

## Directors' Review

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

### Financial Performance: Rs. in million

The financial results of the Group are summarized below:

Profit after tax	17,402
	=====
Movement of Reserves	
Unappropriated profit brought forward	56,981
Profit attributable to shareholders	17,225
Transferred from surplus on revaluation of fixed assets – net of tax	248
Transfer to statutory reserves	(1,637)
Cash dividend	(8,651)
Issued as bonus shares	(1,102)
	-----
Unappropriated profit carried forward	63,064
	=====
Earnings per share rupees (Basic & Diluted)	14.21
	=====

The economy witnessed modest recovery; the GDP growth for the year 2011 – 12 was recorded at 3.7 percent as compared to 3 percent in the previous fiscal year. The Agriculture and Manufacturing sectors have shown modest growth. Inflationary pressure has eased further as CPI was recorded at 8.8 percent on year to year basis in September 2012 as compared to 10.5 percent in the corresponding period last year. However, despite decline in inflation, the economy continues to face challenges due to energy crises, weak global economy and low foreign financial inflows.

In spite of the challenging economic environment, HBL continued to show impressive performance in terms of growth and profitability. The deposits at Rs. 1,102 billion showed growth of 18% for the nine months ended September 30, 2012, with CASA at 68.27%. The investments at Rs.636 billion recorded growth of 52% while advances at Rs.479 billion were up by 5%.

The pre-tax and after tax profit for the period ended September 30, 2012 at Rs.28 billion and Rs.17.4billion respectively was up by 16% and 11% respectively compared to corresponding period last year. The earning per share after tax for nine months ended September 30, 2012 was Rs.14.21 as against Rs.12.88 per share in the corresponding period last year.

## **Credit Rating Upgraded**

JCR VIS Credit Rating Agency of Pakistan has upgraded the entity ratings of the Bank to “AAA / A-1+” (Triple A/ A-One Plus) from “AA+/A-1+” (Double A Plus / A-One Plus) with ‘Stable’ outlook. HBL has therefore become the first private sector bank of Pakistan to achieve this status.

## **Awards**

HBL was also conferred the “Leading Bank in Home Remittances” Award for the year 2011 by the Pakistan Remittance Initiative.

## **Future Outlook**

The State Bank of Pakistan reduced its policy rate from 12% to 10.5% on August 13, 2012 and further to 10% on October 8, 2012. The reduction of policy rate by 200 bps is likely to affect the interest income of banking sector. In spite of reduction in policy rate, the demand for fresh credit from private sector is likely to be limited mainly due to energy shortage and slow growth in exports on account of weak global economy. The banks would, therefore be forced to invest in low yield government securities. As a result the pace of growth in profitability may not be maintained in the fourth quarter of the current year.

HBL is committed to providing convenient and efficient banking services to its customer. The Bank has entered into an agreement with UnionPay (UP) of China to issue UP Cards in Pakistan and in global market where HBL has presence. This alliance will give HBL the ability to advance its financial inclusion plan by delivering innovative and affordable product solutions to its customers. HBL plans to roll out UP Cards and solutions in various overseas markets by mid 2013.

## **Changes in Directorship**

Mr. R. Zakir Mahmood retired as President & CEO of the Bank after serving for over twelve years on September 28, 2012. He will, however, continue as Director on the Board of HBL. Mr. Nauman K. Dar has been appointed as President & CEO of HBL. The Board places on record their appreciation for the contribution of Mr. R. Zakir Mahmood and wishes the new President and CEO Mr. Nauman K. Dar every success.

## **Appreciation and Acknowledgement**

The Board appreciates 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.

The Board and Management would like to take this opportunity to also thank the customers and the shareholders for entrusting their confidence in HBL 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

Nauman K. Dar  
President & Chief Executive Officer  
October 31, 2012

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

	Note	(Unaudited) September 30, 2012	(Audited) December 31, 2011
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		141,043,263	103,399,623
Balances with other banks		40,905,122	47,349,505
Lendings to financial institutions		14,752,263	41,581,029
Investments	6	636,211,169	418,604,147
Advances	7	479,009,005	457,367,656
Fixed assets	8	20,683,775	19,167,654
Deferred tax asset		6,172,436	7,275,888
Other assets		49,715,883	44,808,703
		1,388,492,916	1,139,554,205
<b>LIABILITIES</b>			
Bills payable		15,032,760	13,894,502
Borrowings	9	99,956,628	39,473,670
Deposits and other accounts	10	1,102,127,044	933,631,525
Sub-ordinated loans	11	5,312,157	5,036,100
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		42,075,886	37,931,420
		1,264,504,475	1,029,967,217
<b>NET ASSETS</b>			
		123,988,441	109,586,988
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		12,122,748	11,020,680
Reserves		36,276,759	32,145,755
Unappropriated profit		63,063,951	56,980,697
Total equity attributable to the equity holders of the Bank		111,463,458	100,147,132
Non-controlling interest		1,351,297	1,236,290
Surplus on revaluation of assets - net of deferred tax	12	11,173,686	8,203,566
		123,988,441	109,586,988
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

