

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2013

	(Unaudited) June 30, 2013 (Rupees in '000)	(Audited) December 31, 2012
ASSETS		
Cash and balances with treasury banks	155,129,436	157,229,517
Balances with other banks	47,251,457	47,980,032
Lendings to financial institutions	12,970,079	24,828,255
Investments	6 850,061,146	797,094,548
Advances	7 481,458,570	499,817,906
Operating fixed assets	8 24,232,501	23,632,324
Deferred tax asset	5,754,346	6,056,483
Other assets	55,232,274	53,669,507
	<u>1,632,089,809</u>	<u>1,610,308,572</u>
LIABILITIES		
Bills payable	25,785,243	18,943,207
Borrowings	9 166,197,845	196,580,548
Deposits and other accounts	10 1,258,816,508	1,214,963,700
Sub-ordinated loans	11 3,737,231	5,440,654
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	39,124,655	41,342,703
	<u>1,493,661,482</u>	<u>1,477,270,812</u>
NET ASSETS	<u><u>138,428,327</u></u>	<u><u>133,037,760</u></u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	13,335,023	12,122,748
Reserves	39,548,908	39,379,354
Unappropriated profit	70,910,733	67,523,215
Total equity attributable to the equity holders of the Bank	123,794,664	119,025,317
Non-controlling interest	1,861,608	1,227,207
Surplus on revaluation of assets - net of deferred tax	12 12,772,055	12,785,236
	<u><u>138,428,327</u></u>	<u><u>133,037,760</u></u>
CONTINGENCIES AND COMMITMENTS	13	

The annexed notes 1 to 20 form an integral part of these 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, 2013

	Note	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	14	61,560,148	54,564,468	30,256,432	27,996,799
Mark-up / return / profit / interest expensed	15	35,318,334	25,453,029	17,201,572	13,124,368
Net mark-up / profit / interest income		26,241,814	29,111,439	13,054,860	14,872,431
Provision against non-performing loans and advances - net	7.2 / 7.4	1,221,408	2,779,251	(63,700)	1,480,029
Charge / (reversal) against off-balance sheet obligations		27,585	(92,363)	(4,367)	(106,614)
Reversal against diminution in the value of investments - net	6.4	(52,138)	(498,362)	(43,836)	(200,992)
Bad debts written off directly		-	-	-	-
		1,196,855	2,188,526	(111,903)	1,172,423
Net mark-up / profit / interest income after provisions		25,044,959	26,922,913	13,166,763	13,700,008
Non mark-up / interest income					
Fee, commission and brokerage income		3,881,047	3,140,337	2,068,354	1,602,495
Dividend income		235,025	203,352	33,766	42,711
Share of profit of associates and joint venture		892,215	795,346	489,848	497,917
Income from dealing in foreign currencies		468,153	1,606,815	205,121	873,728
Gain on sale of securities		837,818	409,528	600,228	124,995
Unrealized gain / (loss) on held for trading securities		71,144	20,312	(14,366)	22,113
Other income		1,639,808	1,613,177	780,351	828,966
Total non-mark-up / interest income		8,025,210	7,788,867	4,163,302	3,992,925
		33,070,169	34,711,780	17,330,065	17,692,933
Non mark-up / interest expense					
Administrative expenses		17,016,245	15,141,640	9,230,108	8,192,921
Other provisions / write offs - net		(143,882)	33,280	(20,796)	8,647
Other charges		16,509	1,492	777	759
Workers welfare fund		312,433	374,749	156,761	179,202
Total non mark-up / interest expenses		17,201,305	15,551,161	9,366,850	8,381,529
Profit before taxation		15,868,864	19,160,619	7,963,215	9,311,404
Taxation					
current		4,874,398	6,756,563	2,323,136	3,291,005
prior		1,257	755,385	(117,530)	334,608
deferred		472,710	(209,846)	335,125	(80,635)
		5,348,365	7,302,102	2,540,731	3,544,978
Profit after taxation		10,520,499	11,858,517	5,422,484	5,766,426
Attributable to:					
Equity holders of the Bank		10,376,763	11,730,661	5,353,913	5,710,873
Non-controlling interest		43,104	48,963	28,794	20,057
Minority investor of HBL funds		100,632	78,893	39,777	35,496
		10,520,499	11,858,517	5,422,484	5,766,426
------(Rupees)-----					
Basic and diluted earnings per share		7.78	8.80	4.01	4.28

