

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2013**

	(Unaudited) September 30, 2013	(Audited) December 31, 2012
Note	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	115,889,037	152,324,425
Balances with other banks	27,394,590	23,907,534
Lendings to financial institutions	16,699,750	24,828,255
Investments	6 729,722,509	777,185,323
Advances	7 451,907,745	460,070,634
Operating fixed assets	8 22,392,606	21,185,101
Deferred tax asset	6,361,193	5,743,464
Other assets	61,128,765	52,595,429
	<u>1,431,496,195</u>	<u>1,517,840,165</u>
<b>LIABILITIES</b>		
Bills payable	21,624,659	18,878,652
Borrowings	9 54,044,500	192,108,597
Deposits and other accounts	10 1,184,275,606	1,141,164,975
Sub-ordinated loans	11 3,977,359	4,857,485
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	41,723,064	38,221,804
	<u>1,305,645,188</u>	<u>1,395,231,513</u>
<b>NET ASSETS</b>	<u>125,851,007</u>	<u>122,608,652</u>
<b>REPRESENTED BY:</b>		
<b>Shareholders' equity</b>		
Share capital	13,335,023	12,122,748
Reserves	38,902,651	36,337,497
Unappropriated profit	64,721,006	62,128,562
	116,958,680	110,588,807
Surplus on revaluation of assets - net of deferred tax	12 8,892,327	12,019,845
	<u>125,851,007</u>	<u>122,608,652</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Note	January 01 to September 30, 2013	January 01 to September 30, 2012	July 01 to September 30, 2013	July 01 to September 30, 2012
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	14	89,401,707	82,880,848	28,911,846	29,457,012
Mark-up / return / profit / interest expensed	15	50,123,561	40,495,213	15,162,615	15,367,779
Net mark-up / profit / interest income		39,278,146	42,385,635	13,749,231	14,089,233
Provision against non-performing loans and advances - net	7.2 / 7.4	935,184	4,142,742	(411,487)	1,399,127
Charge / (reversal) against off-balance sheet obligations		33,203	(34,014)	5,618	58,349
Reversal against diminution in the value of investments - net	6.4	(133,855)	(438,418)	(93,228)	(43,238)
Bad debts written off directly		-	-	-	-
		834,532	3,670,310	(499,097)	1,414,238
Net mark-up / profit / interest income after provisions		38,443,614	38,715,325	14,248,328	12,674,995
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		5,149,416	4,031,486	1,645,599	1,333,604
Dividend income		740,751	394,315	355,084	65,159
Income from dealing in foreign currencies		1,019,305	1,912,925	720,232	452,438
Gain on sale of securities		1,178,625	590,993	632,729	270,366
Unrealized loss on held for trading securities		(21,246)	(5,366)	(21,917)	(6,178)
Other income		2,247,103	2,165,058	755,932	693,065
Total non-mark-up / interest income		10,313,954	9,089,411	4,087,659	2,808,454
		48,757,568	47,804,736	18,335,987	15,483,449
<b>Non mark-up / interest expense</b>					
Administrative expenses		24,692,231	21,068,930	9,066,087	7,083,417
Other provisions / write offs - net		(126,181)	69,386	17,701	36,106
Other charges		17,079	13,178	570	11,686
Workers welfare fund		486,866	533,051	186,356	167,107
Total non mark-up / interest expenses		25,069,995	21,684,545	9,270,714	7,298,316
<b>Profit before taxation</b>		23,687,573	26,120,191	9,065,273	8,185,133
<b>Taxation</b>					
current		7,121,567	9,537,686	2,442,477	3,083,848
prior		(14,157)	1,158,830	(15,414)	397,797
deferred		1,084,307	(503,740)	578,316	(237,398)
		8,191,717	10,192,776	3,005,379	3,244,247
<b>Profit after taxation</b>		15,495,856	15,927,415	6,059,894	4,940,886
------(Rupees)-----					
Basic and diluted earnings per share		11.62	11.94	4.54	3.71

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED  
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