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

	Note	January 01 to September 30, 2012	January 01 to September 30, 2011	July 01 to September 30, 2012	July 01 to September 30, 2011
------(Rupees in '000)-----					
Mark-up / return / interest earned	15	84,614,861	71,564,734	30,050,393	25,458,299
Mark-up / return / interest expensed	16	41,008,062	30,531,663	15,555,033	11,259,892
Net mark-up / interest income		43,606,799	41,033,071	14,495,360	14,198,407
Provision against non-performing loans and advances - net (Reversal) / Charge against off-balance sheet obligations	7.2 / 7.4	4,183,474 (34,014)	5,729,519 (15,950)	1,404,223 58,349	983,343 (46,497)
(Reversal) / Charge against diminution in the value of investments - net Bad debts written off directly	6.3	(537,918) -	(22,847) -	(39,556) -	4,367 -
Net mark-up / interest income after provisions		3,611,542 39,995,257	5,690,722 35,342,349	1,423,016 13,072,344	941,213 13,257,194
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		4,694,206	4,107,896	1,553,869	1,290,870
Dividend income		305,717	215,809	102,365	47,055
Share of profit of associates and joint venture		1,143,517	615,931	348,171	100,122
Gain on sale of securities		753,011	361,150	343,483	75,138
Unrealized gain / (loss) on held for trading securities		7,318	(1,398)	(12,994)	21,827
Income from dealing in foreign currencies		2,142,220	3,249,856	535,405	895,884
Other income		2,471,064	2,239,017	857,887	744,437
Total non-mark-up / interest income		11,517,053 51,512,310	10,788,261 46,130,610	3,728,186 16,800,530	3,175,333 16,432,527
<b>Non mark-up / interest expense</b>					
Administrative expenses		22,848,651	21,521,455	7,707,011	7,520,166
Other provisions / write offs - net		26,195	(67,014)	(7,085)	66,779
Other charges		13,178	76,052	11,686	968
Workers welfare fund		544,811	465,313	170,062	161,818
Total non mark-up / interest expenses		23,432,835 28,079,475	21,995,806 24,134,804	7,881,674 8,918,856	7,749,731 8,682,796
<b>Profit before taxation</b>					
<b>Taxation</b>					
current		9,922,427	9,046,130	3,165,864	3,216,578
prior		1,153,182	17,488	397,797	-
deferred		(397,947)	(651,285)	(188,101)	(246,278)
Profit after taxation		10,677,662 17,401,813	8,412,333 15,722,471	3,375,560 5,543,296	2,970,300 5,712,496
<b>Attributable to:</b>					
Equity holders of the Bank		17,225,093	15,610,231	5,494,432	5,702,939
Non-controlling interest		69,425	41,931	20,462	17,705
Minority investor of HBL funds		107,295	70,309	28,402	(8,148)
		17,401,813 <u>17,401,813</u>	15,722,471 <u>15,722,471</u>	5,543,296 <u>5,543,296</u>	5,712,496 <u>5,712,496</u>
------(Rupees)-----					
Basic and diluted earnings per share		14.21	12.88	4.53	4.70

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

President and Chief Executive Officer

Director

Director

Director

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

	<b>January 01 to September 30, 2012</b>	<b>January 01 to September 30, 2011</b>	<b>July 01 to September 30, 2012</b>	<b>July 01 to September 30, 2011</b>
	----- <b>(Rupees in '000)</b> -----			
<b>Profit for the period</b>	17,401,813	15,722,471	5,543,296	5,712,496
<b>Other comprehensive income</b>				
Minority share of HBL funds transferred to other liabilities	(107,295)	(70,309)	(28,402)	8,148
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	2,564,997	(476,305)	648,628	(436,219)
<b>Comprehensive income transferred to equity</b>	<u>19,859,515</u>	<u>15,175,857</u>	<u>6,163,522</u>	<u>5,284,425</u>
<b>Components of comprehensive income not reflected in equity</b>				
Surplus on revaluation of investments	4,782,310	1,430,297	4,723,072	1,178,912
Deferred tax on revaluation of investments	(1,563,883)	(388,134)	(1,604,245)	(389,006)
	<u>23,077,942</u>	<u>16,218,020</u>	<u>9,282,349</u>	<u>6,074,331</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	22,867,110	16,052,135	9,201,227	6,052,585
Non-controlling interest	167,759	57,046	54,428	10,912
Minority investor	43,073	108,839	26,693	10,834
	<u>23,077,942</u>	<u>16,218,020</u>	<u>9,282,349</u>	<u>6,074,331</u>