The annexed notes 1 to 20 form an integral part of these 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, 2013

	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
	----- (Rupees in '000) -----			
Profit for the period	10,520,499	11,858,517	5,422,484	5,766,426
Other comprehensive (loss) / income				
Minority share of HBL funds transferred to other liabilities	(100,632)	(78,893)	(39,777)	(35,496)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(831,198)	1,916,369	307,923	1,258,768
Comprehensive income transferred to equity	<u>9,588,669</u>	<u>13,695,993</u>	<u>5,690,630</u>	<u>6,989,698</u>
Components of comprehensive income not reflected in equity				
Surplus on revaluation of fixed assets	74,835	-	74,835	-
Deferred tax on revaluation of fixed assets	(1,552)	-	(1,552)	-
(Deficit) / surplus on revaluation of investments	(259,522)	59,238	2,255,220	(635,203)
Deferred tax on revaluation of investments	202,851	40,362	(701,821)	167,740
	<u>9,605,281</u>	<u>13,795,593</u>	<u>7,317,312</u>	<u>6,522,235</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	9,559,751	13,665,883	7,220,286	6,512,642
Non-controlling interest	(11,195)	113,330	40,579	36,137
Minority investor	56,725	16,380	56,447	(27,292)
	<u>9,605,281</u>	<u>13,795,593</u>	<u>7,317,312</u>	<u>6,522,235</u>

The annexed notes 1 to 20 form an integral part of these 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, 2013

	Attributable to shareholders of the Group						Non-controlling interest	Total	
	Share capital	Reserves							
		Exchange translation reserve	Statutory reserves	Revenue reserves		Subtotal			
		Joint venture and subsidiaries	Bank	General	Unappropriated profit				
(Rupees in '000)									
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 paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	-	(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	-	-	-	-	-	-	-	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
Total comprehensive income for the period									
Profit for the six months ended December 31, 2012	-	-	-	-	-	10,602,360	10,602,360	(105,137)	10,497,223
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(76,957)	(76,957)	-	(76,957)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	3,148,537	-	-	-	-	3,148,537	37,979	3,186,516
	-	3,148,537	-	-	-	10,525,403	13,673,940	(67,158)	13,606,782
Transactions with owners, recorded directly in equity									
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(4,242,962)	(4,242,962)	-	(4,242,962)
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	(52,713)	(52,713)
	-	-	-	-	-	(4,242,962)	(4,242,962)	(52,713)	(4,295,675)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	31,456	31,456	-	31,456
Transferred to statutory reserves	-	-	31,272	1,057,764	-	(1,089,036)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(2,545)	(2,545)
Balance as at December 31, 2012	12,122,748	14,911,820	353,007	18,040,715	6,073,812	67,523,215	119,025,317	1,227,207	120,252,524
Total comprehensive income for the period									
Profit for the six months ended June 30, 2013	-	-	-	-	-	10,477,395	10,477,395	43,104	10,520,499
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(100,632)	(100,632)	-	(100,632)
- Other comprehensive loss									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(788,110)	-	-	-	-	(788,110)	(43,088)	(831,198)
	-	(788,110)	-	-	-	10,376,763	9,588,653	16	9,588,669
Transactions with owners, recorded directly in equity									
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
Issued as bonus shares	1,212,275	-	-	-	-	(1,212,275)	-	-	-
	1,212,275	-	-	-	-	(6,061,374)	(4,849,099)	-	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	29,793	29,793	-	29,793
Transferred to statutory reserves	-	-	14,068	943,596	-	(957,664)	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	641,967	641,967
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(7,582)	(7,582)
Balance as at June 30, 2013	13,335,023	14,123,710	367,075	18,984,311	6,073,812	70,910,733	123,794,664	1,861,608	125,656,272