	January 01 to September 30, 2013	January 01 to September 30, 2012	July 01 to September 30, 2013	July 01 to September 30, 2012
	------(Rupees in '000)-----			
<b>Profit for the period</b>	15,495,856	15,927,415	6,059,894	4,940,886
<b>Other comprehensive (loss) / income</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Effect of translation of net investment in foreign branches	1,015,568	1,591,049	1,617,331	319,965
<b>Comprehensive income transferred to equity</b>	<u>16,511,424</u>	<u>17,518,464</u>	<u>7,677,225</u>	<u>5,260,851</u>
<b>Components of comprehensive income not reflected in equity</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
(Deficit)/surplus on revaluation of investments	(4,862,834)	4,055,624	(4,455,254)	4,542,476
Deferred tax on revaluation of investments	1,703,590	(1,420,697)	1,560,948	(1,591,376)
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>				
Surplus on revaluation of fixed assets	74,835	-	-	-
Deferred tax on revaluation of fixed assets	(1,552)	-	-	-
<b>Total comprehensive income</b>	<u><u>13,425,463</u></u>	<u><u>20,153,391</u></u>	<u><u>4,782,919</u></u>	<u><u>8,211,951</u></u>

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**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Reserves					Total
	Share capital	Exchange translation reserve	Statutory	Revenue Reserves		
				General	Unappropriated profit	
------(Rupees in '000)-----						
Balance as at December 31, 2011	11,020,680	8,245,586	15,884,298	6,073,812	52,228,646	93,453,022
<b>Total comprehensive income for the period</b>						
Profit for the nine months ended September 30, 2012	-	-	-	-	15,927,415	15,927,415
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	1,591,049	-	-	-	1,591,049
	-	1,591,049	-	-	15,927,415	17,518,464
<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)
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	(4,242,962)	(4,242,962)
Issued as bonus shares	1,102,068	-	-	-	(1,102,068)	-
	1,102,068	-	-	-	(9,753,302)	(8,651,234)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	245,842	245,842
Transferred to statutory reserves	-	-	1,592,741	-	(1,592,741)	-
Balance as at September 30, 2012	12,122,748	9,836,635	17,477,039	6,073,812	57,055,860	102,566,094
<b>Total comprehensive income for the period</b>						
Profit for the three months ended December 31, 2012	-	-	-	-	5,636,750	5,636,750
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	2,386,335	-	-	-	2,386,335
	-	2,386,335	-	-	5,636,750	8,023,085
<b>Transactions with owners, recorded directly in equity</b>						
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	(372)	(372)
Transferred to statutory reserves	-	-	563,676	-	(563,676)	-
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	6,073,812	62,128,562	110,588,807
<b>Total comprehensive income for the period</b>						
Profit for the nine months ended September 30, 2013	-	-	-	-	15,495,856	15,495,856
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	1,015,568	-	-	-	1,015,568
	-	1,015,568	-	-	15,495,856	16,511,424
<b>Transactions with owners, recorded directly in equity</b>						
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	(4,849,099)	(4,849,099)
Half year interim cash dividend paid at Rs. 4 per share	-	-	-	-	(5,334,009)	(5,334,009)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-
	1,212,275	-	-	-	(11,395,383)	(10,183,108)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	41,557	41,557
Transferred to statutory reserves	-	-	1,549,586	-	(1,549,586)	-
Balance as at September 30, 2013	13,335,023	13,238,538	19,590,301	6,073,812	64,721,006	116,958,680