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

**President and Chief Executive Officer**

**Director**

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

	Attributable to shareholders of the Group							Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves				Subtotal		
			Statutory requirement	Other reserves					
		Joint venture and subsidiaries	Bank	General	Unappropriated profit				
------(Rupees in '000)-----									
Balance as at December 31, 2010	10,018,800	9,216,986	254,641	13,810,116	6,073,812	47,467,704	86,842,059	1,212,656	88,054,715
<b>Total comprehensive income for the period</b>									
Profit for the nine months ended September 30, 2011	-	-	-	-	-	15,680,540	15,680,540	41,931	15,722,471
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(70,309)	(70,309)	-	(70,309)
<b>- Other comprehensive income</b>									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(493,072)	-	-	-	-	(493,072)	16,767	(476,305)
	-	(493,072)	-	-	-	15,610,231	15,117,159	58,698	15,175,857
<b>Transactions with owners, recorded directly in equity</b>									
Final Cash dividend paid at Rs. 6.5 per share for the year ended December 31, 2010	-	-	-	-	-	(6,512,220)	(6,512,220)	-	(6,512,220)
Cash dividend paid at Rs. 1.3 per certificate by modarab:	1,001,880	-	-	-	-	-	-	(46,458)	(46,458)
Issued as bonus shares	-	-	-	-	-	(1,001,880)	-	-	-
	1,001,880	-	-	-	-	(7,514,100)	(6,512,220)	(46,458)	(6,558,678)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	93,237	93,237	-	93,237
Transferred to statutory reserves	-	-	26,689	1,443,512	-	(1,470,201)	-	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	(196)	(196)
Balance as at September 30, 2011	11,020,680	8,723,914	281,330	15,253,628	6,073,812	54,186,871	95,540,235	1,224,700	96,764,935
<b>Total comprehensive income for the period</b>									
Profit for the three months ended December 31, 2011	-	-	-	-	-	6,595,419	6,595,419	15,132	6,610,551
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(15,887)	(15,887)	-	(15,887)
<b>- Other comprehensive income</b>									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,163,307	-	-	-	-	1,163,307	10,201	1,173,508
	-	1,163,307	-	-	-	6,579,532	7,742,839	25,333	7,768,172
<b>Transactions with owners, recorded directly in equity</b>									
Half year interim cash dividend paid at Rs. 3 per share	-	-	-	-	-	(3,306,204)	(3,306,204)	-	(3,306,204)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	170,262	170,262	-	170,262
Transferred to statutory reserves	-	-	19,094	630,670	-	(649,764)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(13,743)	(13,743)
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
<b>Total comprehensive income for the period</b>									
Profit for the nine months ended September 30, 2012	-	-	-	-	-	17,332,388	17,332,388	69,425	17,401,813
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(107,295)	(107,295)	-	(107,295)
<b>- Other comprehensive income</b>									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	2,494,160	-	-	-	-	2,494,160	70,837	2,564,997
	-	2,494,160	-	-	-	17,225,093	19,719,253	140,262	19,859,515
<b>Transactions with owners, recorded directly in equity</b>									
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	-	(4,408,272)	(4,408,272)	-	(4,408,272)
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 modarab:	-	-	-	-	-	-	-	(52,713)	(52,713)
Issued as bonus shares	1,102,068	-	-	-	-	(1,102,068)	-	-	-
	1,102,068	-	-	-	-	(9,753,302)	(8,651,234)	(52,713)	(8,703,947)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	248,307	248,307	-	248,307
Transferred to statutory reserves	-	-	44,103	1,592,741	-	(1,636,844)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	27,458	27,458
Balance as at September 30, 2012	12,122,748	12,381,381	344,527	17,477,039	6,073,812	63,063,951	111,463,458	1,351,297	112,814,755

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	28,079,475	24,134,804
Dividend income and share of profit of associates and joint venture	(1,449,234)	(831,740)
Gain on sale of securities	(753,011)	(361,150)
	(2,202,245)	(1,192,890)
	25,877,230	22,941,914
<b>Adjustment for:</b>		
Depreciation / amortisation	1,179,467	1,087,117
Provision against diminution in the value of investments	(537,918)	(22,847)
Provision against non-performing loans and advances	4,183,474	5,729,519
Unrealised (gain) / loss on held for sale securities	(7,318)	1,398
Exchange impact on sub-ordinated loans / Goodwill - net	106,386	617,276
Gain on sale of property and equipment	(8,327)	(30,321)
Miscellaneous provisions	(7,819)	(82,964)
	4,907,945	7,299,178
	30,785,175	30,241,092
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	26,828,766	19,173,121
Advances	(25,824,823)	8,270,288
Other assets	(5,886,117)	(10,973,791)
	(4,882,174)	16,469,618
<b>Increase in operating liabilities</b>		
Bills payable	1,138,258	3,424,593
Borrowings	60,482,958	4,030,656
Deposits and other accounts	168,495,519	109,791,637
Other liabilities	3,829,567	10,433,955
	233,946,302	127,680,841
	259,849,303	174,391,551
Income tax paid - net	(10,091,512)	(8,100,176)
<b>Net cash flows from operating activities</b>	249,757,791	166,291,375
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments	(210,382,948)	(127,770,460)
Dividend income received	211,878	193,534
Fixed capital expenditure	(2,739,978)	(3,850,720)
Proceeds from sale of fixed assets	222,388	40,989
Exchange adjustment on translation of balances in foreign branches, subsidiaries, joint venture and associates	2,494,160	(493,072)
<b>Net cash flows used in investing activities</b>	(210,194,500)	(131,879,729)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Exchange adjustment on translation of non-controlling interest in subsidiary	70,837	16,767
Dividend paid	(8,434,871)	(6,473,731)
<b>Net cash flows used in financing activities</b>	(8,364,034)	(6,456,964)
Increase in cash and cash equivalents during the period	31,199,257	27,954,682
Cash and cash equivalents at beginning of the period	143,162,176	118,706,672
Effects of exchange rate changes on cash and cash equivalents	7,586,952	346,759
	150,749,128	119,053,431
Cash and cash equivalents at end of the period	181,948,385	147,008,113