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

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,868,864	19,160,619
Dividend income and share of profit of associates and joint venture	(1,127,240)	(998,698)
Gain on sale of securities	(837,818)	(409,528)
	<u>(1,965,058)</u>	<u>(1,408,226)</u>
	13,903,806	17,752,393
Adjustment for:		
Depreciation	728,454	738,936
Amortisation	123,824	35,018
Reversal against diminution in the value of investments	(52,138)	(498,362)
Provision against non-performing loans and advances	1,221,408	2,779,251
Unrealised gain on held for trading securities	(71,144)	(20,312)
Exchange loss on sub-ordinated loans / Goodwill	186,657	179,692
Gain on sale of operating fixed assets - net	(21,887)	(3,778)
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(116,297)	(59,083)
	<u>2,000,400</u>	<u>3,151,362</u>
	15,904,206	20,903,755
Decrease / (increase) in operating assets		
Lendings to financial institutions	11,858,176	25,929,960
Investments - held for trading	8,321,609	(15,136,597)
Advances	17,137,928	(35,485,169)
Other assets	2,649,674	(6,293,334)
	<u>39,967,387</u>	<u>(30,985,140)</u>
Decrease / (increase) in operating liabilities		
Bills payable	6,842,036	704,123
Borrowings	(30,382,703)	7,393,066
Deposits and other accounts	43,852,808	151,298,612
Other liabilities	(1,736,056)	(1,357,061)
	<u>18,576,085</u>	<u>158,038,740</u>
	74,447,678	147,957,355
Income tax paid - net	(8,970,011)	(8,076,384)
Net cash flows from operating activities	<u>65,477,667</u>	<u>139,880,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(59,694,414)	(127,315,955)
Dividend income received	251,525	189,879
Fixed capital expenditure	(1,444,077)	(1,855,092)
Proceeds from sale of fixed assets	27,177	169,727
Proceeds from sale of non-banking asset	38,500	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(788,110)	1,876,062
Net cash flows used in investing activities	<u>(61,609,399)</u>	<u>(126,935,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	(43,088)	40,307
Repayment of subordinated loan	(1,828,913)	-
Dividend paid	(4,824,923)	(4,415,153)
Net cash flows used in financing activities	<u>(6,696,924)</u>	<u>(4,374,846)</u>
Decrease in cash and cash equivalents during the period	(2,828,656)	8,570,746
Cash and cash equivalents at beginning of the period	200,668,136	146,876,710
Effects of exchange rate changes on cash and cash equivalents	4,541,413	3,872,418
	<u>205,209,549</u>	<u>150,749,128</u>
Cash and cash equivalents at end of the period	<u>202,380,893</u>	<u>159,319,874</u>

The annexed notes 1 to 20 form an integral part of these 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, 2013

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 at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three 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, 2012.

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 (IAS) 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, 2012.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2012.

ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

The revised International Accounting Standard (IAS) 19 'Employee Benefits' amends the accounting treatment for the defined benefit obligations mainly in respect of actuarial gains and losses that are now required to be recognized in Other Comprehensive Income (OCI) and permanently excluded from the profit and loss account. Further, the un-vested past service cost is now required to be recognized immediately in the profit and loss account at the earlier of when amendment occurs or when the related restructuring cost are recognized.

The Group considers that the financial impacts due to the above referred changes in the revised IAS 19 are not material in context to the consolidated condensed interim financial statements for the period ended 30 June 2013 and 30 June 2012.

Further, due to the revised IAS 19, the effect on the tax position with respect to the allowability of the actuarial losses / gains reported in the Statement of Comprehensive is under review. Hence impacts of any related restatements have not been incorporated in these consolidated condensed interim financial statements.

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, 2012.

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, 2012.