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

President and Chief Executive Officer

Director

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**HABIB BANK LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	September 30, 2013	September 30, 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	23,687,573	26,120,191
Dividend income	(740,751)	(394,315)
Gain on sale of securities	(1,178,625)	(590,993)
	<u>(1,919,376)</u>	<u>(985,308)</u>
	21,768,197	25,134,883
<b>Adjustment for:</b>		
Depreciation	1,120,626	1,069,992
Amortisation	127,468	54,198
Reversal against diminution in the value of investments	(133,855)	(438,418)
Provision against non-performing loans and advances	935,184	4,142,742
Unrealised loss on held for trading securities	21,246	5,366
Exchange loss on sub-ordinated loans	365,618	243,240
Gain on sale of operating fixed assets - net	(26,552)	(8,316)
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(92,978)	35,372
	<u>2,318,280</u>	<u>5,104,176</u>
	24,086,477	30,239,059
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	8,128,505	26,828,766
Investments - held for trading	21,473,954	(26,276,774)
Advances	7,227,705	(25,116,926)
Other assets	(5,177,243)	(5,376,088)
	<u>31,652,921</u>	<u>(29,941,022)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	2,746,007	1,104,723
Borrowings from financial institutions	(138,064,097)	61,397,035
Deposits and other accounts	43,110,631	161,196,980
Other liabilities	3,049,845	4,067,986
	<u>(89,157,614)</u>	<u>227,766,724</u>
	(33,418,216)	228,064,761
Income tax paid - net	<u>(10,292,270)</u>	<u>(9,772,891)</u>
<b>Net cash flows from operating activities</b>	(43,710,486)	218,291,870
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments	22,417,260	(185,944,118)
Dividend income received	655,678	340,512
Fixed capital expenditure	(2,385,436)	(2,631,206)
Proceeds from sale of fixed assets	31,224	177,325
Proceeds from sale of non-banking asset	38,500	-
Exchange adjustment on translation of balances in foreign branches	1,015,568	1,591,049
<b>Net cash flows from / (used in) investing activities</b>	<u>21,772,794</u>	<u>(186,466,438)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated loan	(1,245,744)	-
Dividend paid	(9,764,896)	(8,380,213)
<b>Net cash flows used in financing activities</b>	<u>(11,010,640)</u>	<u>(8,380,213)</u>
(Decrease) / increase in cash and cash equivalents during the period	(32,948,332)	23,445,219
Cash and cash equivalents at beginning of the period	<u>170,031,055</u>	<u>133,367,065</u>
Effects of exchange rate changes on cash and cash equivalents	6,200,904	4,698,820
	176,231,959	138,065,885
Cash and cash equivalents at end of the period	<u><u>143,283,627</u></u>	<u><u>161,511,104</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

**1 STATUS AND NATURE OF BUSINESS**

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's Registered office is 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.

**2 STATEMENT OF COMPLIANCE**

These condensed interim unconsolidated financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements. The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim unconsolidated financial statements should be read in conjunction with the unconsolidated annual financial statements of the Bank for the year ended December 31, 2012.

**3 ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed unconsolidated financial statements are consistent with those followed in the preparation of the Bank's annual unconsolidated 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 Bank considers that the financial impacts due to the above referred changes in the revised IAS 19 are not material in context to the unconsolidated condensed interim financial statements for the period ended 30 September 2013.

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 unconsolidated condensed interim financial statements.

**4 ACCOUNTING ESTIMATES**

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2012.

**5 FINANCIAL RISK MANAGEMENT**

The Financial risk management objectives and policies adopted by Bank are consistent with that disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2012.

6. INVESTMENTS	Note	September 30, 2013			December 31, 2012		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
<b>Investments by type</b>							
<b>Held for Trading securities (HFT)</b>							
<b>Federal Government Securities</b>							
- Pakistan Investment Bonds		-	-	2,203,724	-	2,203,724	
- Market Treasury Bills		9,454,102	-	9,454,102	28,676,723	28,676,723	
<b>Fully paid-up ordinary shares</b>							
- Listed companies		-	-	-	31,195	31,195	
<b>Overseas Government Securities</b>							
		332,494	-	332,494	348,908	348,908	
		9,786,596	-	9,786,596	31,260,550	31,260,550	
<b>Held-to-maturity securities (HTM)</b>							
<b>Federal Government Securities</b>							
- Pakistan Investment Bonds	6.1	37,860,652	-	37,860,652	43,217,624	43,217,624	
<b>Debentures and Corporate Debt Instruments / Units</b>							
- Listed securities		-	-	-	210,064	210,064	
- Unlisted securities		7,879,516	-	7,879,516	4,003,414	4,003,414	
<b>Overseas Government securities</b>							
		13,233,754	-	13,233,754	12,198,340	12,198,340	
		58,973,922	-	58,973,922	59,629,442	59,629,442	
<b>Available-for-sale Securities (AFS)</b>							
<b>Federal Government Securities</b>							
- Market Treasury Bills		521,386,286	16,626,357	538,012,643	405,856,222	157,998,809	
- Pakistan Investment Bonds		47,189,970	-	47,189,970	46,136,502	-	
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		30,504,486	-	30,504,486	31,599,959	-	
<b>Overseas Government Securities</b>							
		473,366	-	473,366	2,482,359	-	
<b>Fully paid-up ordinary shares</b>							
- Listed companies		3,655,093	-	3,655,093	4,229,365	-	
- Unlisted companies		715,635	-	715,635	769,510	-	
<b>Debentures and Corporate Debt Instruments / Units</b>							
- Listed securities		15,623,049	-	15,623,049	11,446,544	-	
- Unlisted securities		15,220,660	-	15,220,660	12,665,068	-	
<b>NIT Units</b>		11,113	-	11,113	11,113	-	
<b>Preference shares</b>		250,000	-	250,000	100,000	-	
		635,454,658	16,626,357	652,081,015	515,721,642	157,998,809	
<b>Investment in Subsidiary Companies</b>	6.2	6,617,229	-	6,617,229	5,690,591	-	
<b>Investment in Associates and Joint Venture</b>	6.3	4,751,171	-	4,751,171	4,592,905	-	
		715,583,576	16,626,357	732,209,933	616,895,130	157,998,809	
Provision for diminution / impairment in the value of investments including associates	6.4	(1,340,025)	-	(1,340,025)	(1,473,880)	-	
<b>Net investment</b>		714,243,551	16,626,357	730,869,908	615,421,250	157,998,809	
(Deficit) / surplus on revaluation of held for trading securities		(21,246)	-	(21,246)	28,583	-	
(Deficit) / surplus on revaluation of available for sale securities	12.2	(1,143,776)	17,623	(1,126,153)	3,736,681	-	
<b>Total investments at market value</b>		<b>713,078,529</b>	<b>16,643,980</b>	<b>729,722,509</b>	<b>619,186,514</b>	<b>157,998,809</b>	
						<b>777,185,323</b>	