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

President and Chief Executive Officer

Director

Director

Director



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

**1 THE GROUP AND ITS OPERATIONS**

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

**2 STATEMENT OF COMPLIANCE**

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

**3 ACCOUNTING POLICIES**

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

**4 ACCOUNTING ESTIMATES**

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

**5 FINANCIAL RISK MANAGEMENT**

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

6	INVESTMENTS	Note	September 30, 2012			December 31, 2011		
			Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
------(Rupees in '000)-----								
<b>Held-for-trading (HFT)</b>								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds		674,983	-	674,983	395,470	-	395,470
	- Market Treasury Bills		28,864,444	-	28,864,444	2,870,862	-	2,870,862
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		3,679	-	3,679	-	-	-
<i>Investments of Mutual Funds</i>								
			399,362	-	399,362	170,235	-	170,235
			29,942,468	-	29,942,468	3,436,567	-	3,436,567
<b>Held-to-maturity securities (HTM)</b>								
<i>Federal Government Securities</i>								
	- Pakistan Investment Bonds	6.1	44,162,228	-	44,162,228	44,181,840	-	44,181,840
<b>Debentures and Corporate Debt Instruments</b>								
			186,136	-	186,136	242,492	-	242,492
			44,348,364	-	44,348,364	44,424,332	-	44,424,332
<b>Available-for-sale securities (AFS)</b>								
<i>Federal Government Securities</i>								
	- Market Treasury Bills		358,132,047	61,290,096	419,422,143	265,930,965	-	265,930,965
	- Pakistan Investment Bonds		44,997,540	-	44,997,540	26,335,105	-	26,335,105
	- Government of Pakistan Guaranteed Bonds		455,000	-	455,000	425,000	-	425,000
	- Government of Pakistan Sukuk and US Dollar / Euro Bonds		24,947,581	-	24,947,581	16,461,243	-	16,461,243
<b>Overseas Government Securities</b>								
			18,913,943	-	18,913,943	16,695,882	-	16,695,882
<i>Fully paid-up ordinary shares</i>								
	- Listed companies		3,347,362	-	3,347,362	2,510,571	-	2,510,571
	- Unlisted companies		716,920	-	716,920	761,038	-	761,038
<i>Debentures and Corporate Debt Instruments</i>								
	- Listed securities		10,501,635	-	10,501,635	6,264,740	-	6,264,740
	- Unlisted securities		24,191,460	-	24,191,460	27,879,121	-	27,879,121
<b>NIT Units</b>								
			11,113	-	11,113	11,529	-	11,529
<b>Preference Shares</b>								
			100,000	-	100,000	200,000	-	200,000
<i>Investments of Mutual Funds</i>								
			3,755,197	-	3,755,197	3,436,949	-	3,436,949
			490,069,798	61,290,096	551,359,894	366,912,143	-	366,912,143
<b>Investment in associates and Joint Venture</b>								
		6.2	7,875,420	-	7,875,420	6,604,823	-	6,604,823
<b>Investment at cost</b>								
			572,236,050	61,290,096	633,526,146	421,377,865	-	421,377,865
Provision for diminution / impairment in the value of investments including associates								
			(1,701,465)	-	(1,701,465)	(2,364,383)	-	(2,364,383)
<b>Net Investment</b>								
			570,534,585	61,290,096	631,824,681	419,013,482	-	419,013,482
Deficit on revaluation of held for trading securities								
			(23,307)	-	(23,307)	(36,820)	-	(36,820)
Surplus / (deficit) on revaluation of available for sale securities								
			4,363,796	-	4,363,796	(366,720)	-	(366,720)
Surplus / (deficit) on revaluation of investment of associates								
			45,999	-	45,999	(5,795)	-	(5,795)
<b>Total investments at market value</b>								
			574,921,073	61,290,096	636,211,169	418,604,147	-	418,604,147

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2012 amounted to Rs. 46,180.757 million (2011: Rs. 43,459.276 million).