6. INVESTMENTS	Note	June 30, 2013			December 31, 2012		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type							
----- (Rupees in '000) -----							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		1,195,917	-	1,195,917	2,203,724	-	2,203,724
- Market Treasury Bills		22,125,586	-	22,125,586	28,676,723	-	28,676,723
Fully paid-up ordinary shares							
- Listed companies		24,571	-	24,571	31,195	-	31,195
Overseas Government Securities							
		305,610	-	305,610	348,908	-	348,908
Investments of Mutual Funds							
		134,743	-	134,743	847,486	-	847,486
		23,786,427	-	23,786,427	32,108,036	-	32,108,036
Held-to-Maturity Securities (HTM)							
6.1							
Federal Government Securities							
- Pakistan Investment Bonds		37,899,457	-	37,899,457	43,323,255	-	43,323,255
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		1,160,166	-	1,160,166	764,005	-	764,005
Debentures and Corporate Debt Instruments / Units							
- Listed securities		-	-	-	210,064	-	210,064
- Unlisted securities		17,499,795	-	17,499,795	21,272,413	-	21,272,413
Overseas Government securities							
		21,274,160	-	21,274,160	16,522,872	-	16,522,872
		77,833,578	-	77,833,578	82,092,609	-	82,092,609
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		490,625,112	118,106,931	608,732,043	405,856,222	157,998,809	563,855,031
- Pakistan Investment Bonds		52,506,574	-	52,506,574	46,136,502	-	46,136,502
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		30,287,904	-	30,287,904	31,649,959	-	31,649,959
Overseas Government Securities							
		3,794,314	-	3,794,314	2,482,359	-	2,482,359
Fully paid-up ordinary shares							
- Listed companies		4,724,754	-	4,724,754	4,232,888	-	4,232,888
- Unlisted companies		715,489	-	715,489	769,510	-	769,510
Debentures and Corporate Debt Instruments / Units							
- Listed securities		15,204,063	-	15,204,063	11,446,544	-	11,446,544
- Unlisted securities		15,724,047	-	15,724,047	7,572,714	-	7,572,714
NIT Units							
		11,113	-	11,113	11,113	-	11,113
Preference shares							
		250,000	-	250,000	100,000	-	100,000
Investments of mutual funds							
		4,406,934	-	4,406,934	3,031,747	-	3,031,747
		618,675,304	118,106,931	736,782,235	513,714,558	157,998,809	671,713,367
Investment in Associates and Joint Venture							
	6.3	8,992,771	-	8,992,771	8,352,908	-	8,352,908
Investment at cost							
		729,288,080	118,106,931	847,395,011	636,268,111	157,998,809	794,266,920
Provision for diminution / impairment in the value of investments including associates							
	6.4	(1,703,380)	-	(1,703,380)	(1,755,518)	-	(1,755,518)
Net investment							
		727,584,700	118,106,931	845,691,631	634,512,593	157,998,809	792,511,402
Surplus on revaluation of held for trading securities							
		71,144	-	71,144	25,253	-	25,253
Surplus on revaluation of available for sale securities							
	12.2	4,144,955	8,637	4,153,592	4,477,925	-	4,477,925
Surplus on revaluation of investment of associates							
		144,779	-	144,779	79,968	-	79,968
Total investments at market value							
		731,945,578	118,115,568	850,061,146	639,095,739	157,998,809	797,094,548

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2013 amounted to Rs. 78,849.065 million (2012: Rs. 84,153.250 million).

6.2 The Bank's subsidiary, Habib Allied International Bank Plc, UK has issued 750,000 new ordinary shares to the minority investor and consequently, the shareholding of the Bank is diluted to 88.07% from 90.5% .

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

	June 30, 2013	December 31, 2012
	Shareholding %	
Jubilee General Insurance Company Limited, Pakistan	17.20%	16.24%
Diamond Trust Bank Limited, Kenya	11.91%	11.68%
HBL Money Market Fund	3.23%	3.18%

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	1,755,518	2,364,383
Charge for the period / year	10,744	78,441
Reversals	(12,106)	(235,367)
Impairment charge on listed securities	12,273	130,434
Impairment reversal on listed securities	(63,049)	(457,373)
Total reversals - net	(52,138)	(483,865)
Amount written off	-	(125,000)
Closing balance	<u>1,703,380</u>	<u>1,755,518</u>

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

	Based on the financial information as on
Diamond Trust Bank Limited, Kenya	June 30, 2013
Himalayan Bank Limited, Nepal	March 31, 2013
Kyrgyz Investment and Credit Bank	June 30, 2013
Jubilee Life Insurance Co. Ltd.	March 31, 2013
Jubilee General Insurance Co. Ltd.	March 31, 2013
HBL Money Market Fund	June 30, 2013
HBL Islamic Stock Fund	June 30, 2013
HBL Islamic Money Market Fund	June 30, 2013
HBL Pension Equity Sub Fund	June 30, 2013
HBL Pension Debt Sub Fund	June 30, 2013
HBL Pension Money Market Sub Fund	June 30, 2013
HBL Islamic Pension Equity Sub Fund	June 30, 2013
HBL Islamic Pension Debt Sub Fund	June 30, 2013
HBL Islamic Pension Money Market Sub Fund	June 30, 2013