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2013 amounted to Rs. 59,557.584 million (2012: Rs. 61,533.198 million).

6.2 The Bank has invested £ 3.86 million to acquire 1,926,917 right shares of the Bank's subsidiary, Habib Allied International Bank, Plc. UK (HAIB). Further, HAIB 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 Bank has made further investment in the following associates during the period, consequently, shareholding has increased to:

	September 30, 2013	December 31, 2012
	<b>Shareholding %</b>	
Jubilee General Insurance Company Limited	17.20%	16.24%
Diamond Trust Bank Limited, Kenya	11.91%	11.68%

#### 6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	Note	September 30, 2013	December 31, 2012
		(Rupees in '000)	
Opening balance		1,473,880	1,996,585
Reversals		(13,773)	(189,908)
Impairment charge on listed securities		59,036	129,770
Impairment reversal on listed securities		(179,118)	(337,567)
Total reversals - net		(133,855)	(397,705)
Amount written off		-	(125,000)
Closing balance		<u>1,340,025</u>	<u>1,473,880</u>

#### 7 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	357,964,042	385,628,553
Outside Pakistan	<u>80,787,171</u>	<u>67,238,996</u>
	438,751,213	452,867,549

Net investment in finance lease - in Pakistan

5,299,908	4,591,123
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Bills discounted and purchased  
(excluding Government treasury bills):

Payable in Pakistan	10,852,666	12,122,572
Payable outside Pakistan	<u>39,550,979</u>	<u>32,180,550</u>
	50,403,645	44,303,122

Provision against non-performing advances

7.2	<u>(42,547,021)</u>	<u>(41,691,160)</u>
	<u>451,907,745</u>	<u>460,070,634</u>

**Fully provided non-performing advances classified as loss for more than five years**

In Pakistan	18,869,374	18,622,245
Provision	<u>(18,869,374)</u>	<u>(18,622,245)</u>
	<u>-</u>	<u>-</u>



- 7.1 Advances include Rs. 50,643.930 million (2012: Rs. 50,667.052 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, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,133,096	-	1,133,096	-	-	-	1,133,096	-	1,133,096
Substandard	5,728,482	1,243,697	6,972,179	1,403,734	278,344	1,682,078	4,324,748	965,353	5,290,101
Doubtful	2,667,412	866,752	3,534,164	1,305,252	355,082	1,660,334	1,362,160	511,670	1,873,830
Loss	30,237,178	8,767,313	39,004,491	28,706,493	8,257,295	36,963,788	1,530,685	510,018	2,040,703
	39,766,168	10,877,762	50,643,930	31,415,479	8,890,721	40,306,200	8,350,689	1,987,041	10,337,730
<b>General provision</b>	-	-	-	1,660,420	580,401	2,240,821	-	-	-
	39,766,168	10,877,762	50,643,930	33,075,899	9,471,122	42,547,021	8,350,689	1,987,041	10,337,730

