-performing loans	9,875	32,235	-	9,721	99	51,930
Segment provision required including general provision	7,798	26,602	(450)	8,836	2,306	45,092
Segment liabilities including equity	577,914	90,634	29,998	86,209	122,106	906,861
Segment gross earnings on liability / asset %	12.37%	12.72%	11.31%	4.82%	4.73%	-
Segment cost of funds %	5.14%	10.41%	9.30%	1.45%	0.56%	-

19 ISLAMIC BANKING BRANCH

Financial figures of the Islamic Banking Branch are as follows:

	Note	March 31, 2012	December 31, 2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		747,086	607,317
Lendings to financial institutions		1,800,000	1,000,000
Investments - net		12,375,307	12,434,310
Murabaha	19.1	254,693	100,826
Ijarah	19.2	322,288	276,179
Musharaka		17,670	19,167
Other assets		1,068,314	497,038
		<u>16,585,358</u>	<u>14,934,837</u>
LIABILITIES			
Bills payable		2,423	43
Borrowings from financial institutions		400,000	2,000,000
Deposit and other accounts		15,351,756	11,944,594
Other liabilities		321,405	489,389
		<u>16,075,584</u>	<u>14,434,026</u>
NET ASSETS		<u><u>509,774</u></u>	<u><u>500,811</u></u>
REPRESENTED BY:			
Islamic banking fund		250,000	250,000
Unappropriated profit		357,752	310,438
		<u>607,752</u>	<u>560,438</u>
Deficit on revaluation of assets - net of tax		(97,978)	(59,627)
		<u><u>509,774</u></u>	<u><u>500,811</u></u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 240.890 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 April 24, 2012.

President and Chief Executive Officer

Director

Director

Director