7 ADVANCES

	Note	June 30, 2013	December 31, 2012
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		361,033,990	386,290,218
Outside Pakistan		104,008,138	98,673,662
		<u>465,042,128</u>	<u>484,963,880</u>
Net investment in finance lease - in Pakistan		5,859,314	4,729,126
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		10,691,613	12,122,572
Payable outside Pakistan		46,462,844	43,972,534
		57,154,457	56,095,106
Provision against non-performing advances	7.2	(46,597,329)	(45,970,206)
		<u>481,458,570</u>	<u>499,817,906</u>
Fully provided non-performing advances classified as loss for more than five years			
In Pakistan		19,079,957	18,622,245
Provision	7.4	(19,079,957)	(18,622,245)
		<u>-</u>	<u>-</u>

7.1 Advances include Rs. 59,089.916 million (2012: Rs. 59,620.735 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, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	675,630	-	675,630	-	-	-	675,630	-	675,630
Substandard	5,608,350	1,486,337	7,094,687	1,370,634	269,268	1,639,902	4,237,716	1,217,069	5,454,785
Doubtful	2,548,549	781,763	3,330,312	1,244,843	298,648	1,543,491	1,303,706	483,115	1,786,821
Loss	30,753,030	17,236,257	47,989,287	29,101,201	11,887,414	40,988,615	1,651,829	5,348,843	7,000,672
	39,585,559	19,504,357	59,089,916	31,716,678	12,455,330	44,172,008	7,868,881	7,049,027	14,917,908
General provision	-	-	-	1,657,553	767,768	2,425,321	-	-	-
	39,585,559	19,504,357	59,089,916	33,374,231	13,223,098	46,597,329	7,868,881	7,049,027	14,917,908

Category of classification	December 31, 2012								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	626,140	-	626,140	-	-	-	626,140	-	626,140
Substandard	5,609,462	3,771,528	9,380,990	1,360,027	1,112,015	2,472,042	4,249,435	2,659,513	6,908,948
Doubtful	4,333,278	1,899,356	6,232,634	2,110,217	1,220,517	3,330,734	2,223,061	678,839	2,901,900
Loss	30,200,379	13,180,592	43,380,971	28,267,188	9,664,547	37,931,735	1,933,191	3,516,045	5,449,236
	40,769,259	18,851,476	59,620,735	31,737,432	11,997,079	43,734,511	9,031,827	6,854,397	15,886,224
General provision	-	-	-	1,532,092	703,603	2,235,695	-	-	-
	40,769,259	18,851,476	59,620,735	33,269,524	12,700,682	45,970,206	9,031,827	6,854,397	15,886,224

7.2 Particulars of provision against non-performing advances

Note	June 30, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	43,734,511	2,235,695	45,970,206	44,307,124	1,778,924	46,086,048
Exchange adjustment / other movement	135,692	(8,937)	126,755	362,172	59,245	421,417
Charge for the period / year	2,698,903	227,159	2,926,062	13,236,984	493,156	13,730,140
Reversals	(1,356,467)	(28,596)	(1,385,063)	(5,467,801)	(95,630)	(5,563,431)
	1,342,436	198,563	1,540,999	7,769,183	397,526	8,166,709
Write offs	(142,158)	-	(142,158)	(2,710,584)	-	(2,710,584)
Transferred to over 5 years category	(898,473)	-	(898,473)	(5,993,384)	-	(5,993,384)
Closing balance	44,172,008	2,425,321	46,597,329	43,734,511	2,235,695	45,970,206

7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by SBP, 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, 2013 would have been higher by Rs. 1,451.290 million and profit before taxation for the period ended June 30, 2013 would have been lower by approximately Rs 256.59 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. 943.338 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, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversal	(319,591)	(922,822)
Transferred during the period / year	898,473	5,993,384
Write offs	(121,170)	(70,551)
	19,079,957	18,622,245

7.5 During the previous year, the Bank entered into contract with Citi Bank N.A., Pakistan to acquire its consumer portfolio. The transaction was approved by the Competition Commission of Pakistan and during the period, the Bank also obtained approval from SBP. Pursuant to such acquisition of portfolio, the Bank's gross advances increased by Rs. 1,669.114 million as at June 30, 2013.