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)								
<b>Specific provision</b>									
Other assets especially mentioned	610,771	-	610,771	-	-	-	610,771	-	610,771
Substandard	5,609,462	1,063,854	6,673,316	1,360,027	198,284	1,558,311	4,249,435	865,570	5,115,005
Doubtful	4,315,131	1,867,471	6,182,602	2,102,214	791,318	2,893,532	2,212,917	1,076,153	3,289,070
Loss	30,083,005	7,117,358	37,200,363	28,156,285	6,997,177	35,153,462	1,926,720	120,181	2,046,901
	40,618,369	10,048,683	50,667,052	31,618,526	7,986,779	39,605,305	8,999,843	2,061,904	11,061,747
<b>General provision</b>	-	-	-	1,532,092	553,763	2,085,855	-	-	-
	40,618,369	10,048,683	50,667,052	33,150,618	8,540,542	41,691,160	8,999,843	2,061,904	11,061,747

7.2 Particulars of provision against non-performing advances

Note	September 30, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	39,605,305	2,085,855	41,691,160	42,118,818	1,583,610	43,702,428
Exchange adjustment / other movement	635,839	4,950	640,789	60,798	36,773	97,571
Charge for the period / year	3,476,067	174,929	3,650,996	11,490,097	493,156	11,983,253
Reversals	(2,201,175)	(24,913)	(2,226,088)	(5,414,233)	(27,684)	(5,441,917)
	1,274,892	150,016	1,424,908	6,075,864	465,472	6,541,336
Write offs	(305,909)	-	(305,909)	(2,656,791)	-	(2,656,791)
Transferred to over 5 years category	(903,927)	-	(903,927)	(5,993,384)	-	(5,993,384)
Closing balance	40,306,200	2,240,821	42,547,021	39,605,305	2,085,855	41,691,160

- 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 September 30, 2013 would have been higher by Rs. 1,356.95 million and profit before taxation for the period ended September 30, 2013 would have been lower by approximately Rs 350.64 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. 882.016 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, 2013	December 31, 2012
		(Rupees in '000)	
Opening balance		18,622,245	13,640,851
Transferred to interest suspense		-	(18,617)
Reversals		(489,724)	(922,822)
Transferred during the period / year	7.2	903,927	5,993,384
Write offs		(167,074)	(70,551)
		18,869,374	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. 1,552.059 million as at September 30, 2013.

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

	September 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 bank or any of them either severally or jointly with any other persons:						
- in respect of executives * (Other than KMPs)	1,775,100	1,819,300	353,464	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	359,100	382,200	23,444	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the bank are interested as directors, partners, advisors or in the case of private companies as members	405,000	1,879,259	-	571,668	1,063,827	100,000
Debts due by subsidiary company	9,042	23,527	-	33,969	56,384	-

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

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

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

8 FIXED ASSETS

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Capital work-in-progress	1,213,835	1,713,276
Intangible assets	665,840	240,030
Tangible fixed assets	20,512,931	19,231,795
	<u>22,392,606</u>	<u>21,185,101</u>

8.1 Additions to fixed assets

	For the nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:		
<b>Capital work-in-progress</b>	1,269,932	696,976
<b>Intangible assets</b>	553,277	105,901
<b>Tangible fixed assets</b>		
Land	228,172	337,815
Building including related machinery	605,476	551,049
Furniture, fixtures and office equipments	1,541,331	919,981
Vehicles	65,764	19,484
	<u>4,263,952</u>	<u>2,631,206</u>

8.2 Disposal of fixed assets

The following disposals have been made from tangible fixed assets during the period:		
<b>Tangible fixed assets</b>		
Land	10,396	156,863
Building including related machinery	6,801	4,990
Furniture, fixtures and office equipments	353,326	213,928
Vehicles	26,596	27,689
	<u>397,119</u>	<u>403,470</u>