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

	September 30, 2012	December 31, 2011
	<b>Shareholding %</b>	
Jubilee General Insurance Company Limited	16.50%	14.27
Diamond Trust Bank Limited, Kenya	11.68%	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:

	September 30, 2012	December 31, 2011
	(Rupees in '000)	
Opening balance	2,364,383	2,122,286
(Reversal) / Charge for the period / year - net	(169,739)	152,275
Impairment (reversal) / charge on listed securities - net	(368,179)	84,808
Total (reversal) / charge - net	(537,918)	237,083
Amount written off	(125,000)	-
Exchange adjustment	-	5,014
Closing balance	<u>1,701,465</u>	<u>2,364,383</u>

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

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

## 7 ADVANCES

	Note	September 30, 2012	December 31, 2011
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		374,897,603	361,688,597
Outside Pakistan		96,256,906	90,131,791
		<u>471,154,509</u>	<u>451,820,388</u>
Net investment in finance lease - in Pakistan		4,582,063	3,852,860
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		12,286,807	10,420,082
Payable outside Pakistan		39,528,444	37,360,374
		51,815,251	47,780,456
Provision against non-performing advances	7.2	(48,542,818)	(46,086,048)
		<u>479,009,005</u>	<u>457,367,656</u>
<b>Fully provided non-performing advances classified as loss for more than five years</b>			
In Pakistan		15,853,713	13,640,851
Provision	7.4	(15,853,713)	(13,640,851)
		-	-

- 7.1 Advances include Rs. 61,207.599 million (2011: Rs. 56,549.062 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category.

Category of classification	September 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)								
<b>Specific provision</b>									
Other assets especially mentioned	1,314,322	-	1,314,322	-	-	-	1,314,322	-	1,314,322
Substandard	6,139,466	5,031,538	11,171,004	1,492,736	1,000,420	2,493,156	4,646,730	4,031,118	8,677,848
Doubtful	4,920,299	2,372,505	7,292,804	2,105,357	1,468,854	3,574,211	2,814,942	903,651	3,718,593
Loss	31,470,592	9,958,877	41,429,469	30,606,382	9,903,358	40,509,740	864,210	55,519	919,729
	43,844,679	17,362,920	61,207,599	34,204,475	12,372,632	46,577,107	9,640,204	4,990,288	14,630,492
<b>General provision</b>	-	-	-	1,367,969	597,742	1,965,711	-	-	-
	43,844,679	17,362,920	61,207,599	35,572,444	12,970,374	48,542,818	9,640,204	4,990,288	14,630,492

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

7.2 Particulars of provision against non-performing advances

Note	September 30, 2012			December 31, 2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	44,307,124	1,778,924	46,086,048	41,177,649	1,517,976	42,695,625
Exchange adjustment / other movement	953,355	40,019	993,374	676,468	14,765	691,233
Transfer of provision on consolidation of Habibsons Bank limited	-	-	-	110,342	-	110,342
Charge for the period / year	4,837,861	154,466	4,992,327	7,668,524	260,441	7,928,965
Reversals	(116,460)	(7,698)	(124,158)	(401,035)	(14,258)	(415,293)
	4,721,401	146,768	4,868,169	7,267,489	246,183	7,513,672
Write offs	(440,162)	-	(440,162)	(753,595)	-	(753,595)
Transferred to interest suspense	-	-	-	(2,198,908)	-	(2,198,908)
Transferred to over 5 years category	(2,964,611)	-	(2,964,611)	(1,972,321)	-	(1,972,321)
Closing balance	46,577,107	1,965,711	48,542,818	44,307,124	1,778,924	46,086,048

- 7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at September 30, 2012 would have been higher by Rs. 789.738 million and profit before taxation for the period ended September 30, 2012 would have been lower by approximately Rs. 102.012 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. 513.330 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	September 30, 2012	December 31, 2011
	(Rupees in '000)	
Opening balance	13,640,851	12,527,683
Reversals	(684,695)	(816,117)
Transferred during the period / year	2,964,611	1,972,321
Write offs	(67,054)	(43,036)
	15,853,713	13,640,851

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

	September 30, 2012			December 31, 2011		
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of loans and 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)	1,477,300	1,517,300	353,828	1,231,700	1,265,700	476,312
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	642,820	653,220	36,257	593,208	602,308	46,450
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	3,915,774	4,475,307	855,500	4,257,405	4,811,705	11,210,022
Debts due by companies in which key management personnel are nominated by the Bank as directors						
- Guaranteed by Government	14,115,634	14,786,854	4,275,607	10,917,405	13,576,635	-
- Others	27,352	31,714	-	32,869	43,976	-