8 Particulars of advances
to directors, associated companies, etc.

	June 30, 2013			December 31, 2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned 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)	1,724,300	1,762,600	222,747	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	359,300	382,200	15,365	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the Group are interested as directors, partners, advisors or in the case of private companies as members						
	2,236,846	2,348,650	-	792,234	1,284,393	100,000

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

* (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	Note	June 30, 2013	December 31, 2012	
(Rupees in '000)					
	Capital work-in-progress		1,052,560	1,713,276	
	Intangible assets				
	- Goodwill	8.3	1,905,848	1,967,015	
	- Computer software		592,120	241,848	
	Tangible fixed assets		20,681,973	19,710,185	
			<u>24,232,501</u>	<u>23,632,324</u>	
8	Additions to fixed assets		For the six months ended		
			June 30, 2013	June 30, 2012	
			(Rupees in '000)		
	The following additions have been made to tangible and intangible fixed assets during the period:				
	Capital work-in-progress		833,397	563,158	
	Intangible assets		474,097	65,111	
	Tangible fixed assets				
	Land		191,153	256,312	
	Building including related machinery		510,158	426,011	
	Furniture, fixtures and office equipments		940,382	533,593	
	Vehicles		63,836	10,907	
			<u>3,013,023</u>	<u>1,855,092</u>	
8	Disposal of fixed assets				
	The following disposals have been made from tangible fixed assets during the period:				
	Tangible fixed assets				
	Land		-	156,864	
	Building including related machinery		-	4,990	
	Furniture, fixtures and office equipments		160,534	151,904	
	Vehicles		21,689	22,312	
			<u>182,223</u>	<u>336,070</u>	

8.3 It represents the difference between fair values of identifiable assets and liabilities and purchase consideration paid in cash by the Group for acquisition of Habibsons Bank Limited in 2011.

9 **BORROWINGS**

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	15,000,595	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,556,282	5,074,278
Long term finance - export oriented projects	706,646	974,062
Refinance facility for modernization of SMEs	49,820	12,649
Financing facility for Storage of Agricultural Produce	12,223	15,277
Repurchase agreement borrowings	118,106,931	157,998,809
	139,432,497	180,920,105
Unsecured		
In Pakistan:		
Interbank call money borrowings	10,798,000	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	1,016,935	1,056,635
Borrowings of overseas branches and subsidiaries	14,950,413	13,103,808
	15,967,348	14,160,443
	26,765,348	15,660,443
	166,197,845	196,580,548

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers

Current accounts - non-remunerative	359,690,005	310,567,157
Savings chequing account	556,634,748	493,206,809
Fixed deposits	325,491,088	391,066,656
	1,241,815,841	1,194,840,622

Financial institutions

Current accounts - non-remunerative	9,728,057	5,969,114
Savings chequing account	2,408,860	4,490,688
Fixed deposits	4,863,750	9,663,276
	17,000,667	20,123,078
	1,258,816,508	1,214,963,700

11 **SUB-ORDINATED LOAN**

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million. The principal amount is repayable in four equal half yearly instalments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The first instalment of US \$ 12.5 million has been paid in June 2013. 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.

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

	Note	June 30, 2013 (Rupees in '000)	December 31, 2012
Surplus arising on revaluation of:			
- fixed assets	12.1	9,632,417	9,588,927
- investments	12.2	3,139,638	3,196,309
Surplus on revaluation of assets - net of deferred tax		<u>12,772,055</u>	<u>12,785,236</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1	10,514,994	9,143,739
Surplus on revaluation of bank's properties recognised during the period / year	74,835	1,671,231
Surplus realised on disposal of revalued properties during the period / year	-	(155,285)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,793)	(93,471)
Related deferred tax liability of incremental depreciation charged during the period / year	(16,043)	(50,347)
Related deferred tax liability on disposal of revalued properties	-	(873)
Surplus on revaluation of fixed assets as at period / year end	<u>10,543,993</u>	<u>10,514,994</u>

Less: related deferred tax liability on:

- revaluation as at January 1	926,067	801,357
- revaluation of bank's properties recognised during the year	1,552	175,930
- surplus realised on disposal of revalued properties during the year	-	(873)
- incremental depreciation charged during the period / year transferred to profit and loss account	(16,043)	(50,347)
	<u>911,576</u>	<u>926,067</u>
	<u>9,632,417</u>	<u>9,588,927</u>