9 **BORROWINGS**

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	12,666,302	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,371,617	5,074,278
Long term finance - export oriented projects	589,316	974,062
Refinance facility for modernization of SMEs	11,608	12,649
Financing facility for Storage of Agricultural Produce	10,696	15,277
Repurchase agreement borrowings	16,613,359	157,998,809
	<u>35,262,898</u>	<u>180,920,105</u>
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings	8,335,000	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	895,602	1,186,682
Borrowings of overseas branches and subsidiary	9,551,000	8,501,810
	<u>10,446,602</u>	<u>9,688,492</u>
	<u>18,781,602</u>	<u>11,188,492</u>
	<u>54,044,500</u>	<u>192,108,597</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

<b>Customers</b>		
Current accounts - non-remunerative	339,496,025	281,887,233
Savings chequing account	552,596,860	486,575,662
Fixed deposits	281,337,037	354,430,663
	<u>1,173,429,922</u>	<u>1,122,893,558</u>
<b>Financial institutions</b>		
Current accounts - non-remunerative	5,365,027	4,086,107
Savings chequing account	4,438,713	4,490,688
Fixed deposits	1,041,944	9,694,622
	<u>10,845,684</u>	<u>18,271,417</u>
	<u>1,184,275,606</u>	<u>1,141,164,975</u>

11 **SUB-ORDINATED LOAN**

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

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

Note	September 30, 2013	December 31, 2012
	(Rupees in '000)	

Surplus / (deficit) arising on revaluation of:

- fixed assets	12.1	9,622,693	9,590,967
- investments	12.2	(730,366)	2,428,878
Surplus on revaluation of assets - net of deferred tax		<u>8,892,327</u>	<u>12,019,845</u>

12.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1		10,518,132	9,093,164
Surplus on revaluation of bank's properties recognised during the period / year		74,835	1,719,888
Deficit / (surplus) realised on disposal of revalued properties during the period / year		3,136	(155,285)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(44,693)	(90,185)
Related deferred tax liability of incremental depreciation charged during the period / year		(24,065)	(48,577)
Related deferred tax asset / (liability) on disposal of revalued properties		24	(873)
Surplus on revaluation of fixed assets as at period / year end		<u>10,527,369</u>	<u>10,518,132</u>

Less: related deferred tax liability on:

- revaluation as at January 1		927,165	783,656
- revaluation of bank's properties recognised during the year		1,552	192,959
- surplus realised on disposal of revalued properties during the period / year		24	(873)
- incremental depreciation charged during the period / year transferred to profit and loss account		(24,065)	(48,577)
		<u>904,676</u>	<u>927,165</u>
		<u>9,622,693</u>	<u>9,590,967</u>

12.2 **Surplus / (deficit) on revaluation of investments**

Market Treasury Bills		(707,327)	1,863,369
Pakistan Investment Bonds		(926,296)	1,490,249
Government of Pakistan Sukuk and US Dollar / Euro Bonds		60,025	(95,595)
Listed Securities		316,627	212,728
NIT Units		16,698	11,283
Other Investments		114,120	254,647
		(1,126,153)	3,736,681
Related deferred tax asset / (liability)		395,787	(1,307,803)
		<u>(730,366)</u>	<u>2,428,878</u>

13 **CONTINGENCIES AND COMMITMENTS**

13.1 **Direct credit substitutes - financial guarantees**

Guarantees in favour of:

- Government		263,053	306,856
- Financial institutions		295,000	295,000
- Others		33,402,036	35,371,437
		<u>33,960,089</u>	<u>35,973,293</u>

13.2 Transaction-related contingent liabilities	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Guarantees in favour of:		
- Government	657,372	535,006
- Financial institutions	1,483,345	3,610,133
- Others	39,573,791	39,724,102
	<u>41,714,508</u>	<u>43,869,241</u>

### 13.3 Trade-related commitments

Credit cash	70,747,713	75,837,119
Credit documentary acceptances	15,288,184	18,535,338
Credit acceptances	37,117,201	34,790,322
	<u>123,153,098</u>	<u>129,162,779</u>

### 13.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>34,336,299</u>	<u>33,445,873</u>
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### 13.5 Commitments in respect of forward lending

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

13.6 Commitments in respect of forward foreign and local exchange contracts	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Purchase	215,032,272	161,434,192
Sale	213,858,070	161,344,507

The above commitments have maturities falling within one year.