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	<b>FIXED ASSETS</b>	September 30, 2012	December 31, 2011
		(Rupees in '000)	
	Tangible fixed assets	17,287,446	16,690,640
	Intangible assets		
	- Goodwill	1,715,974	1,546,303
	- Computer software	180,247	127,579
	Capital work-in-progress	1,500,108	803,132
		<u>20,683,775</u>	<u>19,167,654</u>

8.1	<b>Additions to fixed assets</b>	For the nine months ended	
		September 30, 2012	September 30, 2011
		(Rupees in '000)	

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

<b>Tangible fixed assets</b>		
Land	337,815	1,017,992
Building including related machinery	610,344	404,217
Furniture, fixtures and office equipments	966,942	642,982
Vehicles	19,954	29,942
Intangible assets	107,945	1,442,684
Capital work-in-progress	696,978	312,903
	<u>2,739,978</u>	<u>3,850,720</u>

8.2	<b>Disposal of fixed assets</b>	For the nine months ended	
		September 30, 2012	September 30, 2011
		(Rupees in '000)	

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

<b>Tangible fixed assets</b>		
Land	156,864	92
Building including related machinery	72,775	-
Furniture, fixtures and office equipments	282,565	253,767
Vehicles	27,689	36,829
Intangible assets	420	1,237
	<u>540,313</u>	<u>291,925</u>

9 **BORROWINGS**

	September 30, 2012	December 31, 2011
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	13,024,713	18,182,197
Long term financing facility - locally manufactured and imported plant & machinery	4,835,751	4,204,722
Long term finance - export oriented projects	1,116,983	1,774,534
Refinance facility for modernization of SMEs	12,649	-
Repurchase agreement borrowings	61,290,097	-
	80,280,193	24,161,453
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings	5,960,000	3,600,000
Outside Pakistan:		
Overdrawn nostro accounts	906,050	455,484
Borrowings of overseas branches and subsidiaries	12,810,385	11,256,733
	13,716,435	11,712,217
	19,676,435	15,312,217
	99,956,628	39,473,670

10 **DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Current accounts - non-remunerative	263,209,939	240,687,417
Current accounts - remunerative	1,674,894	1,694,058
Savings chequing account	463,499,720	392,253,551
Fixed deposits	344,269,075	281,178,059
	1,072,653,628	915,813,085

**Financial institutions**

Current accounts - non-remunerative	20,831,809	6,631,881
Savings chequing account	3,170,457	2,815,116
Fixed deposits	5,471,150	8,371,443
	29,473,416	17,818,440
	1,102,127,044	933,631,525

11 **SUB-ORDINATED LOANS**

- 11.1 The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2011: US \$ 50 million) equivalent to pak rupees 4,740.525 million (2011: 4,497.285 million). The principal amount is repayable in four equal half yearly installments commencing from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.
- 11.2 During the year 2010, Habibsons Bank Limited has issued a subordinated loan of US \$ 6 million equivalent to pak rupees 571.632 million. This is repayable in the year 2020 and carries interest at LIBOR + 2.00%. The loan is subordinated to the claims of depositors and other creditors.

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

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

Surplus / (deficit) arising on revaluation of:

- fixed assets	12.1	8,094,075	8,342,382
- investments	12.2	3,079,611	(138,816)
Surplus on revaluation of assets - net of deferred tax		11,173,686	8,203,566

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1		9,143,739	9,476,539
Surplus realised on disposal of revalued properties during the period / year		(155,285)	(139,331)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(93,022)	(124,168)
Related deferred tax liability of incremental depreciation charged during the period / year		(50,089)	(66,860)
Related deferred tax liability on disposal of revalued properties		(873)	(2,441)
Surplus on revaluation of fixed assets as at period / year end		8,844,470	9,143,739

Less: related deferred tax liability on:

- revaluation as at January 1		801,357	870,658
- surplus realised on disposal of revalued properties during the period / year		(873)	(2,441)
- incremental depreciation charged during the period / year transferred to profit and loss account		(50,089)	(66,860)
		750,395	801,357
		8,094,075	8,342,382

12.2 **Deficit on revaluation of investments**

Market Treasury Bills		1,901,319	611,824
Pakistan Investment Bonds		1,470,477	(197,281)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		(75,854)	(834,680)
Listed Securities		697,695	157,497
NIT Units		9,067	7,089
Other Investments		361,092	(111,169)
		4,363,796	(366,720)
Surplus / (deficit) on revaluation of investment of associates		45,999	(5,795)
Related deferred tax (liability) / asset		(1,330,184)	233,699
		3,079,611	(138,816)

13 **CONTINGENCIES AND COMMITMENTS**

13.1 **Direct credit substitutes - financial guarantees**

Guarantees in favour of:

- Government		308,300	354,078
- Financial institutions		306,829	318,596
- Others		23,600,753	22,236,973
		24,215,882	22,909,647

13.2 <b>Transaction-related contingent liabilities</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
	<b>(Rupees in '000)</b>	
Guarantees in favour of:		
- Government	547,072	1,604,813
- Financial institutions	2,099,568	636,292
- Others	38,082,886	33,562,792
	<u>40,729,526</u>	<u>35,803,897</u>

### 13.3 **Trade-related commitments**

Credit cash	66,160,179	70,799,073
Credit documentary acceptances	22,494,104	23,706,700
Credit acceptances	37,280,191	24,016,127
	<u>125,934,474</u>	<u>118,521,900</u>

### 13.4 **Other contingencies**

Claims against the Group not acknowledged as debts	<u>73,304,507</u>	<u>84,671,933</u>
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### 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.