12.2 **Surplus on revaluation of investments**

Market Treasury Bills	414,359	1,863,369
Pakistan Investment Bonds	2,352,323	1,490,249
Government of Pakistan Sukuk and US Dollar / Euro Bonds	(52,412)	(103,195)
Listed Securities	1,484,502	800,331
NIT Units	17,425	11,283
Other Investments	(62,605)	415,888
	<u>4,153,592</u>	<u>4,477,925</u>
Surplus on revaluation of investment of associates	144,779	79,968
Related deferred tax liability	(1,158,733)	(1,361,584)
	<u>3,139,638</u>	<u>3,196,309</u>

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	260,312	306,856
- Financial institutions	295,000	295,000
- Others	29,422,157	35,337,468
	<u>29,977,469</u>	<u>35,939,324</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	570,297	535,006
- Financial institutions	1,917,472	3,610,133
- Others	42,244,020	41,118,227
	<u>44,731,789</u>	<u>45,263,366</u>
13.3 Trade-related commitments		
Credit cash	69,774,950	78,028,544
Credit documentary acceptances	25,078,748	18,535,338
Credit acceptances	45,222,902	37,882,972
	<u>140,076,600</u>	<u>134,446,854</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>34,213,333</u>	<u>33,504,140</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, 2013	December 31, 2012
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	135,763,807	167,104,754
Sale	135,860,315	167,168,508
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	205,659	1,317,948
Sale	205,659	1,317,948
Commitments in respect of cross currency swaps		
Purchase	581,843	3,659,009
Sale	581,843	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	265,759	444,199
Sale	510,759	291,449
13.7 Commitments for acquisition of fixed assets / intangibles	833,397	663,125

13.8 Taxation

The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2011. The tax authorities have concluded the audit of years 2002 through 2011.

As per Rule 8(A) of the Seventh Schedule, amounts provided for in tax year 2008 (December 2007) and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, 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. 2.196 billion.

14 MARK-UP / RETURN / PROFIT EARNED

	For the six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	22,923,626	26,823,852
- Financial institutions	128,372	105,237
<i>On investments:</i>		
- Available-for-sale	33,654,447	23,079,218
- Held-for-trading	957,504	517,751
- Held-to-maturity	2,547,161	2,507,001
On deposits with financial institutions	558,620	392,965
On lendings to financial institutions	790,418	1,138,444
	<u>61,560,148</u>	<u>54,564,468</u>

15 MARK-UP / RETURN / PROFIT EXPENSED

Deposits	29,227,933	23,394,559
Securities sold under repurchase agreement borrowings	4,852,604	504,394
Other short term borrowings	1,001,264	1,288,146
Long term borrowings	236,533	265,930
	<u>35,318,334</u>	<u>25,453,029</u>

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 on arm's length basis i.e. 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 advances to related parties are given in note 7.6 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, 2013					
	Individual and companies related through					
Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party	
-----Rs. in 000-----						
Statement of financial position						
Deposits	-	3,351,964	-	2,202,042	115,321	2,732,144
Maximum Deposits During the period	-	4,208,820	-	7,942,206	115,321	3,833,229
Borrowings	-	1,936,776	-	-	-	-
Investments	-	-	-	7,328,886	1,235,403	-
Markup / Other Receivable	-	-	-	225,011	-	-
Mark-up / Other Payable	-	-	-	-	-	384,637
Placements / Lendings	-	342,458	-	-	-	-
Overdrawn Nostro	-	-	-	483,346	-	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	-	54,573	-	1,621,280	95,742	-
Interest / Other Expense	-	266,217	-	428,951	-	288,850
Others						
Other contingencies	-	314,368	-	-	-	-
Securities Held as custodian	-	7,338,895	1,191,000	27,796,400	-	13,284,390

	December 31, 2012					
	Individual and companies related through					
Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party	
-----Rs. in 000-----						
Statement of financial position						
Deposits	-	3,876,800	-	6,934,694	-	2,961,756
Maximum Deposits During the period	-	3,942,716	-	7,140,124	-	2,963,637
Borrowings	-	1,451,441	-	-	-	-
Investments	-	-	-	7,120,785	1,312,091	-
Markup / Other Receivable	-	32,904	-	220,000	-	-
Mark-up / Other Payable	-	-	-	-	-	1,668,442
Placements / Lendings	-	1,330,363	-	-	-	-
Overdrawn Nostro	-	656,893	-	292,891	-	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	-	221,970	-	2,577,340	362,436	-
Interest / Other Expense	-	324,603	-	683,085	-	170,711
Others						
Other contingencies	-	361,835	-	-	-	127,318
Securities Held as custodian	-	4,808,720	762,000	17,945,000	-	12,378,000