#### Commitments in respect of foreign currency options

Purchase	682,599	1,317,948
Sale	682,599	1,317,948

#### Commitments in respect of cross currency swaps

Purchase	574,799	3,659,009
Sale	574,799	3,659,009

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

Purchase	282,834	444,199
Sale	527,834	291,449

13.7 Commitments for acquisition of fixed assets / intangibles	966,387	663,125
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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 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. 1.629 billion.

14 **MARK-UP / RETURN / PROFIT EARNED**

	<u>For the nine months ended</u>	
	<u>September 30,</u> 2013	<u>September 30,</u> 2012
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	33,892,511	38,451,609
- Financial institutions	174,469	241,845
 <i>On investments:</i>		
- Available-for-sale	48,621,287	37,107,796
- Held-for-trading	1,205,292	869,001
- Held-to-maturity	3,656,107	3,760,180
 On deposits with financial institutions	725,508	866,893
On lendings to financial institutions	1,126,533	1,583,524
	<u>89,401,707</u>	<u>82,880,848</u>

15 **MARK-UP / RETURN / PROFIT EXPENSED**

Deposits	42,434,808	36,604,694
Securities sold under repurchase agreement borrowings	5,894,156	1,756,231
Other short term borrowings	1,437,714	1,830,236
Long term borrowings	356,883	304,052
	<u>50,123,561</u>	<u>40,495,213</u>

16 **RELATED PARTY TRANSACTIONS**

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

Banking transactions with the related parties are executed 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 unconsolidated 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:

	September 30, 2013					Other Related Party
	Individual and companies related through					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	
-----Rs. in 000-----						
<b>Statement of financial position</b>						
Deposits	-	2,918,071	211,195	2,575,896	-	1,469,590
Maximum Deposits During the period	-	4,208,820	902,439	7,737,354	104,392	3,833,229
Borrowings	-	888,240	755,694	-	-	-
Investments	-	-	12,206,333	4,743,974	-	-
Markup / Other Receivable	-	-	-	95,912	-	-
Mark-up / Other Payable	-	-	-	-	-	185,141
Placements / Lendings	-	1,032,500	5,779,136	-	-	-
Overdrawn Nostro	-	632,099	-	373,184	-	-
Impairment provision	-	-	-	573,261	-	-
<b>Profit and Loss</b>						
Interest / Other Income	-	89,255	228,716	1,089,122	-	-
Interest / Other Expense	-	330,041	26,565	623,482	-	505,573
Dividend income	-	-	-	212,303	73,816	-
<b>Others</b>						
Other contingencies	-	282,742	-	-	-	-
Securities Held as custodian	-	7,946,960	1,549,500	30,006,570	-	14,793,640
-----Rs. in 000-----						
<b>December 31, 2012</b>						
Individual and companies related through						
Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture		
-----Rs. in 000-----						
<b>Statement of financial position</b>						
Deposits	-	3,876,800	731,891	6,934,694	-	2,961,756
Maximum Deposits During the period	-	3,942,716	812,286	7,090,210	-	2,963,637
Borrowings	-	726,107	278,539	-	-	-
Investments	-	-	10,807,025	4,585,708	-	-
Markup / Other Receivable	-	-	-	220,000	-	-
Mark-up / Other Payable	-	-	-	-	-	1,111,253
Placements / Lendings	-	1,330,363	7,212,257	-	-	-
Overdrawn Nostro	-	656,893	-	292,891	-	-
Impairment provision	-	-	-	573,261	-	-
<b>Profit and Loss</b>						
Interest / Other Income	-	221,970	129,696	1,249,676	-	-
Interest / Other Expense	-	324,603	10,397	679,922	-	170,711
Dividend income	-	-	-	158,791	71,585	-
<b>Others</b>						
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 nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	921,584	833,132
Contribution to provident and benevolent fund	18,205	16,972
Medical	32,676	27,261
	<u>972,465</u>	<u>877,365</u>
Number of persons	151	147