13.6 <b>Commitments in respect of forward foreign and local exchange contracts</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
	<b>(Rupees in '000)</b>	

Purchase	133,181,274	151,577,433
Sale	133,509,437	151,582,034

The above commitments have maturities falling within one year.

#### **Commitments in respect of foreign currency options**

Purchase	88,460	336,655
Sale	88,460	336,655

#### **Commitments in respect of cross currency swaps**

Purchase	3,613,421	2,868,771
Sale	3,613,421	2,868,771

#### **Commitments in respect of foreign and local currency interest rate swaps**

Purchase	468,785	482,551
Sale	316,035	329,801

13.7 <b>Commitments for acquisition of fixed assets / intangibles</b>	436,372	617,961
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### 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. The exposure of the Bank on this issue at the period end is 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; however, the management is confident that the eventual outcome of this issue will be in the favour 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. 2.434 billion.

#### 14 BENAZIR EMPLOYEES STOCK OPTION SCHEME

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

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

Had the exemption not been granted the staff costs of the Group for the period would have been higher by Rs. 1,285 million, profit before taxation would have been lower by Rs. 1,285 million (earnings per share would have been lower by Rs. 1.06 per share) and, as the Scheme is fully funded by GoP, there would have been no impact on retained earnings / equity of the Group.

#### 15 MARK-UP / RETURN / INTEREST EARNED

	<b>For the nine months ended</b>	
	<b>September 30, 2012</b>	<b>September 30, 2011</b>
	<b>(Rupees in '000)</b>	
<i>On loans and advances to:</i>		
- Customers	39,574,334	41,457,487
- Financial institutions	411,218	260,944
<i>On investments:</i>		
- Available-for-sale	37,472,937	26,525,886
- Held-for-trading	869,001	382,898
- Held-to-maturity	3,770,024	345,749
On deposits with financial institutions	933,823	509,224
On lendings to financial institutions	1,583,524	2,082,546
	<u>84,614,861</u>	<u>71,564,734</u>

#### 16 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	37,010,951	27,290,913
Securities sold under repurchase agreement borrowings	1,756,231	630,161
Other short term borrowings	1,925,694	2,189,334
Long term borrowings	315,186	421,255
	<u>41,008,062</u>	<u>30,531,663</u>

17 **RELATED PARTY TRANSACTIONS**

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

Banking transactions with the related parties are executed 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 loans and advances to related parties are given in note 7.5 to these condensed interim consolidated financial statements.

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

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

	<b>September 30, 2012</b>				
	<b>Individual and companies related through</b>				
	<b>Directors</b>	<b>Key Management Personnel</b>	<b>Parent Group Entities</b>	<b>Subsidiary companies</b>	<b>Joint venture and associates</b>
-----Rs. in 000-----					
<b>Statement of financial position</b>					
Deposits	3,466,749	155,850	3,780,251	-	5,322,326
Borrowings	175,321	-	1,244,549	-	-
Investments	358,462	13,373	-	-	7,938,720
Markup / Other Receivable	60,586	540,154	177	-	92,581
Mark-up / Other Payable	80,586	1,849	57,019	-	821,722
Placements / Lendings	-	-	378,465	-	-
Overdrawn Nostro	-	-	591,842	-	618,107
Impairment provision	-	-	-	-	573,261
<b>Profit and Loss</b>					
Interest / Other Income	231,018	632,226	22,117	-	1,917,237
Interest / Other Expense	117,537	8,820	223,033	-	841,023
Dividend income	6,627	4,927	-	-	-
<b>Others</b>	613,635	148,052	287,250	-	127,318
<b>Securities Held as custodian</b>	3,900	100,420	4,622,900	1,407,600	35,820,370
	<b>December 31, 2011</b>				
	<b>Individual and companies related through</b>				
	<b>Directors</b>	<b>Key Management Personnel</b>	<b>Parent Group Entities</b>	<b>Subsidiary companies</b>	<b>Joint venture and associates</b>
-----Rs. in 000-----					
<b>Statement of financial position</b>					
Deposits	674,209	106,452	2,958,027	-	4,880,187
Borrowings	-	-	636,404	-	-
Investments	519,003	34,113	-	-	6,025,764
Markup / Other Receivable	66,691	471,406	-	-	178,229
Mark-up / Other Payable	14,328	2,124	163,994	-	109,943
Placements / Lendings	300,010	-	362,928	-	-
Overdrawn Nostro	17,920	-	622,334	-	479,556
Impairment provision	-	-	-	-	573,261
<b>Profit and Loss</b>					
Interest / Other Income	228,925	586,364	20,366	-	1,667,831
Interest / Other Expense	392,065	7,550	157,109	-	281,548
Dividend income	3,050	24,793	-	-	-
<b>Others</b>	164,238	62,422	103,044	-	-
<b>Securities Held as custodian</b>	53,700	92,730	3,715,550	945,000	29,132,800