16.1 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, 2013	June 30, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	776,889	687,882
Contribution to provident and benevolent fund	12,177	11,294
Medical	23,865	19,319
	812,931	718,495
Number of persons	169	168

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	------(Rupees in million)-----					
Net interest income - External	(18,887)	11,816	30,505	2,975	(167)	26,242
Inter segment revenue - net	32,840	(9,395)	(28,319)	-	4,874	-
Non-funded income	3,425	1,233	1,508	2,401	(542)	8,025
Net interest and non-markup income	17,378	3,654	3,694	5,376	4,165	34,267
Total expenses including provision (excluding impairment)	7,883	1,378	100	4,090	4,998	18,449
Impairment against investments	-	-	(30)	-	(21)	(51)
Inter segment administrative cost	3,157	631	91	348	(4,227)	-
Total expenses including provision	11,040	2,009	161	4,438	750	18,398
Net income before tax	6,338	1,645	3,533	938	3,415	15,869
Segment assets gross	125,394	329,363	830,780	291,639	103,533	1,680,709
Segment non-performing loans	8,469	30,908	-	19,505	208	59,090
Segment provision required including general provision	8,021	25,635	279	13,290	1,394	48,619
Segment liabilities including equity	914,612	143,488	138,224	206,971	228,795	1,632,090
Segment gross earnings on liability / asset %	9.34%	9.64%	9.06%	4.54%	3.74%	-
Segment cost of funds %	5.58%	7.59%	8.16%	1.18%	0.96%	-
	------(Rupees in million)-----					
	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%	-

18 **CONSOLIDATED FINANCIAL POSITION OF ISLAMIC BANKING BUSINESS AND FIRST HABIB BANK MODARABA**

The consolidated statement of financial position of the Islamic Banking Business and First Habib Bank Modaraba is as follows:

	Note	June 30, 2013	December 31, 2012
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		1,667,337	1,710,846
Balances with other banks		4,751	412,446
Due from Financial Institutions		2,840,000	5,480,000
Investments - net		26,692,154	22,369,313
Islamic financing and related assets	18.1	4,789,465	3,108,988
Operating Fixed assets		401	516
Due from Head Office		691,813	-
Deferred tax asset		-	34,036
Other assets		1,074,917	782,906
		<u>37,760,838</u>	<u>33,899,051</u>
LIABILITIES			
Bills payable		698	457
Due to Financial Institutions		58,000	576,000
Deposit and other accounts		-	-
- Current Accounts		4,114,497	2,697,055
- Savings Accounts		15,486,442	11,417,392
- Term Deposits		10,361,715	7,087,919
- Deposits from financial institutions- remunerative		5,386,188	9,825,657
- Deposits from financial institutions- non -remunerative		30,177	8,360
Due to Head office		-	240,544
Deferred tax liability		8,391	-
Other liabilities		738,246	712,582
		<u>36,184,354</u>	<u>32,565,966</u>
NET ASSETS			
		<u>1,576,484</u>	<u>1,333,085</u>
REPRESENTED BY:			
Islamic banking fund / certificate capital		647,072	647,072
Reserves		703,794	548,519
Unappropriated profit		198,145	192,915
		<u>1,549,011</u>	<u>1,388,506</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax		27,473	(55,421)
		<u>1,576,484</u>	<u>1,333,085</u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 163.921 million (2012 Rs. 143.332 million).

18.1 **Islamic financing and related assets**

Murabaha	18.1.1	321,176	420,496
Ijarah	18.1.2	895,434	929,402
Musharaka		1,451,613	1,063,006
Advance for Murabaha		16,593	38,577
Advance for Ijarah		20,616	3,858
Istisna		1,558,502	326,000
Assets/Inventories		525,531	327,649
		<u>4,789,465</u>	<u>3,108,988</u>

18.1.1 This represents assets sold under Murabaha agreement.

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

19. **GENERAL**

The comparative figures have been restated / reclassified for comparison purposes, where necessary.

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 22, 2013.