## 17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2013					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(27,471)	17,918	45,152	3,975	(296)	39,278
Inter segment revenue - net	48,616	(13,572)	(42,269)	-	7,225	-
Non-funded income	5,103	1,888	3,569	2,047	(2,293)	10,314
Net interest and non-markup income	26,248	6,234	6,452	6,022	4,636	49,592
Total expenses including provision (excluding impairment)	11,916	1,395	79	4,663	7,972	26,025
Impairment against investments	-	-	(114)	-	(6)	(120)
Inter segment administrative cost	5,421	1,084	156	597	(7,258)	-
Total expenses including provision	17,337	2,479	121	5,260	708	25,905
Net income before tax	8,911	3,755	6,331	762	3,928	23,687
Segment assets gross	129,056	333,302	716,667	235,106	61,569	1,475,700
Segment non-performing loans	8,836	30,858	-	10,878	72	50,644
Segment provision required including general provision	8,112	25,352	185	9,533	1,022	44,204
Segment liabilities including equity	919,115	130,886	28,592	131,974	220,929	1,431,496
Segment gross earnings on liability / asset %	9.29%	9.89%	9.22%	5.36%	2.71%	-
Segment cost of funds %	5.45%	7.52%	8.14%	1.60%	0.96%	-
	----- (Rupees in million) -----					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
Net interest income - External	(23,365)	24,201	38,022	3,689	(161)	42,386
Inter segment revenue - net	50,510	(19,352)	(36,854)	-	5,696	-
Non-funded income	3,654	1,882	2,108	1,584	(139)	9,089
Net interest and non-markup income	30,799	6,731	3,276	5,273	5,396	51,475
Total expenses including provision (excluding impairment)	11,258	4,024	160	3,774	6,393	25,609
Impairment against investments	-	-	(140)	-	(114)	(254)
Inter segment administrative cost	4,444	889	128	490	(5,951)	-
Total expenses including provision	15,702	4,913	148	4,264	328	25,355
Net income before tax	15,097	1,818	3,128	1,009	5,068	26,120
Segment assets gross	126,869	364,401	601,562	172,482	85,906	1,351,220
Segment non-performing loans	10,240	33,377	-	11,585	77	55,279
Segment provision required including general provision	7,398	27,503	370	10,467	1,879	47,617
Segment liabilities including equity	832,208	117,655	76,728	91,161	185,851	1,303,603
Segment gross earnings on liability / asset %	11.14%	11.81%	10.72%	4.47%	4.77%	-
Segment cost of funds %	5.70%	9.32%	9.90%	1.56%	0.91%	-



18 **ISLAMIC BANKING BUSINESS**

The statement of financial position of the Islamic Banking Business is as follows:

		September 30, 2013	December 31, 2012
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,868,373	1,710,844
Balances with other banks		-	402,282
Due from Financial Institutions		3,800,000	5,480,000
Investments - net		25,097,793	22,223,692
Islamic financing and related assets	18.1	6,371,067	2,447,323
Due from Head Office		218,976	-
Deferred tax asset		-	34,036
Other assets		1,113,633	745,727
		<u>38,469,842</u>	<u>33,043,904</u>
<b>LIABILITIES</b>			
Bills payable		848	457
Due to Financial Institutions		1,584,076	576,000
Deposit and other accounts		-	-
Current Accounts		4,421,282	2,697,055
Savings Accounts		17,540,634	11,417,392
Term Deposits		9,037,624	7,087,919
Deposits from financial institutions- remunerative		4,261,571	9,825,657
Deposits from financial institutions- non -remunerative		37,816	8,360
Due to Head office		-	240,544
Deferred tax liability		7,642	-
Other liabilities		638,610	544,192
		<u>37,530,103</u>	<u>32,397,576</u>
<b>NET ASSETS</b>		<u>939,739</u>	<u>646,328</u>
<b>REPRESENTED BY:</b>			
Islamic banking fund		250,000	250,000
Reserves		459,537	310,438
Unappropriated profit		216,009	149,099
		<u>925,546</u>	<u>709,537</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax		14,193	(63,209)
		<u>939,739</u>	<u>646,328</u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 78.337 million (2012 Rs. 143.332 million).

18.1	<b>Islamic financing and related assets</b>			
	Murabaha	18.1.1	254,627	383,099
	Ijarah	18.1.2	223,279	329,832
	Musharaka		1,693,212	1,038,307
	Advance for Murabaha		99,426	38,577
	Advance for Ijarah		1,131	3,858
	Istisna		3,107,501	326,000
	Assets/Inventories		991,891	327,650
			<u>6,371,067</u>	<u>2,447,323</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. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on October 25, 2013.

President and Chief Executive Officer

Director

Director

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