## 17.1 Key management personnel

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

	For the nine months ended	
	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,090,578	923,550
Contribution to provident and benevolent fund	17,259	15,368
Medical	30,099	21,858
	<u>1,137,936</u>	<u>960,776</u>
Number of persons	169	158

## 18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(23,365)	24,201	38,022	4,653	96	43,607
Inter segment revenue - net	50,510	(19,352)	(36,854)	-	5,696	-
Non-funded income	3,654	1,882	2,108	3,411	462	11,517
Net interest and non-markup income	30,799	6,731	3,276	8,064	6,254	55,124
Total expenses including provision (excluding impairment)	11,258	4,024	160	5,348	6,623	27,413
Impairment against investments	-	-	(140)	-	(228)	(368)
Inter segment administrative cost	4,444	889	128	490	(5,951)	-
Total expenses including provision	15,702	4,913	148	5,838	444	27,045
Net income before tax	15,097	1,818	3,128	2,226	5,810	28,079
Segment assets gross	126,869	364,401	597,775	264,609	85,471	1,439,125
Segment non-performing loans	10,240	33,377	-	17,363	228	61,208
Segment provision required including general provision	7,398	27,503	370	13,094	2,267	50,632
Segment liabilities including equity	832,208	117,655	76,728	175,650	186,252	1,388,493
Segment gross earnings on liability / asset %	11.14%	11.81%	10.72%	5.12%	5.45%	
Segment cost of funds %	5.70%	9.32%	9.90%	1.46%	0.91%	
	For the nine months ended September 30, 2011					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(15,386)	33,836	18,837	3,606	140	41,033
Inter segment revenue - net	44,632	(28,736)	(18,286)	-	2,390	-
Non-funded income	3,275	1,876	1,298	3,085	1,254	10,788
Net interest and non-markup income	32,521	6,976	1,849	6,691	3,784	51,821
Total expenses including provision (excluding impairment)	9,403	5,746	92	4,882	7,586	27,709
Impairment against investments	-	103	(70)	-	(56)	(23)
Inter segment administrative cost	5,340	1,068	154	588	(7,150)	-
Total expenses including provision	14,743	6,917	176	5,470	380	27,686
Net income before tax	17,778	59	1,673	1,221	3,404	24,135
Segment assets gross	111,585	410,820	293,796	231,398	64,873	1,112,472
Segment non-performing loans	9,463	31,789	-	17,603	209	59,064
Segment provision required including general provision	6,593	26,009	433	13,752	2,889	49,676
Segment liabilities including equity	645,114	99,617	14,062	148,446	155,557	1,062,796
Segment gross earnings on liability / asset %	12.54%	12.69%	10.71%	4.81%	6.25%	-
Segment cost of funds %	5.31%	10.49%	9.78%	1.15%	0.81%	-

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

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

	Note	September 30, 2012	December 31, 2011
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,190,172	607,326
Balances with other banks		14,699	16,606
Lendings to financial institutions		4,200,000	1,000,000
Investments - net		17,626,694	12,648,185
Murabaha	19.1	319,959	116,096
Ijarah	19.2	894,222	782,434
Musharaka		25,625	34,851
Other assets		2,865,124	500,744
Deferred tax asset		-	32,107
Fixed assets		404	577
		27,136,899	15,738,926
<b>LIABILITIES</b>			
Bills payable		233	43
Borrowings from financial institutions		-	2,000,000
Deposit and other accounts		24,920,480	11,944,594
Deferred tax liability		73,232	-
Other liabilities		645,853	625,437
		25,639,798	14,570,074
<b>NET ASSETS</b>		<b>1,497,101</b>	<b>1,168,852</b>
<b>REPRESENTED BY:</b>			
Islamic banking fund / certificate capital		647,072	647,072
Reserves		544,481	222,963
Unappropriated profit		161,348	352,687
		1,352,901	1,222,722
Surplus / (deficit) on revaluation of assets - net of deferred tax		144,200	(53,870)
		1,497,101	1,168,852

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 191.316 million (2011 Rs. 69.376 million).

19.1 This represents assets sold under Murabaha agreement.

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

20. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on October 31, 2012.

**President and Chief Executive Officer**

**Director**

**Director**

**Director**